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REIGN OPERATIONS APPROPRIATIONS FOR 1965

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

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

PART 1

EXPORT-IMPORT BANK
INTER-AMERICAN DEVELOPMENT BANK
INTERNATIONAL DEVELOPMENT ASSOCIATION
MILITARY ASSISTANCE PROGRAM
REFUGEE PROGRAMS
RYUKYU ISLANDS, ARMY
STATEMENT OF THE SECRETARY OF STATE

Printed for the use of the Committee on Appropriations

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FOREIGN OPERATIONS APPROPRIATIONS FOR 1965

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FOREIGN OPERATIONS AND RELATED AGENCIES APPROPRIATION BILL, 1965

MONDAY, MARCH 16, 1964.

EXPORT-IMPORT BANK OF WASHINGTON

WITNESSES

HAROLD F. LINDER, PRESIDENT AND CHAIRMAN OF THE BOARD
WALTER C. SAUER, FIRST VICE PRESIDENT AND VICE CHAIRMAN
GLENN E. McLAUGHLIN, VICE PRESIDENT FOR PROGRAM PLANNING AND INFORMATION
CLARK L. SIMPSON, TREASURER-CONTROLLER

LIMITATION ON ADMINISTRATIVE EXPENSES

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
11	Personnel compensation:			
	Permanent positions	2,234	2,609	2,842
	Positions other than permanent	26	22	25
	Other personnel compensation	17	43	34
	Add excess of annual leave earned over leave taken	28	25	36
	Total personnel compensation	2,305	2,699	2,937
12	Personnel benefits	160	195	216
21	Travel and transportation of persons	69	111	111
22	Transportation of things	1	2	3
23	Rent, communications, and utilities	260	311	403
24	Printing and reproduction	27	30	32
25	Other services	34	35	39
	Services of other agencies	65	72	32
26	Supplies and materials	38	45	52
	Total, accrued administrative expenses—costs	2,959	3,500	3,825

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	293	319	346
Full-time equivalent of other positions	3	4	4
Average number of all employees	276	303	330
Employees in permanent positions, end of year	285	307	327
Employees in other positions, end of year	12	12	14
Average GS grade	8.5	8.6	8.6
Average GS salary	$8,323	$8,757	$8,700

EXPORT-IMPORT BANK OF WASHINGTON

Program and financing

[In thousands of dollars]

	Administrative reservations			Costs and obligations		
	1963 actual	1964 estimate	1965 estimate	1963 actual	1964 estimate	1965 estimate
Program by activities:						
Loan program:						
Operating costs, funded:						
Interest on borrowings				51,134	41,100	21,000
Interest on advances under letters of credit					500	500
Administrative expenses subject to limitation				2,516	2,920	3,135
Other expenses				91	150	150
Total operating costs, funded				53,741	44,670	24,785
Change in selected resources [1]				9		
Total operating obligations				53,750	44,670	24,785
Capital outlay:						
Long-term project and equipment loans	525,029	959,000	944,000	450,447	576,887	582,588
Exporter loans	39,927	2,000	1,000	10,685	19,806	16,600
Commodity loans	79,850	63,000	63,000	752		
Emergency foreign trade loans	35,000	95,000	220,000	46,305	71,500	121,000
Subtotal	679,806	1,119,000	1,228,000	508,189	668,193	720,188
Reinstatement of prior year obligations:						
Sale of loans with recourse	5,005	80,000	124,500			
Liquidation of loans sold with recourse			−11,429			
Sale of portfolio certificates with recourse	250,000	500,000	700,000			
Liquidation of portfolio certificates	−30,000	−65,714	−137,140			
Guaranteed agent bank loans	−39,132	−4,126				
Adjustments in prior year reservations	−493,906	−203,980	−207,180			
Adjustments in current year reservations	−39,874	−45,000	−45,000			
Administrative reservations, start of year	935,652	575,575	500,000			
Administrative reservations, end of year	−575,575	−500,000	−600,000			
Change in selected resources [1]				58,617	767,562	831,563
Adjustments in selected resources (loan obligations)				125,170	20,000	
Total capital outlay obligations	691,976	1,455,755	1,551,751	691,976	1,455,755	1,551,751
Total loan program (obligations)				745,726	1,500,425	1,576,536
Other: Purchase of equipment—capital outlay				31	50	50

Guarantee and insurance program:						
Operating costs, funded:						
Claims paid				44	50	60
Administrative expenses subject to limitation				443	580	690
Total operating costs, funded				487	630	750
Changes in selected resources: [1]						
Export-Import Bank:						
Short- and medium-term guarantees				[2] 34,683	121,964	136,300
Consignment insurance				9,685		
Foreign Credit Insurance Association:						
Commitment to FCIA, short-term insurance				85,000	165,000	230,000
Medium-term insurance				28,456	31,944	52,700
Subtotal				157,824	318,908	419,000
Less adjustment for prior year obligations transferred from loan program				−10,000		
Amount not obligated under fractional reserve basis				−108,369	−239,181	−314,250
Guarantees and insurance on 25 percent reserve basis				39,455	79,727	104,750
Expiration of Export-Import Bank short- and medium-term guarantees, fully reserved basis (prior to Oct. 4, 1961)				−9,752	−1,422	−100
Total changes in selected resources				29,703	78,305	104,650
Total guarantee and insurance program, obligations				30,190	78,935	105,400
Total obligations				775,947	1,579,410	1,681,986
Financing:						
Revenues and other receipts:						
Loan program:						
Loans repaid [3]				444,075	487,597	543,260
Sale of portfolio certificates with recourse				250,000	500,000	700,000
Sale of loans with recourse				5,005	80,000	124,500
Sale of loans without recourse				80,766	123,000	84,000
Interest revenue from loans [4]				166,047	167,870	144,290
Guarantee and insurance program: Fees and premiums collected				1,880	2,950	3,714
Total revenues and other receipts				947,773	1,361,417	1,599,764
Unobligated balance brought forward (authorization to expend from public debt receipts)				2,562,704	2,824,760	2,576,767
Recovery of prior year obligations:						
Loan program				122,730	20,000	
Guarantee and insurance program				2,500		
Capital transfer: Payment of earnings				−35,000	−50,000	−50,000
Unobligated balance carried forward (authorization to expend from public debt receipts)				−2,824,760	−2,576,767	−2,444,545
Financing applied to program				775,947	1,579,410	1,681,986

[1] Balances of selected resources are identified on the statement of financial condition.

[2] Includes prior year obligation of $10,000,000 transferred from loan program.

[3] Principal receipts are net of portion due holders of portfolio certificates: 1963 $30,000,000; 1964, $65,714,000; 1965, $137,140,000, differing to this extent from Export-Import Bank's annual report to Congress.

[4] Interest receipts are net of portion due holders of portfolio certificates: 1963, $13,892,000; 1964, $24,130,000; 1965, $40,710,000, differing to this extent from Export-Import Bank's annual report to Congress.

Object classification

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
25 Other services	81	133	133
Services of other agencies	10	17	17
31 Equipment	31	50	50
33 Investments and loans	506,103	945,595	875,820
42 Insurance claims and indemnities	29,747	78,355	104,710
43 Interest	51,134	41,600	21,500
Accrued administrative expenses—see separate schedule	2,959	3,500	3,825
Change in selected resources applicable to administrative expenses	9		
Subtotal	590,074	1,069,250	1,006,055
33 Investments and loans: Reinstatement of prior year obligations	185,873	510,160	675,931
Total obligations	775,947	1,579,410	1,681,986

Mr. PASSMAN. The committee will come to order. Inasmuch as the Export-Import Bank items are referred to the Foreign Operations Subcommittee on Appropriations, we have decided to consider those requests first.

EDITORIAL FROM THE OAKLAND TRIBUNE

Before proceeding into the regular foreign aid budget estimates, I should like to insert in the record an editorial from the Oakland Tribune for March 11, 1964.

(The article referred to follows:)

DEAN RUSK SPEAKS OUT

According to Secretary of State Dean Rusk, Americans who are cynical about the effectiveness of the U.S. foreign aid program and translate their cynicism into opposition to it, are indirectly responsible for Communist gains in Asia, Africa, and Latin America.

That is to say, in the Rusk view, that what has been taking place in Laos, in Cambodia, South Vietnam, Brazil, Zanzibar, Ghana, Algeria, and Morocco—all of which points to a progressive erosion of U.S. prestige and gains for communism—is due not to policy failures by the United States, but to opposition to pouring out the taxpayers' hard-earned billions into foreign programs.

That appears to be an attempt to evade the saddening truth that American prestige is lower than at any time in the Nation's history as a major power because of policies of trying to buy or talk our way out of challenges rather than meeting them head on.

In recent months, when the United States hashed the opportunity rather than take a stand based on strength we have fatuously taken the pressure off communism. We have acted to bolster staggering economies; we have accepted with docility the blunt refusal of so-called allies to join in a common program of containment; we have dealt with their disregard in that respect with gentle slaps on the wrist.

Rusk did have the grace to admit that there has been waste in foreign aid, that help has gone to corrupt governments, that nations critical of U.S. foreign policy have received assistance. But that graciousness was erased by his declaration that despite waste, corruption, and opposition, the United States should continue to pour out more and more billions.

These observations by Rusk were made at Madison, Wis., in the first of a series of addresses across the Nation on foreign policy. It was not clear in this initial effort whether his tour is designed to achieve a political purpose, but there was a tinge of rabble rousing intentions in some of his language.

He branded opposition to foreign aid as "a prescription for defeat and disaster."

In the light of recent developments around the world, opponents to foreign aid would say that foreign aid itself is "a prescription to defeat and disaster."

Mr. PASSMAN. Our first witness today is the Honorable Harold F. Linder, President and Chairman of the Board of the Export-Import Bank. If you have a statement to make, sir, we shall be glad to hear from you.

Mr. LINDER. Thank you.

GENERAL STATEMENT

May I open, Mr. Chairman, by saying that I believe the record of the Export-Import Bank is one in which the Congress, the management of the Bank past and present, and the staff can take much satisfaction. From its establishment in 1934 through December 1963, the Bank authorized almost $14 billion in loans of all types in assisting the oversea trade of the United States.

In addition, guarantees to private financial institutions and export credit insurance provided jointly with the Foreign Credit Insurance Association have aggregated somewhat more than $2 billion in authorizations since these programs were initiated a few years ago.

MAJOR ACTIVITIES

Mr. Chairman, although you and the committee are familiar with the general operations of the Bank, I should like to submit for the record a brief description of our major activities through calendar 1963.

LONG-TERM PROJECT LENDING

Long-term project lending has traditionally constituted the great bulk of the Bank's activities. These credits finance the purchase of U.S. equipment and services for use in manufacturing, mining, transportation, electric power, and other enterprises overseas. Through these loans thousands of U.S. manufacturers and suppliers are enabled to make export sales they would otherwise not make and also to receive prompt payment on their sales. Although the number of prime or major suppliers associated with a particular project is small, the number of orders going to subcontractors for such a project is usually large, often a thousand or more.

The Bank, by financing sound projects, has helped make U.S. equipment and skills known throughout the world. From these projects there is an important continuing flow of orders to U.S. producers for replacement parts, additional equipment, operating supplies, and technical services. In order to strengthen the ability of U.S. suppliers to take part in these important projects, the Bank has recently lowered its standard interest rate from 5¾ to 5½ percent.

EMERGENCY FOREIGN AID CREDIT

At times, the Bank can effectively protect U.S. interests in trading with friendly countries by extending an emergency foreign trade credit. The Bank makes this type of credit available when the foreign exchange difficulties of a country, which is a good customer of the United States, threaten temporarily to impede or curtail the country's normal level of imports from the United States.

According to our general policy, the dollars lent by the Bank under these credits are tied to U.S. purchases. Sometimes the formal action

authorizing such a credit is all that is necessary, evidencing as it does that the country involved has financial support at hand. Thus, the difficulties of a foreign country may be resolved without its having to draw all or even part of our credit.

FCIA EXPORT CREDIT INSURANCE PROGRAMS

The export credit insurance programs of the Foreign Credit Insurance Association reflect a continuing desire to accommodate the needs of U.S. exporters. Since February 1962 the beginning of the short-term comprehensive risk insurance program, through December 31, 1963, the FCIA issued 1,549 of these policies in the amount of $609 million. The newer short-term insurance covering only political risk, from its inception in January 1963, through December 31, 1963, was issued in the amount of $51 million. During fiscal year 1965 it is estimated the FCIA will approve renewals and new authorizations under both short-term programs of about 2,000 policies in the amount of approximately $1 billion.

Under the medium-term insurance program, comprehensive risk policies (available since July 1962) and political risk policies (available since January 1963) were issued in the total amount of $33 million through December 31, 1963. In fiscal year 1965 it is estimated that about 1,000 medium-term policies will be authorized in the amount of about $80 million.

COMMERCIAL BANK GUARANTEE PROGRAM

The commercial bank guarantee program of the Export-Import Bank provides nonrecourse financing of medium-term transactions to U.S. exporters on a case-by-case basis. The guarantee program is important in financing three different groups of products—aircraft, items of capital equipment, and agricultural commodities.

For jet aircraft, the term is 7 years; for industrial equipment, generally 5 years or less; and for agricultural commodities, usually 12 to 18 months. From the beginning of this guarantee program in October 1961, through December 31, 1963, guarantees have been issued in the face amount of $659.6 million. We believe as time goes on, this procedure will stimulate additional commercial banks in smaller centers throughout the country to take an increasingly active role in financing our export trade without recourse on the exporters. In fiscal year 1965, we estimate that new guarantees will approach $300 million.

OTHER ACTIVITIES

Other programs of the Export-Import Bank, much smaller than those described above, include direct commodity and exporter credits which have now been largely replaced by the Bank's guarantee and insurance programs, and consignment insurance under which cotton and tobacco awaiting sale abroad may be insured against expropriation and civil strife.

The Bank is also prepared to guarantee against loss on other consignment sales or on goods exhibited abroad.

To private business, the several programs of the Bank are significant because they make possible the sale abroad by our factories and

farms of all manner of goods and services—ranging from jet aircraft to small tools and agricultural equipment, from cotton to breeding cattle, from electric generators to consumer goods. To the international financial position of the country, the Bank's loan, guarantee, and insurance programs are also of great significance because of the contributions they make to the improvement in our adverse balance-of-payments position. When credits authorized by the Bank are disbursed, the effect on the U.S. balance of payments is neutral except, of course, for the favorable effect of the buyer's downpayment.

But the subsequent receipt by the Bank of interest and principal on its loans becomes an important credit item in the U.S. balance of payments. In fiscal year 1963, the Bank's total contribution to this balance exceeded $700 million.

BANK OPERATING GUIDELINES

In the operations described above, the Bank uses these basic principles as guidelines:

1. All our loans are made and are repayable in dollars.
2. Loans and guarantees are extended for the primary purpose of promoting the exports of materials, equipment, and services produced or manufactured in the United States.
3. Loans are generally made only for specific purposes.
4. All of our loans must offer reasonable assurance of repayment.
5. The Bank supplements and encourages the utilization of private capital and endeavors not to compete with it.

Legislation passed by the Congress last August extended the life of the Bank through June 30, 1968, increased its lending authority by $2 billion to $9 billion, and increased the limitation on outstanding guarantees and insurance (issued under a fractional reserve) from $1 billion to $2 billion.

CREDIT GUARANTEES FOR SALES OF FARM PRODUCTS TO SOVIET BLOC COUNTRIES

In October of last year, President Kennedy notified the Congress that the U.S. Government had decided to allow sales of surplus agricultural products to the Soviet Union and other Eastern European countries.

Shortly thereafter bills and amendments to pending legislation were introduced to prohibit the Export-Import Bank from guaranteeing credits which American commercial banks might grant in order to facilitate such sales.

After full hearings before the Senate Banking and Currency Committee, one of these bills came to a vote and was defeated by the Senate. Later, the Congress adopted an amendment to this committee's foreign assistance appropriation bill of 1964, which provided that such guarantees of the Export-Import Bank could be given only if the President determined that they were in the national interest.

On February 4, 1964, President Johnson did determine that it was in the national interest for the Export-Import Bank to issue such guarantees with respect to U.S. agricultural products to be sold to the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria, and any U.S. products and services to be sold to Yugoslavia.

Before the restrictive proposals were introduced in Congress, the Bank had agreed to guarantee six transactions for corn and three for wheat to Hungary. On these sales totaling $23.5 million, the Bank guaranteed the financed portion and interest thereon for a total of $18.5 million.

Since the President's determination on February 4, the Bank has authorized guarantees for four additional transactions to Hungary—two for cotton and two for soybean meal. On these sales of about $2.8 million, the guarantees amount to about $2.3 million, including interest. These guarantees were reported to the Congress. No other guarantees have been authorized to cover sales to Communist countries.

STATUS OF FINANCIAL OPERATIONS

During its existence through December 1963, the Bank has authorized some $13.9 billion in loans—as I stated earlier—and disbursed against them approximately $9.3 billion. The difference between these two figures represents cancellations, participations by others, and undisbursed commitments. Repayments of principal on these disbursed loans through the same date have amounted to 60 percent or some $5.7 billion.

Thus, outstanding loans total $3.6 billion. Total outstanding guarantees and insurance policies amounted to $1.1 billion. Collections of interest and fees from all sources have amounted to $1.7 billion. From its income the Bank by the end of the present fiscal year will have paid the U.S. Treasury nearly $500 million in interest on borrowed funds and will have paid or declared somewhat more than $400 million in dividends on the Bank's capital stock of $1 billion. By that time, the reserve against contingencies, which is the undistributed earnings, will be about $885 million.

The level of lending operations for fiscal year 1965 is reflected in the estimated new credits, consisting of project credits of over $900 million, emergency foreign trade credits of over $200 million, and commodity credits of about $60 million. Total authorizations are projected at about $1.2 billion.

In addition, it is estimated that short and medium-term guarantees and insurance will be issued in the amount of $1.3 billion. After allowance for expirations and other adjustments, the net increase in the amount of guarantees and insurance outstanding on June 30, 1965, is expected to be reduced to $418 million. The resulting charge to the Bank's lending authority based upon the 25 percent reserve authorized under our 1961 legislation would be just over $104 million.

The entire amount of the operating expenses of the Bank comes out of gross earnings which are estimated at $188.7 million for fiscal year 1965. From gross earnings, it is anticipated that about $62 million will be paid out for interest, $4 million for administrative and other expenses, and $50 million as the annual dividend on the Bank's capital stock.

The $72 million of earnings expected to remain after operating expenses, interest, and the previous year's dividends to the U.S. Treasury will be carried to the Bank's retained earnings reserve, which it is estimated will exceed $1 billion as of June 30, 1965.

The operating results for the fiscal year 1963 showed net income of $113.7 million after providing for interest payments of $65 million.

For fiscal year 1964 net income is estimated at $125.5 million after allowance for interest of $66 million.

The committee may be interested to know that the Bank, which for 8 years prior to 1961 declared an annual dividend to the Treasury of $22.5 million, increased this amount to $30 million at the end of fiscal year 1961, to $35 million at the end of 1962, and to $50 million at the end of 1963. We have budgeted a $50 million dividend for 1964 and also for 1965.

OPERATING EXPENSE LIMITATIONS

Mr. Chairman, the Bank may be called upon without prior notice to meet large but valid requests for loans and guarantees. This may present the Bank with a serious problem, even though we have been able to live within the limitations on operations established by this committee for the past 3 years.

Moreover, the record shows clearly that the Bank each year has used only that part of the limitation which has been needed for sound loans, guarantees, and insurance. Therefore, Mr. Chairman, in view of the recommendation in the President's budget and in the light of Bank's record I urge that the committee refrain from placing a limit on our total operations for the fiscal year 1965.

The requested limitation of $3,825,000 on administrative expenses, as shown in the budget for fiscal year 1965, is $325,000 more than the amount approved for fiscal year 1964.

PAY ACT INCREASES

Approximately $129,000 of this increase is necessitated by salary adjustments resulting from congressional legislation in existence for only 6 months of fiscal year 1964. Apart from this salary adjustment the requested increase is therefore only $196,000.

ADDITIONAL PERMANENT POSITIONS REQUESTED

To carry on its operations in fiscal year 1963, the Bank had 295 permanent positions available, and for fiscal year 1964 the number is 321. For fiscal year 1965, the request is 348 positions. This modest increase in staff is considered essential to handle the volume of assistance to U.S. exporters which is estimated to grow markedly from 1963 to 1965. I am convinced that our request for administrative expenses of $3,825,000 is necessary for us to conduct properly and expeditiously the various phases of our lending programs.

PROPOSED REVISION OF THE ADMINISTRATIVE EXPENSE LIMITATION

We are also requesting a revision within our administrative expense limitation so that individuals on a consulting basis may be compensated at rates not to exceed $100 per diem rather than the present $75 per diem. The $100 rate is the present standard allowance throughout the Government.

SUMMARY OF BUDGET REQUEST

In conclusion, Mr. Chairman, let me assure you we have been guided by President Johnson's stress on economy. We have kept our request

as low as possible. But in order to perform our functions as determined by Congress and to give assistance to the drive to expand exports, we have an urgent need for an increase in competent personnel—personnel to process the Bank's growing volume of insurance and guarantees; to analyze carefully the economic conditions of the countries in which we make loans; to make sound financial judgments on our prospective borrowers; to advise on the engineering phases of our projects; to safeguard our loans and guarantees and give us sound legal advice; to assure that only proper disbursements are made and that principal and interest payments are received on time; and to provide the management with timely analysis of our operations. The employment of a limited number of additional people in the next fiscal year will have a negligible impact on our earnings and be well worth the additional administrative expense requested.

May I emphasize, Mr. Chairman, what I said to this committee a year ago, that from many years of experience in private business, I can assure you that supervising the portfolio of the Export-Import Bank and carrying on the many related functions is far more complicated than caring for a private investment portfolio.

However, if we applied the rule of thumb of the private financial community that supervision of an investment portfolio should cost between one-eighth and one-fourth of 1 percent of the principal amount involved, then we would be spending more than double the amount which we have requested.

Consequently, I feel that our request for administrative expenses is minimal when we refer to $3,825,000 for fiscal year 1965. It represents an increase of but $196,000 (after deductions, of course, of the $129,000 of upward salary changes enacted by Congress) from the 1964 level.

Thank you very much. I am at your disposal.

Mr. PASSMAN. Thank you very much, Mr. Linder. We shall insert in the record at this point the appropriate pages with respect to the agency's budget.

(The material supplied follows:)

Budgetary request, 1965

[In thousands of dollars]

Long-term project and equipment authorizations	944,000
Exporter authorizations	1,000
Commodity authorizations	63,000
Emergency foreign trade authorizations	220,000
Subtotal	1,228,000
Less: Cancellations and participations in current authorizations issued during year	45,000
Net loan authorizations	1,183,000
Guarantees and insurance $1,324,000, less repayments and cancellations $968,000, charged on fractional reserve basis where applicable, net charge	104,650
Total	1,287,650
Interest and nonadministrative expense	62,360
Equipment and all other	50
Total other than for administrative expense	1,350,060
Administrative expense	3,825

Analysis of guarantees and insurance authorized

[In millions of dollars]

	1963 fiscal year actual	1964 fiscal year estimate	1965 fiscal year estimate
Exporter guarantees	142.0	210	260
Commodity export guarantees	77.1		
FCIA insurance	[1] 615.3	797	1,061
Consignment insurance	[2] 15.6	3	3
Total guarantees and insurance	850.0	1,010	1,324
Transfer from loan program		60	63
Subtotal	850.0	1,070	1,387
Less repayments and cancellations	712.0	753	968
Net authorizations	138.0	317	419
Charged on fractional basis as applicable	27.0	78	105

[1] Includes $46,000,000 allocated to Foreign Credit Insurance Association for short-term comprehensive and political risk policies not yet issued. ($569.3+$46.0=$615.3.)

[2] Includes $9,800,000 allocated for consignment insurance for which policies were not issued. ($5.8+$9.8=$15.6.)

Position with respect to lending, guarantee, and insurance authority

[In millions of dollars]

	June 30, 1963, actual	Fiscal year 1964		June 30, 1965, estimate
		Dec. 31, 1963, actual	June 30, 1964, estimate	
Charges against authority:				
Loan program:				
Outstanding loans	3,295.6	3,123.4	2,728.8	1,943.7
Undisbursed authorizations	1,561.5	1,372.0	1,538.4	1,803.8
Participation certificates	520.0	487.1	954.3	1,517.2
Guaranteed agent bank loans	4.1			
Loan maturities sold with recourse	5.0	5.0	85.0	198.1
Subtotal	5,386.2	4,987.5	5,306.5	5,462.8
Export guarantees and insurance program:				
Foreign Credit Insurance Association:				
Short-term insurance commitment	585.0	620.0	750.0	980.0
Medium-term insurance	28.5	45.8	60.4	113.1
Eximbank:				
Medium-term guarantees	264.3	386.5	384.9	521.1
Consignment insurance	10.0	10.0	10.0	10.0
	887.8	1,062.3	1,205.3	1,624.2
Less 75 percent of total not charged to lending authority under fractional reserve basis, where applicable	663.1	794.4	902.3	1,216.5
Subtotal	224.7	267.9	303.0	407.7
Total charges against authority	5,610.9	5,255.4	5,609.5	5,870.5
Unused authority	1,389.1	3,744.6	3,390.5	3,129.5
Statutory authority	7,000.0	9,000.0	9,000.0	9,000.0
Limitation on gross guarantees and insurance outstanding:				
Charged against authority	884.1	1,059.2	1,203.0	1,622.0
Unused authority	115.9	940.8	797.0	378.0
Limitation	1,000.0	2,000.0	2,000.0	2,000.0

NOTE.—Estimates recalculated Feb. 10, 1964.

Salaries and expense limitation statement relating to 1964 and 1965 administrative expense budgets

[In thousands of dollars]

		1964 estimate	Increase or Decrease—	1965 estimate
11	Personnel compensation	2,699	238	2,937
12	Personnel benefits	195	21	216
21	Travel and transportation of persons	111		111
22	Transportation of things	2	1	3
23	Rent, communications, and utilities	311	92	403
24	Printing and reproduction	30	2	32
25	Other services	35	4	39
	Services of other agencies	72	−40	32
26	Supplies and materials	45	7	52
	Total	3,500	325	3,825

ADMINISTRATIVE EXPENSES—EXPLANATION

The Bank is requesting a limitation on administrative expense of $3,825,000, an increase of $325,000 over the 1964 limitation. Of this increase, $129,000 is attributable to the higher pay rates approved by the Congress. An additional $130,000 is required to cover the employment of 27 additional members of staff. Rent, for the most part paid to General Services Administration, will be increased by approximately $92,000 in fiscal year 1965. Minor additional increases are for transportation of things, $1,000; printing and reproduction, $2,000; supplies, $7,000; and other services, $4,000.

OPERATING EXPENSE LIMITATION

Mr. PASSMAN. In fiscal 1964, you had a lending limitation of $1,314,366,000 and your estimate for fiscal 1965 is $1,350 million; is that correct?

Mr. LINDER. I think that is correct, sir.

Mr. PASSMAN. As I recall the facts, this committee has always supported the Export-Import Bank by recommending the full amount of the operating expense as requested by the Bank; is that correct?

Mr. LINDER. That is correct, sir. At least since I have been there, sir.

Mr. PASSMAN. That being a fact, why would you request the committee not to place a limitation on your operating expense for fiscal 1965?

Mr. LINDER. I have no objection whatever to their placing a limit on our administrative expense, sir. I was merely suggesting that it would be desirable, because of the possible emergencies that face us, not to place a limit on the total amount of loans that we may authorize.

Mr. PASSMAN. What kind of emergencies, if any, do you anticipate this year Mr. Linder, that have not arisen in the past 18 years, for example?

Mr. LINDER. Sir?

Mr. PASSMAN. What type of emergencies, if any do you anticipate?

Mr. LINDER. I would illustrate merely by pointing out that a year and a half ago there was an acute need on the part of Canada, which is our best customer, for assistance and we just squeaked through.

Canada never drew a penny but we authorized a credit of $400 million for them. It is a very good thing from our point of view that they didn't draw on this credit. It was also very good that we were able to assist them to the full extent requested, but we came close to our limitation at that time, after carrying our guarantees

on a 25-percent reserve basis. The margin was narrow, less than some of the individual loans we have been called on to make. Therefore, while we hope there won't be such an emergency; and while I am sure the limitation will be adequate for our regular anticipiated business, I would hope, that the past record of the Bank in conserving its funds for sound loans is such that the committee would forgo a limitation on the total amount of business the Bank may do.

Mr. PASSMAN. What would actually be the effect on the Bank's operation if there should be what you refer to as an "emergency" and it should exceed the limitation?

Mr. LINDER. I think we would be prohibited from going beyond that.

Mr. PASSMAN. I think so, too. I think it would probably involve going to some other foreign aid spigot for funds or else postponing the disbursement until the following year, would it not?

Mr. LINDER. We would not authorize today and let it slip into the next fiscal year.

Mr. PASSMAN. I did not say "slip it in," but if you were considering a loan and you could not meet it within the limitation, then it could be carried over to another fiscal year, could it not?

Mr. LINDER. Some loans could without any question, but others could not. In the case of Canada, we had the question of the paying teller waiving the money, and being able to waive the money, stopped the run on the Bank.

HISTORY OF PERFORMANCE UNDER OPERATING EXPENSE LIMITATIONS

Mr. PASSMAN. I do not quite follow you when you say you "squeaked through."

First, let us get the operating expenses. In 1962, we placed a limitation of $1.3 billion and the actual expenditure was $1,107,851,000, or a difference of $192,149,000. In fiscal year 1963, the limitation was $1,295 million, but the actual expenditure was $732,292,000, or a difference of $571,708,000.

Fiscal 1964 is $1,314,366,000. The revised estimate is $1,018 million, or a difference of $296,366,000.

Mr. LINDER. The one to which I was referring, if I may, Mr. Chairman, was 1962, when we had a limitation of about $1.3 billion. We actually had total loans, guarantees, and insurance—I am sorry, I don't have the precise calculations at hand.

Mr. PASSMAN. You had a limitation of $1,107,851,000, which left you a difference of $192,149,000. I don't call a situation such as that a "squeak through."

Mr. LINDER. I would, in terms of a $400 million loan.

Mr. PASSMAN. I think you would probably be the last man to come before this committee and ask for all limitation to be removed and that you be permitted to operate entirely in your own way. Do you not want Congress to have a look at these matters and place some reasonable restrictions on the operations?

Mr. LINDER. Mr. Chairman, I think that the committee has been generous. I think we have always been able to live within the figure the committee set. I might point out that in the past 6 months, our loan authorizations have been low. They have been low because we

just haven't had what we called appropriate business. For the fiscal year 1964, we may be $200 or $300 million below the amount you have allowed us, but I think the committee might take into consideration the prudent management of the Bank. I would hope that the committee would, with this record, be prepared to say, "Let us not have a limitation."

Mr. PASSMAN. We are not looking for roses, but the fact is that this committee has been very reasonable and generous with your Bank, sir.

Mr. LINDER. That is correct.

Mr. PASSMAN. Let us go back to 1962, when you say you just "squeaked through." Let us confirm that you had $192,149,000 remaining available for obligation out of the fiscal 1962 limitation. Is that correct?

Mr. LINDER. That is correct.

Mr. PASSMAN. It is a question then, of interpretation as to whether the situation was a "squeak through."

GUARANTEE PROGRAM TERMS BY PRODUCT GROUP

Mr. Linder, on page 3, you say the—

guarantee program is important in financing three different groups of products—aircraft, items of capital equipment, and agricultural commodities.
For jet aircraft, the term is 7 years.

Is 7 years the maximum term permitted?

Mr. LINDER. We have never gone beyond 7 years.

Mr. PASSMAN. What would be the maximum period?

Mr. LINDER. This is the only basis on which we have ever been prepared to guarantee aircraft sales.

Mr. PASSMAN. For industrial equipment, is the maximum term 5 years?

Mr. LINDER. Usually, it is 5 years but we have made exceptions. If it is important enough, we might go to 7, 8, or 9 years, depending on whether the sale is really important.

Mr. PASSMAN. Could you provide for the record an account of the maximum terms you have extended for industrial equipment?

Mr. LINDER. We can do that, surely.

(Note: See later comment of Mr. Linder on p. 14.)

Mr. PASSMAN. For agricultural commodities, it is indicated that the term is 18 months. Is that the average period or is it the maximum?

Mr. LINDER. I would say in my recollection, we have not gone beyond 18 months for agricultural commodities. Mr. Sauer can confirm it. We might find a particular circumstance when we would go to 2 years. Canada is offering 3 years, for example, on some of their grain sales.

Mr. PASSMAN. What is the longest term you have extended for industrial equipment?

Mr. LINDER. Sir, may I distinguish. Industrial equipment, as we are speaking of it, means a lathe or a piece of machinery which is installed in an existing plant. If we have a project loan which involves the establishment of a large industrial operation on which we put up

half the money and half of the money is put up by local people or by Americans on an equity basis, we might go to 15, 18, or even 20 years. We have done this, for example in connection with the installation of large powerplants where the U.S. supplier has sold $20 million or more of generating equipment. As you know, powerplants are amortized over a very long period of time.

Therefore, there is no absolute limit on terms. I think, years ago, the Bank had one credit which extended for a 25-year period; we are financing a bridge over the Tagus River at Lisbon, which was authorized a couple of years ago. I think the term was something like 17 or 18 years.

Mr. McLaughlin. It is 5 years of grace period plus 20 years of repayment.

Mr. Linder. You know how long it takes to amortize a bridge. I should also make clear that our loans are paid in semiannual installments and therefore they are outstanding on the average little more than half the time of the final maturity to which we have been referring.

BANK FINANCING OF GENERATING FACILITIES IN JAPAN

Mr. Passman. Are we financing a generating plant, or plants in Japan?

Mr. Linder. We are not at this moment financing any.

Mr. Passman. Have we done so recently?

Mr. Linder. Yes, I think we did during this fiscal year.

Mr. Passman. What size plants are those, Mr. Linder?

Mr. Linder. Very large ones. In the past 2 years, we have made three loans for powerplant equipment in Japan of which two were for nearly $40 million each and one for $15 million.

Mr. Passman. Were these loans strictly for American-built equipment?

Mr. Linder. That is correct.

Mr. Passman. I notice that in Okinawa, on a bid basis, the Japanese underbid Americans and they sold Japanese generating equipment. I only recently inspected a plant, I think another instance possibly of bidding against an American firm, but it happens in this instance the American firm was lower. It confuses me somewhat that we are making loans for generating plants in Japan and they are, in turn, manufacturing generators competing with us.

Mr. Linder. In one case, it is foreign trade. In the other, it isn't.

Mr. Passman. I am only making a statement of fact.

Mr. McLaughlin. The equipment we finance for Japan is very large equipment. The electric power equipment they sell abroad is medium size or small equipment. They don't make the gigantic units we do.

ELECTRIC POWER LOANS TO JAPAN

Mr. Linder. We did not during the first 6 months of this fiscal year make any electric power loans for Japan but we may, in the next few months, have a large loan.

INDUSTRIAL EQUIPMENT LOAN TERMS

Mr. PASSMAN. Have you ever established the average length of your Export-Import Bank loans for industrial equipment?

Mr. LINDER. I would be glad to venture a guess or estimate. I think somewhere in the neighborhood of 10 years plus or minus.

GUARANTEE AND INSURANCE PROGRAM OPERATIONS

Mr. PASSMAN. I notice on page 4:

Much smaller than those described above, include direct commodity and exporter credits which have now been largely replaced by the Bank's guarantee and insurance programs.

Mr. LINDER. That is correct.

Mr. PASSMAN. On an insurance program, where you are guaranteeing the loan, what is the interest charge for the guarantee?

Mr. LINDER. We charge on an average, I would say, about 1 percent for the guarantee.

Mr. PASSMAN. If you guarantee a $50 million insurance program, what amount do you reserve or obligate against your limitation?

Mr. LINDER. $12½ million.

Mr. PASSMAN. That is 25 percent of the face amount?

Mr. LINDER. That is correct, sir.

All that is short or medium term. None of that goes into any long period of time.

Mr. PASSMAN. What is the average maximum of your insurance guarantees?

Mr. LINDER. I think our insurance is overwhelmingly 180 days or less because most of our insurance is short term. The total amount of medium-term insurance that we have outstanding is about 7 percent of the total amount of insurance, short and medium.

(Discussion off the record.)

EFFECTS OF CREDIT GUARANTEE RESTRICTIONS ON FARM PRODUCT SALES TO THE SOVIET BLOC

Mr. PASSMAN. On page 6, Mr. Linder, you state—

Before the restrictive proposals were introduced in Congress, the Bank had agreed to guarantee six transactions for corn and three for wheat to Hungary. On these sales totaling $23.5 million, the Bank guaranteed the financed portion and interest thereon for a total of $18.5 million. Since the President's determination on February 4, the Bank has authorized guarantees for four additional transactions to Hungary—two for cotton and two for soybean meal.

Where, or how, would the restrictive proposals apply in that instance?

Mr. LINDER. We could not issue the later guarantees until the President made the determination that to do so was in the national interest.

Mr. PASSMAN. That action would require only a short time.

Mr. LINDER. He debated it for some days.

Mr. PASSMAN. With whom did he debate it?

Mr. LINDER. I don't know but I'm certain he thought about it at great length and probably consulted his advisers.

Mr. MCLAUGHLIN. He took about a month.

Mr. PASSMAN. Do you think it was a question of trying to decide whether it was in the national interest that required so long? Really, it gives us something to think about.

Mr. RHODES. Mr. Linder, if the Russians do not use the credit, will there be any payment made to the Bank for standby charges?

Mr. LINDER. We have not offered a credit to anyone. All we have is authority to negotiate a guarantee if a U.S. commercial bank or a purchasing government asks for one. No Soviet transaction has come to us thus far. We have made it perfectly clear that we are not extending a credit line. We will look at each request as it comes along.

CURRENT STATUS OF SOVIET BLOC CREDIT GUARANTEE PROGRAM

Mr. RHODES. You have no arrangement with the Soviet at this time?

Mr. LINDER. We have no arrangement. We did have an understanding on certain Hungarian guarantees, which was largely fulfilled before the Mundt amendment was introduced in the Senate and before the House considered this business.

Mr. PASSMAN. Do I understand you to say that there have been no guarantees issued against grain shipments to Russia?

Mr. LINDER. That is correct.

Mr. PASSMAN. It is my understanding that some shipments were made.

Mr. LINDER. There were some but they were paid by the Russians in cash or financed by Europeans.

Mr. PASSMAN. No part of that credit has been used?

Mr. LINDER. Nothing has been authorized with respect to Russia.

Mr. PASSMAN. Is that an indication they had the cash to pay for their needs to start with?

Mr. LINDER. They may come in tomorrow morning, Mr. Chairman, I don't know.

Mr. PASSMAN. What is the total amount purchased so far?

Mr. LINDER. So far as I know about $67 or $70 million. That has been for cash so far as I know.

Mr. PASSMAN. A very large figure was used in handling the bill.

Mr. SAUER. At one point there was $250 million mentioned.

Mr. PASSMAN. At one time were we not talking in terms, overall, of $2 billion over a period?

Mr. LINDER. We never thought in those terms. We would have thought of a total of possibly $300 or $350 million.

Mr. PASSMAN. It is strictly on a cash basis between Russia and the American exporter?

Mr. LINDER. That is correct.

EXPORTS TO HUNGARY

Mr. RHODES. What is still hanging fire on the Hungarian deals? What is their status at the present time?

Mr. LINDER. Well, we will have to make up our minds how much credit we are prepared to extend to Hungary. As you can see from this, thus far we have done about $21 million in guarantees on sales of over $27 million.

(Discussion off the record.)

Mr. RHODES. What are the terms on the Hungarian deals?

Mr. LINDER. Twenty-five percent cash, 25 percent every 6 months thereafter for the following 18 months.

Mr. RHODES. What charge does the Bank make for the guarantee?

Mr. LINDER. The Bank makes a charge of five-eights of 1 percent for the guarantee. It is handled by the commercial banks at 4⅜. We get five-eights and the Hungarians pay 5 percent.

Mr. PASSMAN. As of this date, which is almost 9 months of fiscal 1964, there has actually been no need for the type of legislation which was passed as it would apply to Russia?

Mr. LINDER. That is correct, as it would apply to Russia.

Mr. PASSMAN. Thank you, Mr. Linder.

EMERGENCY LOANS

You stated in page 9, "The Bank may be called upon without prior notice to meet large requests for loans and guarantees."

How could such a situation as that happen?

ITALIAN LOAN PROGRAM

Mr. LINDER. Sir, I tried to illustrate by telling you about Canada. You read in Sunday's paper about the Italian situation. That is another example of how it could happen. We hope that the credit that the Italians have found here in the United States, from the International Monetary Fund, from the British, and from the Germans, and possibly from others has instilled enough confidence so that the strain on Italian reserves will be alleviated. The theory, as I said, is that the paying teller shows that he has plenty of money and the line of depositors wanting their money disappears. In that connection we agreed with the Italians to establish a $100 million line of credit for commodity imports. We established a credit available to them for 1 year. They will use it to buy coal or lumber or maybe some agricultural commodities. It will be repayable, depending on the type of commodities, in 1 to 3 years.

In addition, we have indicated to them that we will be prepared to consider, on their merits as they come along, applications up to a total of $100 million from industrial borrowers—Fiat, for example, is in the market here for machine tools. They would want some credit and the terms will be those which we think are appropriate for the type of capital goods desired. Now, we might think 5, 6, or 7 years appropriate, for example.

Mr. PASSMAN. Are you making these loans not to government, but to individual corporations or companies in the nations?

Mr. LINDER. We make these loans to the Istituto Mobilaire Italiano which, in turn, relends the money to Fiat.

Mr. PASSMAN. With reference to this IMI thing you referred to, is it a government corporation?

Mr. LINDER. No; it is a corporation which is owned both privately and publicly. There are shares on the stock exchange in Rome and Milan. The Government has a large interest in it as do the banks and insurance companies in Italy. IMI is a huge lending lending corporation which is closely affiliated with the Government of Italy. It, in turn will lend the money to, say, Fiat and Fiat's obligation will be in

effect collateral for our loan. This procedure is something we have followed over a good many years. Three years ago, IMI paid us off completely.

Mr. PASSMAN. Then, without exception, all of this money is spent for U.S. commodities?

Mr. LINDER. That is correct.

Mr. PASSMAN. The money cannot be spent for anything else?

Mr. LINDER. That is right.

IDA GRANTS

Mr. PASSMAN. In considering one of the other spigots of the many-faceted arrangement to give away our wealth, the International Development Association was trying to claim some of these things were actually loans when they were actually disguised grants. I had reason to go back to look at the record. Some of the part 1 countries were actually receiving 10 times as much in grant aid as they were contributing to IDA. Italy was one of these countries. They agreed to contribute $30 million to IDA. In fiscal 1963 our grant aid to Italy amounted to $300,700,000, which was mostly for military assistance. There are numerous other instances of similar nature.

Mr. LINDER. May I respectfully refer to my own statement in which I pointed out that 60 percent of the loans made by the Export-Import Bank have been repaid. In the case of the Government of Italy, 2 years ago we did not have one penny on our books. They sent us a check one day for $51 million, which was the total amount of their indebtedness.

Mr. PASSMAN. That is only giving us back a very small part of what we gave to them, about $6 billion since the end of World War II. Anyway, we are glad you got the money.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Of course, you may.

FOREIGN SECURITIES SALES TAX LEGISLATION

Mr. RHODES. A few days ago, the House passed a bill which provides for a tax on foreign securities issues sold in the United States.

Mr. LINDER. Yes, sir.

Mr. RHODES. As I remember, the Export-Import Bank would not be subject to the payment of that tax, nor would anybody who borrowed from Export-Import Bank.

Mr. LINDER. That is correct.

Mr. RHODES. I suppose the rationale for that is that most of the money which Eximbank loans is actually spent in the United States, so there is little balance-of-payment problem.

Mr. LINDER. That is correct.

STATE OF THE ITALIAN ECONOMY

Mr. RHODES. I am a little disturbed at reading about the weakness of the lira. Last year, and I guess 2 years ago, it was considered to be one of the strongest currencies in the world.

Mr. LINDER. That is correct.

Mr. RHODES. What has happened to it?

Mr. LINDER. I would not pretend to make a full-scale analysis of it, but I would like to make these comments.

Recently there has been an inordinate degree of prosperity in Italy. There has been a cost-push inflation. Wages have gone up faster than productivity so that costs of production have risen and handicapped exports.

Italy is now a member of the Common Market, and the cold air of competition has hit them. The crop failure which you know of in Russia was also a crop failure in Western Europe. Thus, the amount of food that the Italians have imported within the last year has been substantially greater than normal. The economic situation was aggravated still further by the fact that consumers with low incomes have had more money and have pressed for more goods. There has been more importation of goods so that the balance of payments has gone markedly in reverse. Then there was a political change which was interpreted as a move toward the left, and that has hurt confidence to a certain extent.

The Government also has introduced certain measures to enforce collection of taxes from people who in the past had gotten by without paying very much. Some of these people have been taking money out of the country. As a result, the Government has instituted certain measures which will enable people who don't want their books to be examined to settle for a flat tax rather than to pay only the so-called official tax but be subject to complete audit. There has been a certain amount of financial disturbance, some flight of capital, increased imports, reduced exports to the Common Market because the price level has gone out of line. Now corrective measures are being taken. I don't know that that is an adequate explanation but that is approximately the situation.

Mr. RHODES. Certainly, what you have said would add up to that type of trouble. There is no doubt about that.

COSTS INCURRED IN SUPPORTING LEGISLATION

Mr. PASSMAN. Mr. Linder, you will recall, of course, that last year there was some rather heated debate in the Congress with reference to a bill extending the life of the Bank and, particularly, providing additional resources for it. Would you submit for the record the cost of the telegrams, phone calls, and other expenses incurred by the Bank in support of that legislation?

Mr. LINDER. Surely, if I can break it out.

TELEGRAMS AND TELEPHONE CALLS TO INDUSTRIALISTS

Mr. PASSMAN. Can you give us an indication of what the telegrams and telephone calls cost?

Mr. LINDER. I can give you an indication now in respect to all legislation, it was negligible.

Mr. PASSMAN. Would you say $25,000?

Mr. LINDER. I would say not $2,500 and probably not more than $250.

Mr. PASSMAN. But you did have some cost for telegrams and other expenses?

Mr. LINDER. I am sure I spoke to a few large industrialists.

Mr. PASSMAN. I had reference to telephone calls, telegrams, and other expenses that would not be incurred in the regular operation. Could you give us an estimate of the cost of the phone calls and another estimate on the telegrams and the number of them?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. We are having to account to people on these things.

Mr. LINDER. Well, we will do the best we can.

Mr. PASSMAN. You did have expenses in those categories?

Mr. LINDER. Sir, we may have had only $25 worth.

Mr. PASSMAN. Now we have it from $25,000 to $2,500 down to $25. The first thing you know we are going to wind up with a profit on it.

Mr. LINDER. Mr. Chairman, all I wanted to convey was that I believe that they were negligible in amount and I shall do my best to furnish the committee with a complete record of that.

Mr. PASSMAN. I am speaking now of the expenses in support of the legislation that we were referring to of last year.

Mr. LINDER. This is the Bank's legislation?

Mr. PASSMAN. That is right.

Mr. LINDER. That is correct.

Mr. PASSMAN. You say you did have some direct expenses involved but they were negligible?

Mr. LINDER. Yes. I am sure that I called a few leading businessmen.

Mr. PASSMAN. And some of your subordinates may have also had similar interests.

Mr. LINDER. I will be glad to look it up.

Mr. MCLAUGHLIN. Does this refer to the legislation before your committee?

Mr. PASSMAN. Before the Congress, originating with the Banking and Currency Committee.

Mr. LINDER. It is perfectly clear.

Mr. PASSMAN. You do indicate that there was some expense but you will have to break it out; is that correct?

Mr. LINDER. That is correct.

(The following information was supplied:)

In connection with the Bank's activities concerning legislation last year, there was an expenditure of $263.20 for telephone calls. After the legislation was enacted the Bank spent $135.82 on telegrams thanking those who had volunteered their support of the Bank and its legislative requests. There were no other expenditures.

Mr. PASSMAN. Do you have any plans for submission of similar legislation this year?

Mr. LINDER. No, sir.

BANK POSITION REGARDING THE ASSUMPTION OF DEVELOPMENT CREDIT ACTIVITIES

Mr. PASSMAN. Have there been any recent developments about the development credit section of the foreign aid program being turned over to the Export-Import Bank or has that proposal been held up temporarily?

Mr. LINDER. I will be glad to tell you the Bank's position. There is no secret about it. We thought the transfer was inadvisable. I

made this perfectly clear, I called on some people on the Hill. Mr. Ball and Mr. Bell invited me to join them when we went to see the Banking and Currency Committee both in the House and in the Senate and then we went to see a few other committees.

Our position was plain. We did not think the suggested reorganization was wise for the Bank. I believe the President has decided to do nothing in that direction.

Mr. PASSMAN. We appreciate your frankness. I hope you resist any such plan all the way through.

LOAN DEFAULTS AND DELINQUENCIES

I note, on page 5 of the justifications, that your loans in default as of December 31, 1963, amounted to $97,260,000 and that the delinquent installments of principal and interest were then $34,432,000. Have I stated those figures accurately?

Mr. SIMPSON. That is correct, sir.

Mr. PASSMAN. For the loan to become delinquent you do not declare the entire loan do you?

Mr. LINDER. We do not declare anything except to make a clear and unequivocal statement both here and in our reports to the Congress in a note to our balance sheet.

Mr. PASSMAN. So as to get an answer to my question, on a loan with several delinquent installments you declare only the delinquent installment delinquent and not the entire loan?

Mr. LINDER. That is correct but we do indicate what the face amount of the loan is.

Mr. PASSMAN. Do you have a system of possibly extending these loans in order to keep them in current condition or, if they are delinquent, do you show that they are delinquent and let the matter stand as it is?

Mr. LINDER. There have been times when we have been convinced that a country was seriously interested in continuing to pay, even though they had not met their installments regularly, and in those cases we have postponed maturities. But when interest and principal stops, they are delinquent.

Mr. PASSMAN. What would be done if the entire amount of the principal becomes delinquent?

Mr. LINDER. We would show that.

Mr. PASSMAN. And if they ceased to pay the interest, then would you consider the entire loan delinquent? As long as they keep the interest to date——

Mr. LINDER. We would make an agreement with them whereby the maturity that was due this year and next year, for example, would not be due until later.

Mr. PASSMAN. If you have a $5 million loan and the entire loan is delinquent, as we think of the due dates, and the due dates have passed, but the borrower is keeping the interest paid completely up to date, what would you consider the status of that loan?

Mr. LINDER. It would be delinquent if he were not meeting the maturities as the maturities were appearing on our books.

Mr. PASSMAN. Even though he paid the interest up to date?

Mr. LINDER. Yes. We would insist he go into renegotiations and see what he could do about paying the principal as well as the interest.

Mr. PASSMAN. If the borrower cannot pay the principal, do you renegotiate the loan, bring it up to date, carry it in a current status by negotiating new terms without the borrower paying any principal?

Mr. LINDER. We could, but we try very hard not to.

Mr. PASSMAN. I would think that you would, but you have done such things as that?

Mr. LINDER. We have done that.

(Discussion off the record.)

STATUS OF CHINA LOAN

Mr. PASSMAN. How do you carry the China loan? Is it under chargeoffs or is it in total receivables?

Mr. LINDER. It is carried in totals of receivable but there is the note in the balance sheet saying the receivables are not good to this extent.

Mr. PASSMAN. But, so far as balancing your statement, you include this loan as an asset?

Mr. LINDER. Yes.

Mr. PASSMAN. Do you have the amount charged off since the inception of this institution?

Mr. LINDER. Yes.

Mr. PASSMAN. What is the amount?

Mr. LINDER. About $3.7 million. But, again, we have since 1961 also shown roughly $100 million with a big question mark in the notes which are an integral part of our balance sheet in our annual and semiannual reports.

DEFAULTED LOANS CHARGED OFF

Mr. PASSMAN. Will you provide for the record a statement of the total amount of chargeoffs of loans that are uncollectible, since the inception of the institution?

Please do this by country or by company or by individual.

Mr. LINDER. Right.

(The information supplied follows:)

Defaulted loans charged off from inception through Dec. 31, 1963

Country	Loan No.	Borrower	Date declared in default	Original amount in default	Recoveries of principal	Amount charged off
Brazil	233	American-Brazilian Corp	May 16, 1945	$142,980.19	$15,000.00	$127,980.19
Mexico	338	Fred Leighton, Inc	Dec. 31, 1955	72,485.55	15,000.00	57,485.55
Poland	141	Account-4140 Unconverted Dutch Florins	Mar. 27, 1940	3,491.96	2,374.35	1,117.61
Portuguese West Africa	319	Chas. B. McDaniel, Jr	Dec. 6, 1946	65,000.00	33,495.33	31,504.67
Uruguay	333	Talleres Graf cos Sur. S.A	Dec. 6, 1946	65,074.32	56,567.27	9,507.05
Venezuela	441	S. & S. Construction Co. de Venezuela, C.A	July 3, 1952	278,345.72	6,000.00	272,345.72
Miscellaneous	187	John F. Fitzgerald, Jr	Dec. 10, 1947	30,377.36	8,064.68	22,312.68
Do	187	Home Plan Corp	Dec. 30, 1944	1,218.04		1,218.04
Mexico	494	Mexican Gulf Sulphur Co	Mar. 18, 1958	5,000,000.00	2,500,000.00	2,500,000.00
Do	505	Minera Fernandez, S.A	Oct. 25, 1960	661,337.16		661,337.16
Total				6,321,310.30	2,636,501.63	3,684,808.67

DEFENSE PRODUCTION ACT LOAN

The outstanding balance of loan DP–1, Cotes de Fer Corp., Haiti, in the amount of $31,921.60 was written off as directed by the Board on April 25, 1963. The charge was against earnings accrued under the Defense Production Activity and did not affect Eximbank's reserve.

Mr. PASSMAN. Could you also make, under certain conditions, loans to Americans for export purposes?

Mr. LINDER. No, we never did. We always make the loan to foreign buyers. Our lawyers have always interpreted our act as meaning we can do business only with borrowers abroad.

LOAN DEFAULTS AND DELINQUENCIES

Mr. PASSMAN. Now you have $100 million that there is a big question mark around. Could you give us a total for this type of category?

Mr. LINDER. Those are the amounts that we state to the Congress every June 30 which we believe to be temporarily delinquent. This is where they are more than 30 days but less than 6 months slow.

In addition, there are other delinquencies, which in the opinion of the Board are attributable to routine delays or transitory exchange difficulties. The delinquencies total $3,400,000 of which $2½ million is principal and $900,000 is interest.

Those are all the little question marks.

Mr. PASSMAN. What would the total amount be?

Mr. LINDER. $3,400,000.

Mr. MCLAUGHLIN. That is covered in this same footnote here.

Mr. PASSMAN. We were discussing the $97,260,000 delinquent loans on which the delinquent principal and interest on December 31, 1963, amounted to $34,432,000. How do these two amounts compare with figures as of the previous year?

Mr. LINDER. I don't think there has been any substantial change, but I will be glad to check that for you, sir.

(Information supplied later, follows:)

Loan defaults and delinquencies, June 30, 1963, and June 30, 1962

[In thousands of dollars]

	June 30, 1963				June 30, 1962			
	Outstanding principle balance	Delinquent installments			Outstanding principal balance	Delinquent installments		
		Principal	Interest	Total		Principal	Interest	Total
Loans in default	97,260	16,274	12,423	28,697	70,203	10,562	8,985	19,547
Delinquencies attributable to routine delays or transitory exchange difficulties	25,611	2,405	669	3,074	1,899	346	54	400
Total	122,871	18,679	13,092	31,771	72,102	10,908	9,039	19,947

NOTE.—Above totals do not include loans to mainland China; of the Bank's $200 million of loans to mainland China, all but $28.6 million has been repaid. The Republic of China has resumed payment on loans with an outstanding balance at June 30, 1963, of $2.3 million.

DELINQUENT HAITIAN LOANS

Mr. PASSMAN. I note that the principal repayments on one of the loans to Haiti has been deferred by special agreement.

Mr. LINDER. Yes, and they are in default again, I believe.

Mr. PASSMAN. What is the total amount of this loan?

Mr. LINDER. The total amount of Haitian loans is $27 million. The amounts delinquent are $725,000, both principal and interest.

Mr. PASSMAN. They were delinquent and you renegotiated a loan and it became delinquent again?

Mr. LINDER. That is correct, sir.

Mr. PASSMAN. When you renegotiated this loan that brought them into current status?

Mr. LINDER. That is correct.

Mr. PASSMAN. They were moved from the delinquents into the current accounts. Now you are moving them back to the delinquent category?

Mr. LINDER. They are in the delinquent account now.

Mr. PASSMAN. By good fast work—I am not making any charge—but on this thing it would be possible that you would never have any delinquents if you could renegotiate and bring them up to date fast enough.

(Discussion off the record.)

Mr. LINDER. Mr. Chairman, this would be all right except for one thing, sir. Haiti is not paying the interest. That is the important thing. Since they are not paying the interest we don't think they are entitled to that kind of consideration.

If they were paying the interest and said, "Look, we need a couple of years," we would probably allow it.

DELINQUENT BOLIVIAN LOANS

Mr. PASSMAN. I notice that as of December 31, 1963, Bolivia had delinquent installments of $19,268,000 in principal and interest.

Mr. LINDER. That is correct.

Mr. PASSMAN. That amount is a part of what total?

Mr. LINDER. Of $34 million of outstanding principal.

Mr. PASSMAN. These loans are quite old, are they not?

Mr. LINDER. They are, sir; we have not made a loan to Bolivia for 9 years.

Mr. PASSMAN. Will either one of these countries be eligible for consideration at this time for another loan?

Mr. LINDER. No.

Mr. PASSMAN. Thank you. I think both of these countries are getting substantial amounts out of other spigots of the American give-away program. Are you familiar with the amounts?

Mr. LINDER. I am not, sir.

Mr. PASSMAN. Are you familiar with the Inter-American Development Bank's loans to either one of these countries, Haiti and Bolivia?

Mr. LINDER. Not in detail; I don't know whether they have made any loans to Haiti. I have heard of one loan it seems to me, that they made to Bolivia, but I could not testify to that, sir, because I am not certain.

Mr. PASSMAN. You would not know whether they were delinquent with that loan or not?

Mr. LINDER. I would not know; I doubt it, but I would not know. (Off the record.)

SUMMARY OF FUNDS LOANED

Mr. PASSMAN. I think we should know the total amount that is in such status. We want to get the total amount so that we might know how much of this stuff eventually may not be good.

Mr. LINDER. May I summarize this, sir?

Mr. PASSMAN. Surely.

Mr. LINDER. I say in my statement that the Bank has been repaid $5,700 million—out of $9 billion disbursed. We have gotten 60 percent of our money back, plus interest.

Secondly, we have accumulated reserves of well over $800 million, after payment of all interest on money we borrowed from the Treasury or anybody else and after paying substantial dividends of $400 million to the Treasury. Of that $800 million, if I were looking at the Export-Import Bank alone tomorrow as an outsider, I would say, let us take $100 million of that and say we have $700 million in reserves. We don't say that publicly except in fine print because of the reason that Mr. Sauer indicated.

Mr. PASSMAN. I would follow through by saying, let us find out first what the Government paid for the money which was borrowed in order to make these funds available to you, and then put this item against the money you earned so that we may see if you are really minus or plus.

Also, I would want to know something about the actual status of these receivables, what part of them you may eventually charge off when you go out of business. There is a day of reckoning coming, and it is too early now to determine whether this is a good or bad operation.

It looks good so far. It will keep on looking good as long as we keep it up to date. I am not being critical. I am being factual.

Mr. LINDER. I understand.

INTEREST ON LOANS

Mr. PASSMAN. I am sure you are not in disagreement as to how these things can be done. All that glitters is not gold. I don't know whether we have a profit or not. We had to pay a lot of interest, and we are still paying interest on that money we borrowed in order to give it to you to make loans.

Mr. LINDER. I would just like to say we have paid interest to the Treasury for every cent that we have borrowed at a rate approximating the cost of money to the Treasury.

Mr. PASSMAN. I know that, yes. But you would have to have an analysis, in accounting, in order to find out whether there has been a net profit on this interest transaction.

Mr. LINDER. They are charging us 4⅛ percent.

Mr. PASSMAN. It is about on a break-even basis today.

Mr. LINDER. That is right. We pay them in cash $50 million of dividends every year, too.

RENEGOTIATED LOANS

Mr. PASSMAN. Mr. Linder, is there any penalty attached to contracts that you defer or renegotiate or bring up to date?

Mr. LINDER. Renegotiated loans are usually extended at the current rate of interest; for example, an older loan at 3½ percent would probably be extended at the current interest rate which is 5½ percent.

DEVELOPMENT PROJECT LOANS

Mr. PASSMAN. Will you furnish for the record a list of the development project loans made through December 31?

Mr. LINDER. You mean during this fiscal year?

Mr. PASSMAN. Yes; the first 6 months' operation.

Mr. LINDER. Surely.

(The information follows:)

Project development loans authorized during the period July 1–Dec. 31, 1963

Country and obligor	Purpose	Credit authorized, amount
ASIA		
India:		
Coromandel Fertilizers, Ltd	Establishment of fertilizer plant	$27,000,000
Mysore Acetate & Chemical Co., Ltd.	Establishment and operation of cellulose acetate plant.	2,100,000
Chemicals & Plastics India, Ltd	Machinery and services for construction and operation of a plastics resin plant and a chloride products plant.	3,150,000
Total, India		32,250,000
Iran: Government of Iran	Highway maintenance and training of personnel in Iran.	4,500,000
Iraq: Government of Iraq	Gas turbine generating unit and related facilities.	2,784,000
Japan: Ube Industries, Ltd	Machinery and services for construction of a polyethylene plant.	3,100,000
Thailand: Government of Thailand	Construction of highway from Bangkok to Sriraia.	19,000,000
EUROPE		
Austria: Bruder Teich, A. G	Aluminum foil rolling mill, etc., for aluminum foil plant.	600,000
Iceland: Government of Iceland	Construction and maintenance of streets, highways, communication facilities, etc.	500,000
Spain:		
Empresa National Electrica de Cordoba, S.A.	Thermal electric generating unit	3,530,531
Hidroelectrica Espanola, S.A	Turbine generating unit with equipment and services for installation.	11,740,000
Iberduero, S.A	Electric generating unit with equipment and services for installation.	12,792,000
Total Spain		28,062,531
LATIN AMERICA		
Chile: Corporacion de Fomento de la Produccion.	U.S. radio navigation equipment and services for installation in selected airports.	1,500,000
Columbia: Caja de Credito Agrario, Industrial y Minero.	U.S. agricultural and irrigation equipment	2,500,000
Mexico:		
Nacional Financiera, S.A	Construction of dairy pasteurization plants	[1] 850,000
Nacional Financiera, S.A	Nuclear research reactor and accelerator	2,000,000
Nacional Financiera, S.A	Machinery and services for various public work projects.	2,700,000
Fabricas Auto-Mex, S.A	Establishment and operation of engine manufacturing plant.	4,200,000
Total Mexico		9,750,000

[1] Increase.

Project development loans authorized during the period July 1–Dec. 31, 1963—Continued

Country and obligor	Purpose	Credit authorized, amount
LATIN AMERICA—Continued		
Nicaragua: Instituto Nacional de Comercio Exterior e Interior (INCEI).	Machinery and services for a 14,750 metric ton grain storage program.	$1,250,000
Panama: Compania Panamena de Fuerza y Luz.	Machinery and services for expansion of electric generating, transmitting, and distribution system.	7,350,000
Peru:		
Republic of Peru	Road construction equipment	2,000,000
Republic of Peru	Cargo-handling and port equipment	1,500,000
Total Peru		3,500,000
Trinidad and Tobago: Government of Trinidad and Tobago.	Materials and services for construction and improvement of telephone facilities.	4,000,000
Venezuela:		
Republic of Venezuela	Construction of highway suspension bridge	13,270,000
Republic of Venezuela	Construction of highway suspension bridge	[1] 5,380,000
Total Venezuela		18,650,000
Portugal (capitalized interest)		378,555
Grand total		139,675,086

[1] Increase.

LOAN RATES ON INSURED OR GUARANTEED TRANSACTIONS

Mr. PASSMAN. You have lowered your interest rate on certain types of loans?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. For fiscal 1964 from 5¾ to 5½ percent?

Mr. LINDER. That is correct as of January 1, 1964.

Mr. PASSMAN. What percentage of the total operation would that rate cover?

Mr. LINDER. Let me say, sir, it covers practically all loans because the smaller exporter loans which we used to make ourselves are now handled under insurance or guarantees to the commercial banks who negotiate their own interest rates.

We don't guarantee interest beyond 6 percent. But we are not lending them money, we are guaranteeing the transaction.

On the loans that we make, generally speaking, the rate is 5½ percent.

Except in the case of a loan like the Japanese cotton loan for 1 year which we might do at 4¾.

DIRECT LENDING VERSUS INSURANCE OR GUARANTEES OF TRANSACTIONS

Mr. PASSMAN. It would appear that the loans which you are insuring are increasing annually.

Mr. LINDER. That is correct.

Mr. PASSMAN. Are the direct loans that you are making as a banking institution declining?

Mr. LINDER. No. I think this is a very temporary thing, Mr. Chairman.

Mr. PASSMAN. Presently that is correct.

Mr. LINDER. That is true for the first 6 months of this year.

Mr. PASSMAN. What would be our position if we finally went into business of just guaranteeing loans? There is plenty of capital in America to make all the loans necessary, is there not? I am wondering if you detect a trend in this direction?

Mr. LINDER. I think I see a trend in this direction. With respect to anything done within 5, 6, or 7 years, we can arrange to have the commercial bank handle it and merely need to guarantee. You can see that in our figures. We owe the Treasury at the present time $1,300 million as against $6 billion of commitments outstanding.

For long-term projects, for example, a powerplant, we are unlikely to get commercial banks to furnish financing because they do not want to put out money for more than 5, 6, or 7 years.

Therefore, it is necessary for us to finance the project directly. The only basis on which we might obtain commercial bank financing on a long-term project loan, is to have the commercial bank commit itself for 5 years, and at the end of the fourth year to go back to the bank and ask it to renew its financing for another 5 years, and so on.

This is a somewhat precarious basis for a banking operation. It is better usually to have a balance between lending and guaranteeing or insuring.

Mr. PASSMAN. Your lending is down substantially in the first 6 months of this fiscal year.

(Discussion off the record.)

Mr. LINDER. The volume of loans we authorize over a short period of time is not a true indication of our average volume of business. We may have a very light volume of business during the first half of a fiscal year and a much heavier volume during the second half. You can't use a 6-month period as a criterion.

VOLUME OF BUSINESS

Mr. PASSMAN. How about the third quarter of fiscal 1964? Is it running the same as the first and second quarters?

(Off the record.)

Mr. LINDER. The volume of business in the third quarter of this fiscal year was much higher than that of the first two quarters combined. We had $220 million alone last week, compared with $174 million during the entire first half of the fiscal year. The volume of loan authorizations in the first 8 months was $207 million.

EMERGENCY FOREIGN TRADE LOANS

Mr. PASSMAN. Mr. Linder, on page 2 of the justifications, I notice that you did not make any emergency foreign trade credits in the first 6 months of this fiscal year.

Mr. LINDER. That is correct.

Mr. PASSMAN. On what basis do you anticipate that you will need $95 million during the last 6 months of this year?

Mr. SAUER. We have already used the $95 million for Italy.

Mr. LINDER. Our estimates of authorizations were prepared by our program vice president who talked to each area head regarding anticipated business and who then made a composite estimate.

Mr. PASSMAN. Certainly. Everything is based on an estimate.

Mr. LINDER. We can't help it.

Mr. PASSMAN. You have to have an estimate.

Mr. LINDER. I agree. We have to have a budget.

I can tell you the basis on which it was made up but I can't tell you that it is actually going to come to pass.

Mr. PASSMAN. On what basis do you anticipate $220 million of such credits in 1965, sir? That is almost repeating the other question.

Mr. LINDER. That is correct, sir.

Mr. MCLAUGHLIN. That total is based on Latin America primarily. There might have to be some heavy balance-of-payments assistance there.

Mr. PASSMAN. Heavy what kind of assistance?

Mr. MCLAUGHLIN. Balance-of-payments assistance or emergency trade credits to Brazil and Argentina.

Mr. PASSMAN. You know there is $2,870 million unliquidated to the credit of Latin American countries as of June 30, the last fiscal year, over $2 billion in undisbursed commitments, obligations, in foreign aid.

We are having a little trouble with our own balance-of-payments situation, are we not?

Mr. LINDER. We are, sir. That is why we try to stimulate exports to good customers.

Mr. PASSMAN. You think Argentina is one of our good customers?

Mr. LINDER. They are as long as they can pay.

Mr. PASSMAN. Practically any customer is a good customer as long as he can pay.

Mr. RHODES. When do you make balance-of-payment loans?

Mr. LINDER. You can call them whatever you want. The official name is emergency trade development loans. I would put the Canadian loan in this category. If the Argentines get through their difficult political situation which you are familiar with, and appear to be getting their fiscal situation in appropriate order and if our European friends who are also substantial creditors are convinced of it and we can get them to participate along with us, then we might be prepared to extend such a credit to them. We might put $25 million, for example, in a working fund to bolster their reserve position. But we would tie it to the purchase of American commodities.

LOAN POLICY TOWARD COUNTRIES EXPROPRIATING PROPERTY

Mr. RHODES. Do you think as a matter of policy we ought to make loans to countries where expropriation of property has occurred without prompt and adequate payment?

Mr. LINDER. No.

Mr. PASSMAN. I noticed just a few hours ago an article which indicated that either they have expropriated or said they would expropriate all foreign oil interests in their country as well as real estate owned by foreigners. Did you read that article?

Mr. LINDER. No. As you know, sir, they have a large oil monopoly known as Petrobras. American companies do operate there in distribution and refining.

Mr. PASSMAN. Those are the ones they are preparing now to expropriate and all land owned by foreigners.

Mr. LINDER. This is news to me.

Mr. PASSMAN. This is as of Saturday morning. It is interesting.

STATUS OF BANK LOANS TO BRAZIL

What amount does Brazil owe the Export-Import Bank?

Mr. LINDER. $700-odd million.

Mr. PASSMAN. Nearly three-quarters of a billion dollars.

Mr. LINDER. Yes, sir.

Mr. RHODES. That would take your reserve pretty fast.

Mr. LINDER. Yes, but they have never failed to meet their interest payments. One large renegotiation took place in 1961. That was a spreadout of maturities due within the next 2 years over a longer period of time.

Mr. PASSMAN. How about the principal? Can you tell us how much they would have paid on the $700 million if you had not renegotiated and brought it up to date?

Mr. LINDER. At present, they have delinquencies of less than a month amounting to $11 million.

Mr. PASSMAN. Of the $700 million to Brazil, how many different loans does that sum represent?

Mr. LINDER. Forty-seven.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

SUMMARY OF BANK OPERATIONS

Mr. PASSMAN. When did the Export-Import Bank come into being?

Mr. LINDER. 1934. But it really did very little business until 1945, sir. Very little comparatively.

Mr. PASSMAN. The Bank has been in existence approximately 30 years but most of the business has been transacted during the past 20 years?

Mr. LINDER. That is right.

Mr. PASSMAN. What has been the total amount of loans from the inception of the Bank through the last accounting?

Mr. LINDER. $14 billion is the total amount authorized and the total amount disbursed is about $9.5 billion.

Mr. PASSMAN. What has been the amount paid back during that time?

Mr. LINDER. $5.7 billion.

INDETERMINANT PROFIT PICTURE

Mr. PASSMAN. So, it is going to require really a few more years' experience with the Bank, through good times and bad, to know whether or not we are actually going to be on the plus side. I am not thinking only of the interest but I am thinking of the profit that the American manufacturer or the farmer may have made. There are many factors we have to take into account, not just the interest you earn but it is giving us a market of $10 billion at least.

Mr. LINDER. More than that if I may say so because we have had participations with us by private institutions.

Mr. PASSMAN. Private institutions probably could just as easily have gone through with their part of it. If a man wants to buy two barrels of flour, if he only has the price of one he may buy it anyway. Could you actually say, Mr. Linder, that the participants would not have gone through with their part of it?

Mr. LINDER. Yes, I could sir. If we make a $10 million loan for a project abroad, we can then get a private bank to take a million of that but it could not afford to take more than a million dollars. The borrower would not have borrowed unless he could get $10 million, so the $1 million is tied to our 9.

LOANS DISBURSED

Mr. PASSMAN. Using the record as we see it, it has been $9½ billion.

Mr. LINDER. Something like that.

Mr. PASSMAN. That is the total amount of loans. What part has been disbursed?

Mr. LINDER. That is the part which has been disbursed. Something like 60 percent of that has been repaid.

PURCHASES OF U.S. GOODS AND SERVICES FROM LOAN DISBURSEMENTS

Mr. PASSMAN. Of course, for practically all of this money some American commodities were sold against it.

Mr. LINDER. Ninety-eight percent was.

Mr. PASSMAN. For what purpose did the other 2 percent go?

Mr. LINDER. I can't tell you, sir. We made an analysis at one time. In occasional deals there is the opportunity to lend, say $10 million, for the purchase of American commodities, provided that the borrower is permitted to use a small amount, say $500,000 for local costs. It has been 98 percent American goods and services.

Mr. PASSMAN. Are you guessing?

Mr. LINDER. No, we made a careful analysis.

Mr. PASSMAN. You have done so recently?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Let us get the figure. What would 2 percent be?

Mr. LINDER. Of nine and a half billion dollars that would be $190 million.

Mr. PASSMAN. About $190 million of the total amount?

Mr. LINDER. That is right.

Mr. PASSMAN. All that would have to be taken into account in the final recognizing as to whether or not you made a profit because that amount of money was spent without any profit accruing to American other than the interest. There were not commodities sold whereby we made a profit.

BANK EARNINGS

Mr. LINDER. The total earnings, not profit, of the Bank over its history is about $1.7 billion.

Mr. PASSMAN. Subtract from that sum the amount of interest we paid to borrow the money plus the overhead costs.

Mr. LINDER. About $500 million. That leaves roughly $1.2 billion.

Mr. PASSMAN. You actually have had $1.2 billion paper profit?

Mr. LINDER. Yes. Of that we paid dividends to the Treasury of about $400 million and we have over $800 million in reserve.

Mr. PASSMAN. Is that all paper profit so far?

Mr. LINDER. I would not quite go that far, Mr. Chairman.

Mr. ROONEY. The Treasury did not turn down the paper, did it?

Mr. PASSMAN. I am talking about the check you gave the Treasury but you do have outstanding what amount in borrowed money?

Mr. LINDER. We are only borrowing $1,274 million.

Mr. PASSMAN. What is the outstanding total?

Mr. LINDER. Do you mean commitments or outstanding?

RECEIVABLES

Mr. PASSMAN. What do you have owing to the Bank today?

Mr. LINDER. $3,400,000,000.

To be accurate, sir, the receivables are about $3,574,000,000 at the present time.

Mr. PASSMAN. Against that amount you have a profit of $1,200 million dollars that you can look at and say those are the earnings.

Mr. LINDER. Yes.

Mr. PASSMAN. You can't find anything else you can call a profit other than the $1.2 billion?

Mr. LINDER. Certainly our portfolio is worth something, is it not?

Mr. PASSMAN. Mr. Linder, let us be serious about this. I am not talking solely about your Bank. I am talking also about the other spigots of the giveaway program. You know as well as I do that they are trying to get the Export-Import Bank involved in a lot of these other operations in the aid program. I am glad you took the position that you did.

LOAN NEGOTIATION PROCEDURES

Now, you made a statement earlier, on page 9:

> The Bank may be called upon without prior notice to meet large but valid requests for loans and guarantees.

If you receive an application that is without prior notice, meaning you have no knowledge whatsoever that the request may be made, usually these could be very large requests, could they not?

Mr. LINDER. They could at times.

Mr. PASSMAN. Does it not take a long time to negotiate loans of this type?

Mr. LINDER. It depends entirely on who the borrower is. If the British Government were to come in to us tomorrow morning because of a foreign exchange crisis and ask for $100 million and if we knew the Monetary Fund and the Treasury were also prepared to help them, we could make up our minds very quickly. If on the other hand an applicant came in tomorrow morning and said he wanted to build a large industrial project, it might take us a year before we could investigate that project carefully enough to determine whether we would finance the project.

Mr. PASSMAN. You mentioned that one of the smaller countries might require a year to investigate before you would finally approve the loan.

Mr. LINDER. Projects in larger countries also may take a long time to investigate. For example, we have at the present time a large project being considered for one of the Scandinavian countries. The engineering study has taken 6 months already.

AREAS OF OPERATIONS

Mr. PASSMAN. In how many countries do you operate, Mr. Linder?

Mr. LINDER. We have loans outstanding in approximately a hundred countries but in some of them the loans may be for very small amounts. We may have only $50,000 in a newly created African republic.

Mr. PASSMAN. AID also has programs going to a hundred countries.

Mr. LINDER. Yes; but ours are commercial credits. We don't have any large loans to anything like a hundred countries.

Mr. PASSMAN. Does Russia use any Export-Import Bank loans?

Mr. LINDER. No, sir.

Mr. PASSMAN. Have we ever had any loans to Russia?

Mr. LINDER. As far as I know, none. In fact, I am sure, none.

LOANS TO CUBA

Mr. PASSMAN. What is the total amount owing to us by Cuba?

Mr. LINDER. That is on page 5, sir. I think it is something approximating $36 million.

Mr. PASSMAN. Is Cuba paying any interest?

Mr. LINDER. None at all. Cuba owes the Bank $36 million. These loans were not made to the Government of Cuba. They were loans to private enterprises in Cuba.

Mr. PASSMAN. Let me say, then, to Cuba and industrialists in Cuba.

Mr. LINDER. That is right, $36 million.

Mr. PASSMAN. None of the loans is being paid.

Mr. LINDER. None.

Mr. PASSMAN. I suppose it is the policy of the Castro government that the people not pay on these loans?

Mr. LINDER. I think it is. He has taken over these properties. Mr. Sauer has been down there and tried to persuade him to make payments. He simply is not going to do it. At least he is not going to do it at this point. Maybe the day will come when he is out and there will be recognition by the United States and we will have a chance of getting some of our money back.

Mr. PASSMAN. There is indication that Russia is making a profit out of sugar. They are draining everything out of Cuba. I don't think Russia would give you a wagonload of barnyard fertilizer.

LIMITATION ON ADMINISTRATIVE EXPENSES

With reference to the limitation on administrative expenses, you are asking for an increase of $325,000?

Mr. LINDER. That is correct, sir, of which $129,000, as I indicated, represents salaries.

Mr. PASSMAN. Out of the $3,500,000 last year what were your anticipated expenses for fiscal 1964?

Mr. LINDER. For 1964, sir?

Mr. PASSMAN. Yes, sir; if you have an estimate this early. You have fewer loans?

Mr. LINDER. Yes. I think expenses will be something like $3,425,000. They may even be slightly less.

ADDITIONAL PERMANENT POSITIONS

Mr. PASSMAN. Please supply for the record, if you will, a list of the 27 positions showing the grade, title, salary of each position.

Mr. SIMPSON. Yes, sir; I have it.

(The information supplied follows:)

New positions, fiscal year 1965

Office of employee	Grade	Number	Title
Western Latin America	GS-13	1	Loan specialist.
	GS-12	1	Do.
	GS-6	1	Secretary.
	GS-5	1	Do.
Subtotal		4	
Near East and south Asia	GS-14	1	Fiscal and financial economist.
	GS-12	1	Do.
	GS-12	1	Do.
Subtotal		3	
Far East Division	GS-14	1	Do.
	GS-11	1	Do.
	GS-11	1	Loan specialist.
Subtotal		3	
Exporter Credits Guarantee Division	GS-11	1	Loan officer.
	GS-5	1	Secretary (stenography).
Subtotal		2	
Exporter Insurance Division	GS-11	1	Loan officer.
	GS-5	3	Secretary (stenography).
	GS-4	2	Clerk-typist.
Subtotal		6	
Import and Exchange Control Section	GS-11	2	Loan officer.
	GS-9	1	Junior loan officer.
	GS-5	1	Secretary (stenography).
Subtotal		4	
Office of the Vice President for Program Planning and Information.	GS-7	1	Loan assistant.
Office of Information	GS-13	1	Writer.
Office of Administration	GS-6	2	Unit supervisor.
	GS-2	1	Messenger.
Subtotal		3	
Total new positions		27	

NEW POSITION IN OFFICE OF INFORMATION

Mr. PASSMAN. Why do you need a new position in the office of information, Mr. Linder?

Mr. LINDER. Largely because I think we issue an inadequate amount of information about our operations. It is very important from

the point of view of our insurance business to make as large a spread of risk as we can. We must, therefore, make as many people in the business community and the banking community conscious of the facilities that are available in order that they will use our insurance. The benefit from our point of view is that more people will realize that they can export with a certain amount of safety and we can get a better spread of good risks with bad risks.

GROSS INCOME BY PROGRAM

Mr. PASSMAN. Do you make a spread on your books as to the profit you derive from your interest against your guarantees?

Mr. LINDER. Yes, we do.

Mr. PASSMAN. Would you object to inserting that information in the record?

Mr. LINDER. I would point out that sometimes our guarantees are paid for by fees and sometimes by a split of interest. If the loan carries a 5-percent rate, we may take a half of 1 percent, the bank may take four and a half. If it carries a 5-percent rate, we may take 1 percent and the commercial bank which puts up the money will take 4 percent.

Mr. PASSMAN. As far as the insurance is concerned, you are bound to have that information separate.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. If you will give the data to us we shall appreciate your cooperation, sir.

(The information supplied follows:)

Gross income by program [1]

[In thousands of dollars]

	Fiscal year	
	1962 actual	1963 actual
Loan program	166,605	179,939
Guarantee program	749	1,419
Insurance program	120	461
Total	167,474	181,819

[1] Loan activity has been carried on since the inception of the Bank. Guarantee and insurance activities are new programs. In addition, the guarantees and insurance programs do not call for Government disbursements, unless claims are involved.

INCREASE IN EMPLOYMENT SINCE FISCAL YEAR 1962

Mr. PASSMAN. How many new employees have been added to the agency since the beginning of fiscal 1962?

Mr. LINDER. Mr. Simpson may be able to give you that. I think 35.

Mr. SIMPSON. It is 34.

REQUESTED INCREASE FOR CONSULTANTS

Mr. PASSMAN. I notice, on page 9, the sentence relating to the requested increase for per diem rate for consultants, stating—

the $100 rate is the present standard allowance throughout the Government.

Mr. LINDER. So I am informed, sir.

Mr. PASSMAN. You have been paying $75.

Mr. LINDER. That is correct.

Mr. PASSMAN. In addition to the $75 per day, what other expense reimbursements do they get?

Mr. LINDER. They also get their transportation and standard per diem of $16.

Mr. PASSMAN. How about their lodging?

ADVISORY BOARD ALLOWANCES

Mr. LINDER. That is the $16 per diem. As a practical matter we have few consultants. The statutes require that we shall have an advisory committee. That advisory committee meets two or three times a year. They are men of very substantial positions in the community. The chairman is Carl J. Gilbert, chairman of the board of Gillette Co., for example. You can see from the list on page B who they are. Now, I am sure it is a great sacrifice for them to serve at that rate. I am a little bit embarrased that their services to the Export-Import Bank should be less valuable than the services to someone comparable to them, to the Defense Department or some other department. It really makes no difference other than that. Actually, our advisory board allowance is set by statute at only $50 and cannot be changed except by an amendment to our legislation. They get, in addition, their transportation and $10 per diem. We have outside of that maybe two or three occasions in the course of a year to call on someone of equal caliber and say we want advice on this, that or the other thing. The total amount of those, I don't know--but these are the ones we are suggesting be increased.

Mr. RHODES. In looking at this list of individuals, it strikes me that the only one who might really care about whether he gets $75 a day or a hundred dollars a day is the only poor man there, that is Dr. James McCain, the president of my alma mater; Kansas State University.

Mr. LINDER. I don't think they care. When I was in private life I did not care whether the Government paid me a fee or not when I came down and tried to be of some assistance. But people are sensitive to the fact that their service may be graded differently than somebody else's service.

Mr. ROONEY. Members of the Civil Rights Commission get $50 a day and they do a substantial and expert job. One is the president of Notre Dame University. Another is Dr. Hannah, of Michigan State.

Mr. LINDER. If in the wisdom of this committee this is not justified I will withdraw it. I felt it was appropriate.

Mr. PASSMAN. The gentleman from New York says the people on the Civil Rights Commission are doing a pretty good job, but we can certainly debate that point.

ALLOWANCES FOR CONSULTANTS BY OTHER GOVERNMENT AGENCIES

Would you comment, Mr. Linder, and provide for the record a list of agencies that have such a rate for consultants?

Mr. LINDER. I will do the best I can.

(The information supplied follows:)

U.S. GOVERNMENT AGENCIES AUTHORIZED TO PAY CONSULTANTS $100 PER DIEM
(PARTIAL LISTING)

National Aeronautics and Space Council.
Department of Defense, Corps of Engineers.
Panama Canal.
Civil Aronautics Board.
Federal Communications Commission.
Federal Trade Commission.
National Mediation Board.
St. Lawrence Seaway Development Corporation.
Securities and Exchange Commission.

INCREASE IN SPACE RENTAL COSTS

Mr. PASSMAN. Why is the cost of rental of office space increasing by $87,000?

Mr. LINDER. Because GSA put the price up. So the transaction is really within the Government.

Mr. PASSMAN. You rent space from the Government?

Mr. LINDER. Yes, except for one small amount of space.

Mr. PASSMAN. What building are you in?

Mr. LINDER. 811 Vermont Avenue, which is the old RFC building, overlooking Lafayette Park.

Mr. PASSMAN. That building is owned by the Government?

Mr. LINDER. It is.

Mr. SAUER. It is a big boost, in one jump by $2 a square foot.

Mr. PASSMAN. One agency renting to another, each of them getting an appropriation. I am glad it is not my job to make a spread and reconcile what is outside of Government and what is not.

Mr. LINDER. In fairness I must say we have relatively low rent. Three and a half dollars for a square foot is pretty low rate for prime office space in Washington.

Mr. PASSMAN. How many employees altogether are there in your office?

Mr. LINDER. I believe at the present time 293.

Mr. PASSMAN. And the number of feet of office space?

Mr. LINDER. This, sir, I can't tell you.

Mr. PASSMAN. And the total annual rental?

Mr. LINDER. I have had an analysis made and our administrative officers can tell you immediately but I can't tell you.

Mr. PASSMAN. If you will, insert in the record the annual rental cost, amount per square foot, under the new GSA lease.

Mr. LINDER. Yes, sir.

(The information supplied follows:)

Space rental under GSA lease and end of year employment

	Fiscal year 1963, actual			Fiscal year 1964, estimate			Fiscal year 1965, estimate		
	Square feet of space	Rental cost	Number of employees (end of year)	Square feet of space	Rental cost	Number of employees (end of year)	Square feet of space	Rental cost	Number of employees (end of year)
Office space:									
Lafayette Bldg.	49,584	$178,502.37	283	51,984	$182,822	239	51,984	$263,039	261
Woodward Bldg.	4,100	17,225.00	16	13,100	48,138	82	13,100	58,375	82
Total	53,684	195,727.37	299	65,084	230,960	321	65,084	321,414	343
Storage space: Lafayette Bldg.	1,674	1,674.00	----------	1,674	1,674	----------	1,674	3,080	----------

NOTE.—Rate for office space in Lafayette Bldg. will increase from $3.60 to $5.06 per square foot and storage space from $1 to $1.84, effective July 1, 1964. Office space in the Woodward Bldg. is rented at $4.55 for 9,000 square feet and $4.25 for 4,100 square feet.

OTHER SERVICES—NONGOVERNMENTAL EXPENSES

Mr. PASSMAN. What are the nongovernmental expenses of $30,000 under "Other services"?

Mr. SIMPSON. Statement to be furnished.

(The information is as follows:)

ADMINISTRATIVE EXPENSE BUDGET 1965 FISCAL YEAR ESTIMATE

Explanation of other services—Nongovernmental

	In thousands of dollars
Equipment repairs	15.0
Tuition and training expense	2.0
Credit reports	4.2
Translation service	2.0
Certified public accounting advisory service	1.2
Surety bond and other fees	2.6
Press clipping service	.6
Carpet service (cleaning and repairing)	.8
Other miscellaneous services [1]	1.6
Total	30.0

[1] Includes auto repair, laundry, and towel service, etc.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. What is the amount of representation allowance?

Mr. LINDER. $9,000.

Mr. PASSMAN. Would you describe briefly what that item includes?

Mr. LINDER. Yes, sir. At international meetings it is frequently necessary for our representative to return hospitality. When the president of a bank abroad comes to this country, it is customary to entertain him at lunch. I point out to your, sir, we have used very little of this allowance. In fiscal 1963 we used $2,000. In the first 7 months of this year we used only $1.000.

Mr. PASSMAN. I want to commend you, Mr. Linder. Your organization is worldwide and when you speak of $9,000 representation allowance, you are talking about luncheons, banquets, any other entertainment, in connection with operating the Export-Import Bank, are you not?

Mr. LINDER. That is correct.

Mr. PASSMAN. I suppose your Bank's volume of business in a hundred nations is two or three times that of the Inter-American Development Bank, is it not?

Mr. LINDER. I am sure it is at least that.

Mr. PASSMAN. Those people spent $143,358 in 1 week before they made a single loan and spent it out of the capital account and $17,000 of the total was the "whisky bill."

Mr. ROONEY. Mr. Chairman, I have listened with a great deal of interest to the statements of Mr. Linder and his colleagues here and having listened to the presentations of the Export-Import Bank for many years I should like to commend Mr. Linder and his associates for a highly interesting and informative presentation of the activities of the Export-Import Bank.

Mr. LINDER. Thank you very much, sir.

Mr. PASSMAN. Thank you, Mr. Rooney.

COORDINATION WITH OTHER CREDIT INSTITUTIONS

Mr. RHODES. Mr. Linder, do you have any working arrangement with the Inter-American Bank or the World Bank, so that you can be sure you are not duplicating their efforts or getting into areas in which they are operating?

Mr. LINDER. Well, as far as the second half of your question is concerned, Mr. Rhodes, we obviously operate in the same areas.

Mr. RHODES. I am thinking more of loan areas rather than geographical areas.

Mr. LINDER. There is a reasonable degree of coordination. It is not perfect because the World Bank is an international organization and it has a certain autonomy. I can speak with greater assurance about our coordination with AID because it is a U.S. organization, but I do have a good relationship with George Woods who is President of the World Bank and I know Mr. Herrera of the Inter-American Bank. Our staff on western and eastern Latin America are in constant contact with their opposite numbers. There is a reasonable degree of coordination between us. There is closer contact with AID but that is natural. We are both part of the same Government.

COOPERATION WITH AID

Mr. RHODES. Do you have any comment to make on your cooperation with AID? In past years it has been indicated by both you and by AID that the cooperation is extensive and with good feeling on both sides.

Mr. LINDER. That is certainly true. The Bank is offered every loan application received by AID to determine whether we want to consider it on our terms. There is no bureaucratic aggrandizement in this relationship. If we are prepared to lend $3 million for a project in Pakistan even though it came to AID first because the Pakistanis wanted attractive terms, we will make the loan and AID will agree.

Mr. RHODES. I am a little disturbed that you don't have more formal liaison with the Inter-American Bank and the World Bank. While there is capital from other nations involved in those institutions, there is also a large amount of the American taxpayers' money involved. It would be the subject of some distress if there was to be any great amount of overlapping.

Mr. LINDER. I certainly did not intend to give you the impression that there was no coordination. There is a very important degree of coordination through the National Advisory Council where I am in touch with the U.S. Directors of both these institutions. Through membership in the National Advisory Council, the State Department, the Department of Commerce, the Treasury Department, and the Chairman of the Federal Reserve Bank and my organization know about the activities of the Inter-American Development Bank, the IMF, and the IBRD.

STANDBY CREDIT ARRANGEMENTS

Mr. RHODES. Do you exact any payment for standby arrangement of credit?

Mr. LINDER. If it is truly a standby arrangement we do; yes.

Mr. RHODES. What about the Canadian credit?

Mr. LINDER. We exacted a quarter of 1 percent on this $400 million credit. It was paid in advance.

Mr. RHODES. This was paid by the Canadian Government?

Mr. LINDER. Yes. In the case of Italy we have taken a quarter of 1 percent, too, in respect to that portion of the credit which is related to the purchase of commodities.

Mr. RHODES. This is the usual way.

Mr. LINDER. In our normal project lending we do not ask for a standby or commitment fee. We authorize the loan, and give it a certain period of availability. Perhaps it takes 6 months to 2 years in which to purchase the equipment if it has to be made on special order. If there is good reason why the equipment cannot be purchased within the specified time, we may extend the expiring date. Then repayments begin within a certain period of time after we have made our disbursement. You understand that we don't make loans payable at the end of a longtime period. When we say a 25-year loan we mean equal semiannual installments over the 25 years so the average time outstanding is something like 12 years.

STATEMENTS ON FCIA INSURANCE AND COMMERCIAL BANK LOAN GUARANTEE PROGRAMS

Mr. RHODES. Now, you have testified on this in previous years but I think it might be well for those who read the record for this year to have a statement concerning the investment guarantee program and the insurance program, the latter as to risks insured against, the charges made, and the like. In other words, a definitive statement of the two programs.

Mr. LINDER. We will be glad to do that. Excuse me, sir, if I may, ours is not an investment guarantee program, it is the extension of guarantees on commercial bank loans. We don't make investment guarantees.

Mr. RHODES. I accept your amendment. I used the wrong word.

(The information supplied follows:)

FCIA INSURANCE AND COMMERCIAL BANK GUARANTEE PROGRAMS

GENERAL

The Bank's participation in the underwriting of short- and medium-term export credit insurance and its issuance of medium-term guarantees have replaced the direct exporter credits formerly granted. These new insurance and guarantee facilities, introduced in 1961 and 1962, are designed to be comparable with those available to our foreign competitors.

Short-term export transactions are those in which payment for the sale is made within 180 days (under some circumstances, 1 year) after shipment or delivery date. Unlike medium-term arrangements, no cash downpayment or installment payments are made by the foreign purchaser and the insurance fees are paid by the exporter in advance.

Medium-term export credits facilitate sales by U.S. exporters on terms extending from 1 year (exceptionally 6 months) to 5 years (7 years for jet aircraft). In each case the foreign importer or buyer agrees to make a cash payment of 20 percent by the time of delivery (somewhat less if the buyer and the country of import are preferred risks), and to pay the balance or financed portion in equal semiannual or more frequent installments over a term representing the customary period for the goods in international commerce. The U.S. exporter is usually expected to participate in these transactions by carrying a share of the financed portion at his own risk.

Coverage for short-term export sales is available through export credit insurance issued by the Foreign Credit Insurance Association (FCIA), while coverage for medium-term exports is available through FCIA insurance, guarantees to financial institutions, and, on rare occasion, Export-Import Bank guarantees issued directly to exporters.

The Bank recognizes that political and credit risks are inherent in export transactions and seeks to protect the financing institution or exporter against them. Thus, U.S. exporters are able to extend credit to their customers in the secure knowledge that unforeseen adverse developments abroad will not result in large losses. Specifically, credit risks are defined as failure of payment to the exporter because of insolvency of the buyer or protracted default of payment by the buyer; political risks are actions taken by governments which prevent consummation of the sale; currency inconvertibility, war and civil strife, expropriation, cancellation of import license, and similar overt political acts.

FCIA Export Credit Insurance

In February 1962 Eximbank joined in partnership with a number of leading U.S. marine, casualty, and property insurers to form the Foreign Credit Insurance Association (FCIA). FCIA issued four basic export credit insurance policies covering short- and medium-term sales for both political or comprehensive risks. Exporters who have their foreign accounts receivable insured will find it easier to obtain financing for these transactions from U.S. commercial banks. To facilitate such commercial bank financing, all policies are assignable upon approval in writing by FCIA.

Short-term insurance, where the terms of payment may extend to 180 days (exceptionally 1 year), does not require a cash downpayment, installment payments, or participation by the exporter, but does require the exporter to insure all or a reasonable part of his eligible exports. Comprehensive coverage indemnifies the insured for 85 percent of losses from credit causes and 95 percent from political causes, while political risk coverage indemnifies for 90 percent of losses from political causes alone.

Endorsements are available on both short- and medium-term FCIA policies providing the exporter with coverage during the preshipment or the manufacturing period.

Premiums on short-term comprehensive policies range from 29 cents per $100 of invoice value for coverage up to 90 days in the most favorable or "A market" countries, to $2.48 per $100 of invoice value for coverage up to 180 days in the least favorable or "D market" countries. Comparable premiums for preshipment coverage range from 7 cents to $1. Rates on short-term policies covering political risks only are generally about two-thirds of those for comprehensive coverage.

Medium-term insurance covers the financed portion of the transaction (sales price less downpayment). Comprehensive coverage indemnifies the insured for 85–90 percent of losses on the financed portion of the transaction from either credit or political causes, and political risk coverage indemnifies for 85–90 percent of losses on the financed portion of the transaction from political causes alone. Under both comprehensive and political risk policies the exporter carries from 10–15 percent of the financed portion for his own account and risk.

Premiums on medium-term comprehensive policies range from $0.46 per $100 of financed portion for coverage up to 1 year in "A" countries to $8.82 per $100 of financed portion for coverage up to 5 years in "D" countries. Preshipment coverage premiums range from $0.08 in "A" countries for coverage up to 90 days to $1.68 in "D" countries for coverage up to 1 year before shipment. Rates on policies covering political risks only are generally about three-fourths of those for comprehensive coverage.

The Bank's gross income during fiscal year 1962 from the FCIA insurance program was $120,000. In fiscal year 1963 it increased to $461,000.

Commercial Bank Guarantee Program

To encourage commercial banks to finance medium-term export sales without recourse on the exporter, Eximbank will issue a guarantee on the principal amount of such financing and interest thereon up to 6 percent covering both commercial and political risks.

General requirements for these guarantees are the same as for the medium-term FCIA insurance. A cash downpayment by the buyer of 10–20 percent of

the contract price is customary, while the exporter must participate to the extent of at least 15 percent of the remainder or financed portion of the transaction. To a commercial bank or other financial institution prepared to extend credit without recourse on the exporter for the balance or 85 percent of the financed portion, Eximbank will issue its guarantee covering political risks throughout the life of the credit and commercial risks on the first one-half of the installments or the first 18 months whichever is the shorter period. The commercial bank, thus, assumes the commercial risks on the early maturities of the credit it has extended.

The Bank must be satisfied that these transactions offer reasonable assurance of repayment. Where the creditworthiness of the borrower is not entirely adequate, a guarantee of payment by a responsible financial institution or other third party in the borrower's country may be required.

Eximbank can also issue medium-term preshipment guarantees to exporters whose sales are to be financed without recourse by a commercial bank under an Eximbank guarantee. In this way protection is provided against loss occurring after the date of contract of sale but before actual shipment abroad. During the preshipment period the exporter is covered against insolvency of the buyer and political risks which may prevent final shipment, but not against cancellation of the contract by the buyer or his failure to accept the goods.

Fees charged by Eximbank for these guarantees range from $0.32 per $100 of financed portion on credits extended for 1 year or less in "A" countries to $7.04 per $100 of financed portion on credits extended for 5 years in "D" countries. Preshipment coverage fees range from $0.13 per $100 of financed portion in "A" countries for coverage up to 90 days to $1.73 per $100 of financed portion in "D" countries for coverage up to 1 year prior to shipment.

The Bank gross income under the commercial bank guarantee program during fiscal year 1962 was $749,000. In fiscal year 1963 it increased to $1,419,000.

LIMITATION ON OPERATING EXPENSES

Mr. RHODES. Now, this is just thinking out loud, Mr. Linder, but if we do place a limitation on your operating expenses would it be better to put a contingency in the limitation providing that if the President certifies that an emergency exists, the Exim Bank may draw a larger amount than the amount to which it is otherwise limited?

Mr. LINDER. I would think provided it is not emphasized by the word emergency. One normally thinks of an emergency as being an emergency situation of the United States. What we are thinking of is an emergency situation abroad which would require us to make a loan above the amount of the limitation. I would view a limitation with reluctance. But the committee has been very fair in the past in having given us everything we estimated was needed. If, however, the committee must impose a limitation it would be desirable to allow some flexibility by permitting the President to waive the limitation. This would be helpful.

Mr. RHODES. Mr. Linder, I think I speak for most of the members of this subcommittee when I say we have the highest regard for you and your associates and for the Export-Import Bank. However, I would be less than candid if I did not tell you that in my opinion we will put some kind of limitation on your drawings. That is the reasoning for this line of questioning—to get you something you can live with.

Mr. LINDER. I understand.

ESTIMATED DECREASE IN GROSS INCOME

Mr. RHODES. Can you give me some indication as to the reason why your estimate for income on page 8 is considerably less for 1965 than

it is for fiscal 1964? In the category called "Interest received on loans" for 1964 fiscal year your estimate is $192 million; for 1965, $185 million.

Mr. LINDER. This relates to the fact that we hope to sell a certain number of old loans. New loans may not yield the same interest income. But again these are based on hypotheses. If we sell, let us say, $500 million worth of our loans we would sell the participation certificates, we might not get comparable amounts of new interest in even though we made something on loans we sold to make that up. This would result, however, in our borrowing much less from the Treasury of the United States.

Mr. PASSMAN. Mr. Rhodes, would you yield?

Mr. RHODES. Yes, sir.

SALE OF LOANS AND PORTFOLIO CERTIFICATES

Mr. PASSMAN. Are those loans sold with or without recourse?

Mr. LINDER. They are sold both ways, Mr. Chairman. These particular loans——

Mr. PASSMAN. I am speaking of loans as such, not any particular loans. Will you provide for the record a statement as to what percentage is sold with recourse and the percentage without recourse for one given year?

Mr. LINDER. Surely.

(The information supplied follows:)

Sale of loans and portfolio certificates, fiscal year 1963

[Dollar amounts in thousands]

	Sold with recourse	Sold without recourse	Total
Sale of loans	$5,005	$80,766	$85,771
Sale of portfolio certificates	250,000		250,000
Total	255,005	80,766	335,771
Percent	76	24	100

RECOURSE PARTICIPATION CERTIFICATES

Mr. RHODES. Now, in the same statement on page 8 you have an item "Portion due on participation certifications sold with recourse."

Mr. LINDER. That is correct.

Mr. RHODES. And the amount estimated for fiscal year 1964 is $24,130,000, and for 1965 fiscal year, $40,710,000.

Mr. LINDER. Right.

Mr. RHODES. What would be the reason for that?

Mr. LINDER. As more participation certificates are sold, the amount remitted to the owners of the participation certificates, upon repayments by the borrowers, is greater.

Mr. RHODES. This does not indicate any fear on your part that recourse paper which you have sold will become a claim against the bank.

Mr. LINDER. No. Suppose we sell $500 million this year and sold $300 million last year and $100 million the year before—I am using

arbitrary examples—then that part of the loan payments coming into us which we have to pay certificate holders would produce the same kind of upward curve as the amounts of original sales.

Mr. RHODES. Now, the item under expenses, interest paid on notes held by U.S. Treasury.

Mr. LINDER. This item goes down because we have sold participation certificates and used the proceeds to pay off the Treasury.

AMOUNTS OWED TO THE TREASURY, FISCAL YEAR 1965

Mr. RHODES. At the end of this next fiscal year what do you presume the amount due the U.S. Treasury from the Export-Import Bank will be?

Mr. LINDER. This will be dependent in large measure on the amount of participation certificates that we sell in the next 2 months. We will have an offering in April or May, not a public offering but an offering to commercial banks. The budget estimates $500 million of sales. Whether we decide to offer the $500 million is not certain—it may be less. The amount we will owe the Treasury will depend on the amount we sell. Now, assuming $500 million to be sold, we would owe the Treasury less than a billion dollars.

Mr. SIMPSON. $873 million is what we forecast for the end of June 1964.

DECREASE IN INTEREST EXPENSE

Mr. RHODES. I gather it will from the fact that your interest expense is going down from $41 million to $21 million.

Mr. LINDER. Again, that is our estimate.

Mr. RHODES. Right; but you do expect to do this. Why are you doing it at this particular time? Is it due to the condition of the money market?

OPERATIONS FINANCED BY SALES OF SECURITIES

Mr. LINDER. No; we have had a program for 3 years to sell participations. We have been stimulated by the Ways and Means Committee of the House which has pointed out that if the U.S. Government agencies own salable securities they should sell some of them.

Another reason is that sales will substantially foster our business with commercial banks. It would be ideal if the Export-Import Bank could operate entirely without borrowing from the Treasury of the United States, but rather, as the chairman suggested, from private sources. We are moving rather rapidly in that direction. We have commitments outstanding, taking the face amount of all those commitments, of almost $6 billion now. We are borrowing from the Treasury only $1,200 million as of February 29, 1964. Now, we will bring this figure down to $800 or $900 million by June 30, 1964, if we sell $500 million. If we sell another $500 million next year, we would be down to about $300 million.

SOURCES OF FINANCING

Mr. RHODES. Is a substantial amount of your financing now coming from the open money market?

Mr. LINDER. It is coming from a combination of sources. We have $1 billion in capital, which has been invested in our loans. We have an $800 million reserve.

We have large amounts of undisbursed commitments. We don't have to put up money for guarantees or insurance unless there is a loss or default. This combination enables us to finance the Bank without borrowing from the Treasury for additional amounts.

BOND SALES

Mr. RHODES. The Inter-American Bank, as I recall, does a substantial amount of its financing by sale of bonds in the open market. Do you ever expect to go to this?

Mr. LINDER. No; and for the Inter-American Bank it is a small amount if I may correct you.

Mr. RHODES. Is it the World Bank?

Mr. LINDER. The World Bank has a larger amount. We have been reluctant to have our own obligations held widely. We prefer to sell them to the commercial banks on whom we can rely to help us in our business. If the Japanese come in and want $60 million for cotton for 12 months, we make the loan and ask which commercial banks they prefer.

We then go to the banks named and offer each of them, for example, $5 million without recourse on us at a rate of 4½ percent. We made a very attractive rate to the Japanese because we wanted to sell the cotton. We are competing with Mexican cotton. The banks may say: "No, we have enough Japanese paper at 4½ percent. If you make the note 5¼ percent we'll take it." But the United States might not sell the cotton at 5¼. We then say to the bank, "Will you take this with our guarantee at 4?" They are likely to agree. We take half of 1 percent for our compensation. If some of the banks suggested should not want the paper, we can offer it to others. The fact that we have made our participation certificates available to them builds closer business relationships and enables us frequently to arrange substantial amounts of financing over the telephone.

TREASURY DRAWINGS

Mr. RHODES. With your $800 million credit from operations, if you get your drawings from the Treasury down to about a billion dollars, your net drawings would only be $200 million plus whatever the Treasury has invested as capital. Is that correct?

Mr. LINDER. That is right; except for one thing: We might have to make good on some sizable guarantee or insurance policy.

Mr. RHODES. I know; there is a very valid contract as we have established before in this committee.

Mr. LINDER. That is right.

Mr. RHODES. That is all, Mr. Chairman.

REQUEST FOR ADDITIONAL CAPITAL

Mr. PASSMAN. Mr. Linder, with reference to the additional capital that you requested in legislation submitted last year, if you get a final authorization for an appropriation, then the amount appro-

priated would have to be included in the administrative budget when the budget request comes up the first of the year; that is, it would be included as part of the budget, would it not?

Mr. LINDER. I suppose it would if we ever got to that point.

Mr. PASSMAN. If it were borrowing from the Treasury it would not be part of the administrative budget.

Mr. LINDER. You mean of the Nation as a whole?

Mr. PASSMAN. Yes.

Mr. LINDER. Sir, I would not like to comment on this accounting because I don't know.

EFFECT OF SECURITY SALES ON LENDING AUTHORITY

Mr. PASSMAN. If you sell securities to any bank, with recourse, do you provide some type of reserve out of your limitation or is that item operated free of any debit to the limitation?

Mr. LINDER. No. The loan for say, $5 million was originally made by us and was deducted from our lending authority. Selling the loan, if the buyer has recourse on us, does not change our lending authority at all.

INSURANCE SALES

Mr. PASSMAN. It is the same as your insurance. If you write an insurance guarantee of a million dollars you immediately debit your limitation of $250,000?

Mr. LINDER. That is correct.

Mr. PASSMAN. If you make a $10 million loan to Japan, you debit your limitation account with that amount?

Mr. LINDER. That is correct.

Mr. PASSMAN. If you sell that loan to a bank you still leave that debit outstanding?

Mr. LINDER. That is correct, unless we sold it without recourse.

RECOURSE LOAN SALES TO BANKS

Mr. PASSMAN. Let us talk about with recourse. Will you supply for the record a statement of the amount presently outstanding in all the banks you have sold securities to with recourse?

Mr. LINDER. Yes, of course.

Mr. SIMPSON. You want the detail.

Mr. PASSMAN. Just the aggregate.

(The information supplied follows:)

LOANS SOLD TO FINANCIAL INSTITUTIONS WITH RECOURSE, OUTSTANDING AT DECEMBER 31, 1963

Total outstanding December 31, 1963, $492,148,000.

PRICE OF COMMODITIES FINANCED

Mr. PASSMAN. In financing commodities, usually the commodities move out at the world price, do they not?

Mr. LINDER. That is right.

Mr. PASSMAN. Thank you very much, gentleman.

Mr. LINDER. Mr. Chairman, thank you, sir.

INTERNATIONAL DEVELOPMENT ASSOCIATION

SUBSCRIPTION OF FUNDS

TUESDAY, MARCH 17, 1964.

WITNESSES

JOHN C. BULLITT, ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS AND U.S. EXECUTIVE DIRECTOR, INTERNATIONAL DEVELOPMENT ASSOCIATION
ERLE COCKE, JR., ALTERNATE U.S. EXECUTIVE DIRECTOR, INTERNATIONAL DEVELOPMENT ASSOCIATION
JOHN O. HALLY, ACTING ASSISTANT GENERAL COUNSEL, U.S. TREASURY DEPARTMENT
E. JAY FINKEL, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL FINANCIAL POLICY COORDINATION, U.S. TREASURY DEPARTMENT
ERNEST C. BETTS, JR., DIRECTOR, OFFICE OF BUDGET AND FINANCE, U.S. TREASURY DEPARTMENT

Mr. PASSMAN. The committee will come to order.

We shall consider first this afternoon an appropriation request for the International Development Association.

We have as witnesses for this occasion the Assistant Secretary of the Treasury, John C. Bullitt, and others whose names will be inserted in the record.

The request being made, I believe is for the fifth and final installment for the International Development Association in the amount of $61,656,000, which is the same amount as the past three annual installments.

We shall insert pages 1 and 2 of the justifications at this point in the record.

(The data referred to follow:)

TREASURY DEPARTMENT

Subscription to International Development Association

Total appropriations authorized (Public Law 86–565):	
1st installemnt payment (1961)	$73, 666, 700
2d installment payment (1962)	61, 655, 825
3d installment payment (1963)	61, 655, 825
4th installment payment (1964)	61, 655, 825
5th installment payment (1965)	61, 655, 825
Total appropriations authorized	320, 290, 000
Appropriated by the Supplemental Appropriation Act, 1961 (Public Law 86–651): 1st installment payment	73, 666, 700
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1962 (Public Law 87–329): 2d installment payment	61, 656, 000
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1963 (Public Law 87–872): 3d installment payment	61, 656, 000
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1964 (Public Law 88–258): 4th installment payment	61, 656, 000
Appropriation estimate 1965: 5th installment payment	[1] 61, 656, 000

[1] Rounded for budget presentation—payment will be $61,655,825.

JUSTIFICATION

Public Law 86-565 (74 Stat. 293), approved June 30, 1960, authorized the President to accept membership for the United States in the International Development Association. On August 9, 1960, the United States deposited its instrument of acceptance with the International Bank for Reconstruction and Development. The articles of agreement entered into force on September 24, 1960, and the Association began operations on November 8, 1960.

The International Development Association is an international organization affiliated with the International Bank for Reconstruction and Development designed to provide development financing with long-term maturities at a nominal service charge for its less-developed member countries. The initial subscription of the United States totals $320,290,000, payable in five annual installments. The first installment of $73,666,700 was paid in fiscal year 1961; the second, third, and fourth installments of $61,655,825 each were paid in fiscal years 1962, 1963, and 1964. The installment of $61,655,825 for fiscal year 1965, for which an appropriation is now being requested, is the final installment required under the initial subscription of the United States. Under the rules of the Association, payment of this installment must be made not later than November 8, 1964.

As of December 31, 1963, the Association had made credit commitments totaling $577 million in 20 countries and territories. As of the same date, membership in the Association, which is open to all members of the International Bank, totaled 90 countries, with subscriptions aggregating $984 million of which approximately $767 million was payable in hard currencies.

Under a proposal negotiated among 17 advanced member countries of the Association, new resources totaling $750 million would be contributed by these countries to the Association in annual installments during fiscal years 1966, 1967, and 1968. The U.S. share of this replenishment of the Association's resources would be $312 million, or $104 million a year. Legislation authorizing U.S. participation in the increase and the appropriation of the necessary amount passed the Senate in January 1964, and is now pending before the House (February 1, 1964). Annual appropriations would be sought for each installment in the appropriate fiscal year.

Mr. PASSMAN. Mr. Bullitt, if you have a statement to make to the committee we shall be pleased to hear from you.

Mr. BULLITT. Thank you, Mr. Chairman.

GENERAL STATEMENT

Mr. Chairman and members of the committee, I am appearing before you today to support the administration's request for the fiscal year 1965 appropriation covering the balance of our subscription obligation to the International Development Association.

SUMMARY OF REQUEST AND APPROPRIATIONS TO DATE

Today's request is for the fifth and last installment on the $320.29 million subscription which the United States agreed to upon joining the IDA in 1960. The first installment of $73,666,700 was approved by the Congress as part of the Supplemental Appropriation Act for fiscal 1961; second, third, and fourth installments of $61,655,825 each were approved in the Foreign Assistance and Related Agencies Appropriation Acts of 1962, 1963, and 1964. Each of these prior installments has already been paid to the Association.

The request before you is for the fifth installment, which also amounts to $61,655,825. This amount is due not later than November 8, 1964, in accordance with the articles of agreement of IDA. A table showing the schedule of subscription payments by the United States has been submitted for the record, along with certain other tables dealing with IDA's membership and operations to date.

U.S. PARTICIPATION IN IDA

The Congress authorized U.S. participation in IDA by passage of the International Development Association Act (Public Law 86–565), which also authorized the appropriation of our $320,290,000 subscription.

As you know, the Senate has approved a bill authorizing U.S. participation in an increase in IDA's resources, which would call for appropriations of $104 million for each of the fiscal years 1966, 1967, and 1968. In the House, the bill was recommitted on February 26 to the Banking and Currency Committee, and we hope for favorable action at this session of the Congress.

CONCEPT OF IDA

Fundamentally, IDA is a means of mobilizing aid resources from other developed countries. Fifteen other countries together provide to IDA more funds than are being provided by the United States. These other developed countries subscribe the equivalent of $1.32 for every dollar subscribed by the United States. IDA is therefore one of the most effective ways we have to get other nations to share the financial burden of aid with us.

IDA is an affiliate of the World Bank, and any World Bank member may become an IDA member. IDA provides financing for essentially the same purposes as the World Bank, but it does so on terms which bear less heavily on a country's balance of payments than do the Bank's loans, and which the Bank could not offer. The need for large amounts of development financing on terms better adapted to the payment capacity of most of the developing areas is widely recognized, and is a major principle of our own aid program.

IDA is an economical institution, because as an affiliate of the World Bank, IDA draws on the Bank's management and staff, which are regarded throughout the world as being of first caliber. IDA reimburses the Bank for the facilities and services of the Bank's officials which it uses, thus avoiding duplication of effort between the two institutions. Equally important, the IDA-World Bank affiliation insures a coordinated policy approach to the problems of development with which the two institutions are concerned.

OPERATIONS

IDA began operations in November 1960 and announced its first development credit in May 1961. Through February 29, 1964, IDA had signed credit arrangements amounting to $591.4 million, involving 48 credits to 20 countries and territories. The two largest borrowers are India ($300 million) and Pakistan ($91.5 million). IDA credits for these countries are provided within the framework of the consortia of capital-providing countries which the International Bank has organized for each.

In Latin America, eight countries—Chile, Colombia, Coast Rica, El Salvador, Haiti, Honduras, Nicaragua, and Paraguay—have received $74 million of development credits from IDA. China, Ethiopia, Jordan, Korea, Sudan, Swaziland, Syria, Tanganyika, Tunisia, and Turkey complete the list of IDA borrowers to date.

Disbursements on IDA credits as of February 29, 1964, were $143.4 million.

IDA's development credits have been extended for projects of the same general kind as those financed by World Bank loans. Of IDA's 48 credits, 15 representing slightly less than half of the dollar value of IDA's commitments, are for projects in the transportation and communications fields; 15, representing about 20 percent of total commitments, are for agricultural development and irrigation; 3 credits are for port and harbor improvements; 6 for potable water projects, and 4 for electric power supply; 2 local development banks have received credits for making small subloans to private enterprises; finally, 1 credit has been extended for creation of an industrial estate, and 2 have been given for education projects.

PARTICIPATION BY OTHERS

IDA's membership consisted of 91 of the World Bank's 102 members as of February 29, 1964. Membership applications from eight additional countries have been approved by the Board of Governors, so that these countries may become full members upon their completion of certain formalities. Total IDA subscriptions amounted to $986.1 million as of February 29, 1964.

A total of $796.2 million has already been paid in on the first four installments; of this amount, $621 million has been paid in the form of dollars and other convertible currencies, and the balance of $175.2 million is in restricted currencies of less-developed members.

U.S. subscription payments to date total $258.6 million, whereas the hard currency subscription payments of the 15 other advanced countries—the so-called part I members—total $341.2 million. Thus, the other advanced countries are providing resources to IDA in excess of those provided by the United States. When subscriptions under the present schedule are completed in November of this year, the amount paid in by the United States will be $320.3 million, as against $422.4 million by the other 15 part I countries.

In addition to the hard currencies being subscribed by the part I members to IDA, 10 percent of the subscriptions of the part II countries—the less developed members—are payable in hard currency. To date, these countries have paid $21.2 million in hard currency along with $175.2 million equivalent in their own local currencies.

Finally, one part I member, Sweden, has made a voluntary supplemental contribution in hard currency of $10.1 million, and has pledged a further similar contribution of $5 million during fiscal 1965. These contributions would mean that Sweden has voluntarily made available an additional amount equal to 150 percent of its present subscription.

TERMS OF IDA LENDING

IDA's credits are repayable in dollars or other convertible foreign exchange, not in the borrower's own local currency. They are made for a term of 50 years, with repayment commencing after a 10-year period of grace. Thereafter, 1 percent per annum of the principal is to be repaid for 10 years, while in the remaining 30 years of the credit 3 percent of principal is to be repaid annually. No interest is charged on the credit but a service charge of three-fourths to 1 percent

annually is made on amounts disbursed and outstanding in order to provide IDA with funds to help meet its administrative costs.

Lending terms on the IDA pattern are essential for many countries if they are to maintain the momentum of development and if the free world's development is to take place on a sound financial basis. Debt incurred to finance economic development has outrun the increase in the capacity to service debt on conventional terms in recent years. A slowdown in development entails grave political and social risks in the developing countries, but additional borrowing on hard terms would in many cases be financially unwise. For these reasons, lending of the IDA type is of crucial importance.

IDA has been doing a vital job and doing it well. It should continue to have our financial support. It operates in our national interest, yet we are not required to bear its full cost, because it is financed to a larger degree by the other advanced countries than by ourselves. In supplementing the work of the World Bank, it also supplements U.S. programs of bilateral lending for development. The United States urged the formation of IDA, and has supported it in its formative years. It has the confidence of advanced nations and developing nations alike. For all these reasons, I urge you to act favorably on this request as you have on previous occasions.

Thank you, Mr. Chairman.

PROJECTS FINANCED BY IDA

Mr. PASSMAN. Thank you, Mr. Secretary.

Would you name for the record a few projects that could be financed with funds from IDA—educational facilities, highways, railways, water tanks, streets, sewerage systems, and so on, I think you have mentioned. It is not for the purchase of commodities, but is an improvement program; is it not?

Mr. BULLITT. That is right.

Mr. PASSMAN. Have I stated correctly some of the projects that could be financed with IDA?

Mr. BULLITT. Well, simply to review the kind of projects that have been financed in the past by IDA, there have been two educational credits that were for the purpose of school construction. There have been very substantial credits for road construction, for utility construction, communication systems. I have a description of each of the credits which has been extended by IDA, and if you like I would be glad to submit those for the record.

Mr. PASSMAN. I wish you would submit for the record a list showing each country to which IDA has made loans and the type of projects financed.

(The data supplied follow:)

IDA credits through Feb. 29, 1964, by country

[Expressed in U.S. currency]

Country	Project	Date of credit agreement	Amount
Chile	Highway construction	June 28, 1961	$19,000,000
China	Harbor dredging	Aug. 30, 1961	2,200,000
	Ground water development	do	3,700,000
	Municipal water supply	Sept. 6, 1961	4,400,000
	Development of private industry	Dec. 1, 1961	5,000,000
Total			15,300,000
Colombia	Highway construction and maintenance.	Aug. 28, 1961	19,500,000
Costa Rica	Road construction and maintenance	Oct. 13, 1961	5,500,000
El Salvador	Highway construction	Nov. 2, 1962	8,000,000
Ethiopia	Road construction	Feb. 27, 1963	13,500,000
Haiti	Highway maintenance and rehabilitation.	Nov. 2, 1962	350,000
Honduras	West. highway improvement	May 12, 1961	9,000,000
India	Highway construction and improvement.	June 21, 1961	60,000,000
	Tubewell irrigation	Sept. 6, 1961	6,000,000
	Shetrunji irrigation project	Nov. 22, 1961	4,500,000
	Salandi irrigation project	do	8,000,000
	Punjab flood protection and drainage		10,000,000
	Durapur power extension	Feb. 14, 1962	18,500,000
	Sone irrigation project	June 29, 1962	15,000,000
	Purna irrigation project	July 18, 1962	13,000,000
	2d Koyna power project	Aug. 8, 1962	17,500,000
	Bombay port project	Sept. 14, 1962	18,000,000
	Telecommunications	do	42,000,000
	Railway improvement	Mar. 22, 1963	67,500,000
	Kothagudem power project	May 24, 1963	20,000,000
Total			300,000,000
Jordan	Amman water supply project	Dec. 22, 1961	2,000,000
	Water supply project	Dec. 12, 1963	3,500,000
	Agricultural credit project	do	3,000,000
Total			8,500,000
Korea	Railway development	Aug. 17, 1962	14,000,000
Nicaragua	Managua water supply project	Sept. 7, 1962	3,000,000
Pakistan	Dacca irrigation project	Oct. 19, 1961	1,000,000
	Inland ports project	Nov. 22, 1961	2,000,000
	Khairpur irrigation project	June 29, 1962	18,000,000
	Industrial estates project	Nov. 2, 1962	6,500,000
	Brahmaputra flood project	June 26, 1963	5,000,000
	Chandpur irrigation project	July 26, 1963	9,000,000
	Dacca water supply and sewer project	Aug. 16, 1963	26,000,000
	Chittagong water supply and sewerage	do	24,000,000
Total			91,500,000
Paraguay	Highway improvement and maintenance.	Oct. 26, 1961	6,000,000
	Cattle project	Dec. 26, 1963	3,600,000
Total			9,600,000
Sudan	Roseires irrigation project	June 14, 1961	13,000,000
Syria	Highway improvement	Dec. 24, 1963	8,500,000
Tanganyika	School construction and equipment	Dec. 19, 1963	4,600,000
	Highway construction	Feb. 5, 1964	14,000,000
Total			18,600,000
Tunisia	School construction	Sept. 17, 1962	5,000,000
Turkey	Development of private industry	Nov. 23, 1962	5,000,000
	Cukurova power project	Feb. 1, 1963	1,700,000
	Seyhan irrigation project	May 31, 1963	20,000,000
Total			26,700,000
United Kingdom, Swaziland	Highway construction	Mar. 14, 1962	2,800,000
Grand total			591,350,000

Mr. PASSMAN. The types of projects financed by IDA would be the same types of projects financed by the development credit section of AID, would they not?

Mr. BULLITT. That is right, in many cases they would be the same type.

Mr. PASSMAN. So this money is a supplement to our regular aid program?

Mr. BULLITT. That is right.

CHANNELING AID THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. In recent years the trend has been—that is, there are those who advocate shifting more of our aid over to international organizations, rather than the United States giving it on a bilateral basis?

Mr. BULLITT. The Senate Foreign Relations Committee in its report on the aid authorizing legislation at the last session did recommend that use be made of section 205, I think it is, of the act, which permitted up to 10 percent of the funds that were appropriated for development to be provided to IDA.

Mr. PASSMAN. For the money to be transferred to IDA, but it would be to finance the same types of programs and projects that would be financed out of a direct aid program; is that correct?

Mr. BULLITT. Essentially they would be the same types of projects; yes.

SUBSCRIPTIONS AND WITHDRAWALS FROM IDA

Mr. PASSMAN. There are, of course, in IDA both part I countries and part II countries. There are a total of 17 part I countries, I believe, including our Nation, which have indicated willingness to put up some money for the new plan?

Mr. BULLITT. That is right.

Mr. PASSMAN. In checking the record, I find that 13 of these 16 other countries are presently recipients of our foreign aid. I was particularly interested in Italy, which has agreed, as I recall the figure, to a contribution of $30 million to this new fund we are getting up. Is that your recollection?

Mr. BULLITT. The figure for Italy on the new resources?

Mr. PASSMAN. That is correct; is it not $30 million?

Mr. BULLITT. That is right.

Mr. PASSMAN. I believe that in fiscal 1963 we gave Italy $300,700,000 in grant aid.

Now, moving into part II countries, I think that Pakistan made a contribution of maybe $10,500,000, did it not, under the arrangement that will conclude with this final appropriation?

Mr. BULLITT. Pakistan is $10.09 million.

Mr. PASSMAN. $10.09 million. And they drew out of IDA, did they not, about $90,150,000?

Mr. BULLITT. $91,500,000.

Mr. PASSMAN. So, actually, for each $1 they put in the pot they drew back $9. And we gave them a total, I believe of $2,227 million in direct aid, yet they get over into this pot for $91,500,000.

India made a contribution to IDA of about $40 million; is that correct?

Mr. BULLITT. $40.35 million, that is correct.

Mr. PASSMAN. And they pulled out of IDA some $300 million, about seven and a half times as much as they put in; is that correct?

Mr. BULLITT. That is correct.

If I might comment on the two points you have made, Mr. Chairman——

Mr. PASSMAN. Please do so.

U.S. ECONOMIC ASSISTANCE TO MEMBER COUNTRIES

Mr. BULLITT. Of course, the contributions by the other part I countries which they have indicated in principle that they would be prepared to pledge for the increase in their resources commence in 1966, and we would anticipate that by that time there certainly is not going to be any economic assistance, for example, to Italy.

Mr. PASSMAN. You had better look at the record. I can assure you that there is economic assistance to some of the European countries.

ITALY

Mr. BULLITT. I am talking about Italy now.

Mr. PASSMAN. Italy receives direct grant aid from our Nation.

Mr. BULLITT. It does have military.

Mr. PASSMAN. It is grant aid. And there is Public Law 480 aid. You have said that this program is a supplement to the regular aid program?

Mr. BULLITT. That is right.

INDIA

Mr. PASSMAN. Now, looking at India, we have given that country $5,122 million. Nevertheless, they turn on the IDA spigot also and drain that for $300 million to do identical types of projects as with our bilateral aid.

Mr. BULLI T. It is the same kind of project, not the same project.

LOSS OF AID IDENTITY AND SUPERVISION BY ADMINISTRATION THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. I know the trend is to get our foreign aid into inter national organizations. And at least you are admitting, sir, that our aid loses its identity if it gets into this international pot; also, we don't have the opportunity of examination in detail on this program as we do have on our regular foreign aid.

Even though there is an Inter-American Development Bank, for aid in Latin America, you indicate that some of the Latin American countries are also getting aid out of IDA; is that correct?

Mr. BULLITT. That is right.

Mr. PASSMAN. I think if we are going to give aid, which we are, it would be better to let the nations know where the aid is coming from, and also that it would be better for us to have some supervision over the aid and the right of detailed examination of the operation of the program.

DEPARTURE FROM ORIGINAL OPERATING CONCEPTS

With reference to IDA, Mr. Secretary, we were told when the association was being formed that this would be a one-time proposition, that we were going to set this organization up, that the original amount stated would be the total capital, and that it would take 5 years to pay it in. But even before you get the last installment IDA is trying to come in for an additional amount to setup even a larger revolving fund.

Mr. BULLITT. I wasn't here at the time, Mr. Chairman, but I think there was some contemplation of that at the time the IDA legislation was originally adopted.

Mr. PASSMAN. I was looking at the articles of the International Development Association, and I believe there is a provision in it that says that there will be a review every 5 years. What you are doing is asking for an additional $312 million.

SUBSCRIPTIONS AND WITHDRAWALS BY PAKISTAN AND INDIA

I am looking again now at the record with relation to Pakistan and India, and this just does not look like it is the right kind of a setup to me.

Mr. BULLITT. Of course, the association was established to provide resources to countries such as India and Pakistan. It was never contemplated that they would not have credits that would be greater than the amounts that they subscribed to the institution.

Mr. PASSMAN. You say such a condition was not intended?

Mr. BULLITT. No; I don't believe it was ever intended.

Mr. PASSMAN. Why would you come in here and ask for a new appropriation if it was not intended? The record shows that Pakistan has drawn out of the association 9 times as much as it has contributed and India has drawn out 7½ times as much.

Mr. BULLITT. I say, I think it was contemplated at the time of the establishment of the IDA that the less-developed countries would receive in credits more than their subscription to the association, provided that they were otherwise eligible.

Mr. PASSMAN. Was it contemplated that we were going to put into the countries about six or seven times as much per year in direct aid from the United States as they would get out of IDA, at the time IDA was considered 5 years ago?

Mr. BULLITT. That I don't know.

TOTAL AID TO INDIA

Mr. PASSMAN. I think you ought to know for example, how much India is getting out of regular U.S. aid. Do you know?

Mr. BULLITT. Yes. Approximately $500 million. I don't know the exact figure.

Mr. PASSMAN. $500 million this year?

Mr. BULLITT. Yes.

Mr. PASSMAN. And how much is India going to get out of IDA this year?

Mr. BULLITT. Well, I can't answer that, Mr. Chairman. That will, of course, depend on whether the new——

Mr. PASSMAN. How much did they get last year?

Mr. BULLITT. Last year the total commitments for IDA were—I don't have the figures for last year.

Mr. PASSMAN. It is a small percentage of the total amount of aid that we have given; is that correct?

Mr. BULLITT. What, the amount that was committed——

Mr. PASSMAN. The amount that India was getting out of IDA?

Mr. BULLITT. Yes.

Mr. PASSMAN. And the money from IDA is to do the same type of work that they do with the money that they get directly from the United States in bilateral aid?

Mr. BULLITT. The amount that they have gotten from IDA, the credits that have been committed, is $300 million.

Mr. PASSMAN. I am trying to relate this to the tremendous amount of aid that we have given India directly and why you have to take U.S. funds and throw them into an international organization for the recipient countries to do the same type of projects that they do with our direct, bilateral aid.

Mr. BULLITT. Mr. Chairman, the amount during calendar 1963 that IDA committed to India was $87.5 million.

Mr. PASSMAN. How much did we commit through our regular foreign-aid program?

Mr. BULLITT. To India in calendar 1963?

Mr. PASSMAN. That is right.

Mr. BULLITT. I can't answer that.

Mr. PASSMAN. Don't you think you should know?

Mr. BULLITT. I have an idea as to the magnitude, I don't have the exact figure. It is roughly $500 million.

Mr. PASSMAN. It is $821 million.

Mr. BULLITT. That $800 million figure includes the Public Law 480.

Mr. PASSMAN. Certainly it does. Public Law 480 is just as much aid as if we were giving them gold. I have given you a correct figure.

IDA MEMBERSHIP AND SUBSCRIPTIONS

Would you place in the record at this point a list showing IDA's part I countries and part II countries?

Mr. BULLITT. I think that is on the statement, Mr. Chairman.

(The list referred to follows:)

IDA membership as of Feb. 29, 1964

Member	Subscription (in millions of dollars)
Part I countries:	
Australia	20.18
Austria	5.04
Canada	37.83
Denmark	8.74
Finland	3.83
France	52.96
Germany, Federal Republic of	52.96
Italy	18.16
Japan	33.59
Kuwait	3.36
Netherlands	27.74
Norway	6.72
South Africa	10.09
Sweden	10.09
United Kingdom	131.14
United States	320.29
(16 countries)	742.72
Part II countries:	
Afghanistan	1.01
Algeria	4.03
Argentina	18.83
Bolivia	1.06
Brazil	18.83
Burma	2.06
Burundi	.76
Central African Republic	.50
Ceylon	3.03
Chad	.50
Chile	3.53
China	30.26
Colombia	3.53
Congo (Brazzaville)	.50
Congo (Léopoldville)	3.02
Costa Rica	.20
Cyprus	.76
Dahomey	.50
Dominican Republic	.40
Ecuador	.65
El Salvador	.30
Ethiopia	.50
Gabon	.50
Ghana	2.36
Greece	2.52
Guatemala	.40
Haiti	.76
Honduras	.30
Iceland	.10
Part II countries—Continued	
India	40.35
Iran	4.54
Iraq	.76
Ireland	3.03
Israel	1.68
Ivory Coast	1.01
Jordan	.30
Kenya	1.68
Korea	1.26
Laos	.50
Lebanon	.45
Liberia	.76
Libya	1.01
Malagasy Republic	1.01
Malaysia	2.52
Mali	.87
Mauritania	.50
Mexico	8.74
Morocco	3.53
Nepal	.50
Nicaragua	.30
Niger	.50
Nigeria	3.36
Pakistan	10.09
Panama	.02
Paraguay	.30
Peru	1.77
Philippines	5.04
Rwanda	.76
Saudi Arabia	3.70
Senegal	1.68
Sierra Leone	.76
Somalia	.76
Spain	10.09
Sudan	1.01
Syrian Arab Republic	.95
Tanganyika	1.68
Thailand	3.03
Togo	.76
Tunisia	1.51
Turkey	5.80
Uganda	1.68
United Arab Republic	5.08
Upper Volta	.50
Vietnam	1.51
Yugoslavia	4.04
(75 countries)	243.34
Total (91 countries)	986.1

PART II MEMBER COUNTRY CONTRIBUTIONS TO IDA

Mr. PASSMAN. And would you also get the list in the record of the contributions in hard currencies and also soft currencies by part II countries?

(The material referred to follows:)

Initial subscriptions of IDA pt. II members, showing portion payable in hard currency (10 percent) and portion payable in national currency (90 percent)

[Expressed in U.S. dollars]

Pt. II countries	Total	10 percent	90 percent
Afghanistan	1,010,000	101,000	909,000
Algeria	4,030,000	403,000	3,627,000
Argentina	18,830,000	1,883,000	16,947,000
Bolivia	1,060,000	106,000	954,000
Brazil	18,830,000	1,883,000	16,947,000
Burma	2,020,000	202,000	1,818,000
Burundi	760,000	76,000	684,000
Central African Republic	500,000	50,000	450,000
Ceylon	3,030,000	303,000	2,727,000
Chad	500,000	50,000	450,000
Chile	3,530,000	353,000	3,177,000
China	30,260,000	3,026,000	27,234,000
Colombia	3,530,000	353,000	3,177,000
Congo (Brazzaville)	500,000	50,000	450,000
Congo (Léopoldville)	3,020,000	302,000	2,718,000
Costa Rica	200,000	20,000	180,000
Cyprus	760,000	76,000	684,000
Dahomey	500,000	50,000	450,000
Dominican Republic	400,000	40,000	360,000
Ecuador	650,000	65,000	585,000
El Salvador	300,000	30,000	270,000
Ethiopia	500,000	50,000	450,000
Gabon	500,000	50,000	450,000
Ghana	2,360,000	236,000	2,124,000
Greece	2,520,000	252,000	2,268,000
Guatemala	400,000	40,000	360,000
Haiti	760,000	76,000	684,000
Honduras	300,000	30,000	270,000
Iceland	100,000	10,000	90,000
India	40,350,000	4,035,000	36,315,000
Iran	4,540,000	454,000	4,086,000
Iraq	760,000	76,000	684,000
Ireland	3,030,000	303,000	2,727,000
Israel	1,680,000	168,000	1,512,000
Ivory Coast	1,010,000	101,000	909,000
Jordan	300,000	30,000	270,000
Kenya	1,680,000	168,000	1,512,000
Korea	1,260,000	126,000	1,134,000
Laos	500,000	50,000	450,000
Lebanon	450,000	45,000	405,000
Liberia	760,000	76,000	684,000
Libya	1,010,000	101,000	909,000
Malagasy Republic	1,010,000	101,000	909,000
Malaysia	2,520,000	252,000	2,268,000
Mali	870,000	87,000	783,000
Mauritania	500,000	50,000	450,000
Mexico	8,740,000	874,000	7,866,000
Morocco	3,530,000	353,000	3,177,000
Nepal	500,000	50,000	450,000
Nicaragua	300,000	30,000	270,000
Niger	500,000	50,000	450,000
Nigeria	3,360,000	336,000	3,024,000
Pakistan	10,090,000	1,009,000	9,081,000
Panama	20,000	2,000	18,000
Paraguay	300,000	30,000	270,000
Peru	1,770,000	177,000	1,593,000
Philippines	5,040,000	504,000	4,536,000
Rwanda	760,000	76,000	684,000
Saudi Arabia	3,700,000	370,000	3,330,000
Senegal	1,680,000	168,000	1,512,000
Sierra Leone	760,000	76,000	684,000
Somalia	760,000	76,000	684,000
Spain	10,090,000	1,009,000	9,081,000
Sudan	1,010,000	101,000	909,000
Syrian Arab Republic	950,000	95,000	855,000
Tanganyika	1,680,000	168,000	1,512,000
Thailand	3,030,000	303,000	2,727,000
Togo	760,000	76,000	684,000
Tunisia	1,510,000	151,000	1,359,000
Turkey	5,800,000	580,000	5,220,000
United Arab Republic	5,080,000	508,000	4,572,000
Uganda	1,680,000	168,000	1,512,000
Upper Volta	500,000	50,000	450,000
Vietnam	1,510,000	151,000	1,359,000
Yugoslavia	4,040,000	404,000	3,636,000
Total, Part II countries	243,340,000	24,334,000	219,006,000

"SOFT LOAN WINDOW" OF THE WORLD BANK

Mr. PASSMAN. This association is generally known as the soft currency window of the World Bank, is it not?

Mr. BULLITT. That is right, Mr. Chairman, the soft loan window, I think it is popularly called, sometimes.

The projects that the association lends for are the same kinds of projects and subject to the same technical standards as the projects that the World Bank finances.

Mr. PASSMAN. How did the World Bank finance the amount of this investment of $800 million?

Mr. BULLITT. Well, the reason that IDA was established in the first place was to provide a supplement for the World Bank's operations because the World Bank has to lend on commercial terms, on bankable terms, and Mr. Black and others at the time felt that there were a great many worthwhile projects around in countries that couldn't afford the foreign exchange burden of World Bank terms.

Mr. PASSMAN. We have agreed that this is a supplement to our regular foreign aid program, we are in accord there, are we not?

Mr. BULLITT. We certainly are.

STATUS OF IDA MEMBERSHIP

Mr. PASSMAN. Are there any countries that are eligible but which have not applied for membership in the International Development Association? You stated earlier that there were 91 members.

Mr. BULLITT. There are 102 members of the World Bank. And in order to be a member of IDA you must be a member of the World Bank. There are 91 members of IDA, and 8 applications for membership have been approved by the Board. So that there are three members who have not applied for membership. I don't know which countries those are. I will be glad to submit a list.

(The information supplied follows:)

STATUS OF IDA MEMBERSHIP APPLICATIONS (AS OF MARCH 19, 1964)

IBRD members now eligible to join IDA by completion of necessary formalities: Belgium, Cameroon, Guinea, Indonesia,[1] Jamaica, Luxembourg, Uruguay,[1] and Venezuela.[1]

IBRD members not applicants for IDA membership or otherwise eligible for membership: New Zealand, Portugal, and Trinidad and Tobago.

Mr. PASSMAN. Would you list the contributions of each member?

(Note: This information may be found on p. 59.)

[1] These countries have not specifically applied for IDA membership but are eligible as "schedule A" countries, i.e., countries which were IBRD members at time IDA was established.

MEMBER COUNTRY LOAN ELIGIBILITY

I believe we were told that each "underdeveloped" country member of IDA is eligible for a loan, or a gift, whatever you call it.

Mr. BULLITT. The policies of the institution are that none of the part I countries is eligible for a loan.

Mr. PASSMAN. I am speaking, of course, of the part II countries. The part I countries are supposed to put it up for part II countries. Are all part II countries eligible?

Mr. BULLITT. Technically all part II countries are eligible. But the policy of IDA is only to make credits available to those countries that are among the bottom of the ladder in terms of per capita income and their balance-of-payments situation. So that, for example, a country such as Mexico or Venezuela, while it is a part II country, would not expect to receive an IDA credit.

Mr. PASSMAN. They would be eligible, would they not, to apply for grants or loans if they were among the part II countries?

Mr. BULLITT. That is right.

Mr. PASSMAN. Whether they are approved or not?

Mr. BULLITT. That is right.

Mr. PASSMAN. That is all I am trying to clear up, sir.

Mr. BULLITT. That is technically correct.

Mr. PASSMAN. I believe these things are labeled loans, but in fact they are what we could properly place in the category of unbankable loans, or in the nature of grants, in that they are made on a 50-year term, with no interest, a 10-year grace period before they repay anything, and then 1 percent a year on the principal for 10 years, and 3 percent for 20 years; is that correct?

Mr. BULLITT. Three-quarters of one percent service charge; that is correct.

SOURCE OF FINANCING FOR IDA PROJECTS

Mr. PASSMAN. Can IDA utilize the 90 percent soft country contribution from the so-called part II members?

Mr. BULLITT. Yes; they can, Mr. Chairman. They have not used it as a matter of policy. What the management has preferred to do is get the countries themselves to work with the IDA on the particular projects and provide budgetary funds for the local currency component of the project. For example, I have a list here, if you would be interested in having it in the record, of the amounts of IDA credits. And then it shows the amount of the borrowers own resources——

Mr. PASSMAN. We shall insert that information in the record.

(The list referred to follows:)

Sources of financing in connection with IDA credits, through Feb. 29, 1964

[In millions of dollars or equivalent]

Country	IDA credit	Borrower's own resources	Other financing [1]	Total project cost
Chile: Roads	19.0	37.5		56.5
China:				
Wells	3.7	7.8		11.1
Harbor	2.2	.2		2.4
Water	4.4	7.0		11.4
Development bank	5.0			5.0
Colombia: Roads	19.5	59.8	19.5	98.8
Costa Rica: Roads	5.5	10.9	5.5	21.9
El Salvador: Roads	8.0	5.5		13.5
Ethiopia: Roads	13.5	9.7		23.2
Haiti: Roads	.4	.6		1.0
Honduras: Roads	9.0	2.0	2.5	13.5
India:				
Roads	60.0	20.5		80.5
Irrigation	6.0	6.0		12.0
Do	4.5	4.5		9.0
Do	8.0	8.0		16.0
Drainage	10.0	10.0		20.0
Power	18.5	18.5		37.0
Irrigation	15.0	15.0		30.0
Do	13.0	13.0		26.0
Power	17.5	17.5		35.0
Port	18.0	38.6		56.6
Telecommunications	42.0	240.0		282.0
Railways	67.5	525.2	105.2	697.9
Power	20.0	21.0		41.0
Jordan:				
Water supply	2.0	1.1		3.1
Do	3.5	1.7		5.2
Agricultural credit	3.0	1.5		4.5
Korea: Railroad	14.0	13.2		27.2
Nicaragua: Water	3.0	3.0		6.0
Pakistan:				
Irrigation	1.0	1.0		2.0
Ports	2.0	2.0		4.0
Irrigation	18.0	13.0		31.0
Industry	6.5	6.5		13.0
Flood control	5.0	5.0		10.0
Irrigation	9.0	9.2		18.2
Water supply	26.0	24.0		50.0
Do	24.0	19.0		43.0
Paraguay:				
Roads	6.0	2.0		8.0
Cattle development	3.6	2.4		6.0
Sudan: Irrigation	13.0	36.7	37.9	87.6
Syria: Highway inprovement	8.5	5.5		14.0
Tanganyika:				
School construction and equipment	4.6	1.4		6.0
Highway improvement	14.0	4.8		18.8
Tunisia: Education	5.0	4.2		9.2
Turkey:				
Development bank	5.0			5.0
Power	1.7	.6		2.3
Irrigation	20.0	30.0		50.0
Swaziland: Roads	2.8	2.4		5.2
Total	591.4	1,269.0	170.6	2,031.0
Percent	29	62	9	100

[1] Includes financing from International Bank for Reconstruction and Development, Inter-American Development Bank, aid from United States and other countries, etc.

SOFT CURRENCY CONTRIBUTIONS TO IDA

Mr. PASSMAN. But that does not answer my question. Does IDA use the 90 percent soft currency contribution?

Mr. BULLITT. IDA has not used it.

Mr. PASSMAN. What is the total amount of the soft currencies held by IDA?

Mr. BULLITT. The total amount of the soft currencies is $243.4 million.

Mr. PASSMAN. What do you propose to do with this soft-currency fund, just keep it dormant?

Mr. BULLITT. That is the present intention, that is right.

Mr. PASSMAN. What is the use for the countries to repay the local currency if you are going to keep it dormant?

And, when do you expect to convert these currencies into usable currencies?

Mr. BULLITT. Well, if the country's situation becomes such that its currency is a convertible currency that is generally usable in international trade, I would think at that time there might be consideration given to using the resources. But so far there has not.

Mr. PASSMAN. I though that all the currencies of the world are convertible at some rate.

Mr. BULLITT. They are, yes.

UTILIZATION OF SOFT CURRENCY HOLDINGS

Mr. PASSMAN. Who is going to determine when it is time to convert these currencies into usable currencies? Is anything in the contract as to when this will be done?

Mr. BULLITT. No, there is not. The provisions in the contract are that those currencies cannot be used outside of the territory of the member without the consent of the member.

Mr. PASSMAN. Then is this a revolving fund that is not revolving?

Mr. BULLITT. It isn't a revolving fund.

Mr. PASSMAN. Was IDA not supposed to have been created as a revolving fund?

Mr. BULLITT. These nonconvertible currencies have not been used at all.

Mr. PASSMAN. So this situation actually means that, when we are figuring the amount of local currencies the United States owns, taking into account that up to this time 43 percent of all the contributions made to IDA have been made by the United States, and the other 57 percent was made by nations which have been receiving our aid and most of them still are, that we are creating another very large reservoir of soft currencies that cannot be used freely.

Mr. BULLITT. Well, this $243 million to which I referred in local currency subscriptions to the IDA are not, of course, currencies that are owned by the United States.

Mr. PASSMAN. Not directly, of course. But we are the largest contributor to the Association. Do you have any arrangement in the IDA charter that any money will ever be paid to the United States?

Mr. BULLITT. Yes. If the IDA is dissolved, then the assets are distributed to the members pro rata in accordance with their subscriptions.

Mr. PASSMAN. How would you distribute anything to Pakistan, if she has drawn out nine times as much as she has put in and she still owes all the money at the end with which she started off?

Mr. BULLITT. I don't know how that would work at the time, Mr. Chairman. Something would have to be determined at the time.

Mr. PASSMAN. When, under these 50-year terms, these local currencies are being paid in, but they are not reused, we could not look for any payments from IDA to apply to our own unbalanced budget

in the foreseeable future, could we? I mean, the United States had better look to other sources if we are to balance the budget rather than any return of funds from IDA?

Mr. BULLITT. Yes, that is right.

PART II MEMBER COUNTRY RESTRICTIONS ON CURRENCY SUBSCRIPTIONS

Mr. PASSMAN. Has any member placed any restriction on the use of subscriptions to IDA?

Mr. BULLITT. Well, the part II countries have generally——

Mr. PASSMAN. When I asked the question, I said, "any member." That would mean part I or II.

Mr. BULLITT. The part I countries have not placed any restrictions on the use of their currency. By the IDA charter, the local currency portions of the subscriptions of the part II countries may not be used outside of their own territory without their consent. And as I said, the management has not asked any of the countries for the use of their currency.

Mr. PASSMAN. Does that kind of situation apply to all part II countries?

Mr. BULLITT. That is right.

Mr. PASSMAN. It simply means, then, that of the contribution made by part II countries, only 10 percent of it would be usable for general purposes?

Mr. BULLITT. That is correct. Ten percent is in gold or convertible currencies.

Mr. PASSMAN. And all of the part II countries, if they repay anything against those so-called loans, is it the understanding that whatever part they repay can only be used back in their own countries, that it cannot be transferred?

Mr. BULLITT. No; they have to repay in convertible currencies. So as soon as they make any repayment those become available just like any other convertible currencies.

Mr. PASSMAN. So it could be, say, a hundred years before this currency becomes convertible?

Mr. BULLITT. That would be with respect to the 90-percent portion of their restriction.

Mr. PASSMAN. So you could have an unconvertible currency a hundred years from now. It means that this currency is dormant, and it cannot be used for any purposes?

Mr. BULLITT. Under the present policies of the association, that is right.

Mr. PASSMAN. And you do not know of any plans to change the policies?

Mr. BULLITT. No; I do not.

DELINQUENCY IN SUBSCRIPTIONS TO IDA

Mr. PASSMAN. Are there any members delinquent in their subscriptions to IDA?

Mr. BULLITT. There are. The fourth installment was due on November 8, 1963. There are three members who have not yet paid anything with respect to that installment. And there are two members who have paid the hard currency portion of their subscription, but have not yet paid in the local currency.

Mr. PASSMAN. Who are the three countries?

Mr. BULLITT. The three countries are Algeria, Chad, and Gabon—wait a minute, four countries, Algeria, Chad, Gabon, and Mali.

Mr. PASSMAN. What did they agree to contribute originally, each one?

Mr. BULLITT. The amount that they were to pay on November 8—and I should say at this point that no installments are unpaid prior to the fourth installment.

They have paid the first three installments, all countries have paid the first three installments, and all countries have paid the fourth installment, which was due November 8, 1963, except for these six countries.

Mr. PASSMAN. You have placed them in two categories, four in one category and two in another.

Mr. BULLITT. Algeria, Chad, Gabon, and Mali have not paid anything with respect to their fourth installment. They have paid the previous three installments.

Mr. PASSMAN. And this is the fifth one coming up?

Mr. BULLITT. That is right.

Mr. PASSMAN. And what is the amount for Algeria?

Mr. BULLITT. Algeria's total amount due is $795,775.

Mr. PASSMAN. And we have given them directly, under our bilateral aid $79,600,000.

What about Chad?

Mr. BULLITT. Chad is $96,250.

Mr. PASSMAN. And we have given them $1,100,000.

Gabon?

Mr. BULLITT. $96,250.

Mr. PASSMAN. We have given them $1,200,000.

Now, Mali?

Mr. BULLITT. Mali is $167,475.

Mr. PASSMAN. And we have given them $4,600,000.

And those figures you gave are only for fiscal 1963.

The other two countries?

Mr. BULLITT. In the case of each of those four countries——

Mr. ROONEY. Wasn't that date November 8, 1963?

Mr. PASSMAN. They operate on a calendar basis do they not?

Mr. BULLITT. I think what the chairman was referring to was the amount of aid provided these countries during fiscal 1963.

Mr. PASSMAN. That is right.

Mr. BULLITT. I should explain for the record that as to those four countries, the amounts that I have mentioned are the total amounts due. Of that amount, 90 percent is a local currency payment, and 10 percent is hard currency.

Mr. PASSMAN. The other two countries?

Mr. BULLITT. The other two countries are Dahomey, with a total of $90,000 in local currency due. It has paid the 10-percent convertible currency portion of the fourth installment.

Mr. PASSMAN. What would hold up the local currency when it can't be used anyway?

Mr. BULLITT. I assume in all of these cases, Mr. Chairman, that there is a bureaucratic problem of getting the right man in the right ministry to sign his name to the right document which is at the bottom of a pile of papers.

APPROPRIATION FOR FINAL INSTALLMENT ON THE U.S. SUBSCRIPTION

Mr. PASSMAN. But they always put the rush act on us to get something through. You are asking for the final appropriation here of $61,656,000, and that is not to be made until November of this year. And if this additional appropriation for IDA should be approved by the House—and they are trying it again—the first installment wouldn't actually be due until November of 1965; is that correct?

Mr. BULLITT. That is right, Mr. Chairman.

DELINQUENT COUNTRIES

Mr. GARY. What separates the two countries from the four?

Mr. BULLITT. The two countries, Dahomey and Laos, have paid the 10 percent convertible currency portion of their fourth installment.

Mr. PASSMAN. The 10 percent payable in gold or other convertible currency.

Mr. BULLITT. But they have not paid the local currency portion of their fourth installment. The four countries, Algeria, Chad, Gabon and Mali, have paid neither the 10 percent nor the 90 percent portion of the fourth installment.

Mr. PASSMAN. Did you mention Laos?

Mr. BULLITT. Yes.

LOANS TO PAKISTAN

Mr. PASSMAN. Has Pakistan filed any recent application to IDA for so-called loans?

Mr. BULLITT. Well, I don't know what the most recent project that is being considered is. Of course, the Bank and the IDA would expect to make pledges to the Pakistan consortium when that time was appropriate.

PROJECTS FINANCED BY IDA

Mr. PASSMAN. Earlier we requested that you provide for the record a list of the projects to be financed by the grants from IDA, by country, and the total amount of the commitment.

(The table referred to may be found on p. 53.)

Mr. BULLITT. Yes, sir. The total amount that has been committed by IDA up to the present is $591.4 million.

DIRECT UNITED STATES AND IDA AID TO INDIA

Mr. PASSMAN. Taking all phases of our aid for India—fiscal 1963 is the last year, $821 million—now, the same year I believe they were asking IDA for $90 million, in effect to a large extent at least for the same type of projects as with our bilateral aid. Why would it be necessary for India to apply to IDA for money in the face of so much going directly from our country to India?

Mr. BULLITT. The way this evolves, Mr. Chairman, in a practical day-to-day way is that the Indian Government periodically makes estimates of its foreign exchange receipts and its foreign exchange expenditures, and of the projects it wishes to carry on within its development plan. And it then comes up with an analysis of these

projects and of their estimates of costs which it then tries to see are fulfilled. So that it makes every effort that it can to get adequate financing for this total picture each year.

DIRECT AID VERSUS THE IDA APPROACH

Mr. PASSMAN. Now, you take the $821 million we gave India in fiscal 1963, if we had just added to that sum our portion of the $87.5 million, that they drew out of IDA—had we added to the $821 million 43 percent of the $87.5 million, and the other nations had made a like contribution to India, then there would have been no need for IDA; it would have accomplished the same purpose, would it not?

Mr. BULLITT. I think there are two things——

Mr. PASSMAN. First, dealing with money, would it have been the same question with the same projects, and they received the same amount of money——

Mr. BULLITT. If you say the same amount of money was provided by the countries individually as was provided by IDA itself, then necessarily the same amount of money would have been provided. I think the two significant differences would be, one, that it is unlikely that the other countries would provide the aid on the same terms as IDA does—which is one of the advantages we have in getting contributions to IDA, everybody makes the contributions on the same terms.

Mr. PASSMAN. My point is, have we added 43 percent of the $87.5 million to the $821 million we gave to India, and the other 16 countries had given 57 percent of the $87.5 million, then the money would have accomplished the same purpose, would it not?

Mr. BULLITT. Well, I don't think you consider it——

Mr. PASSMAN. As far as buying commodities, and letting contracts?

Mr. BULLITT. I am not sure it would, Mr. Chairman.

Mr. PASSMAN. Are you sure it would not have served about the same purpose?

Mr. BULLITT. No, I can never be sure that something would not be.

I would like to try to give a further response. In addition to the question of the terms on which the assistance would be provided, I think that IDA providing the money assures a certain amount of coordination, and an efficiency of approach to any particular project that would not be the same and would be very difficult to achieve if a great many countries were attempting to finance the same project that IDA might finance. So I think those are the two factors that make an IDA financing different from a consortium.

Mr. PASSMAN. If that technicality could be worked out, then we would merely increase our $821 million by 43 percent of the $87 million, and if the other countries would agree to make a loan or a grant of 57 percent of the $87 million to do the same projects, then it would accomplish the same purpose, would it not?

Mr. BULLITT. Well, if it were on the same terms, and if it can be done as efficiently——

Mr. PASSMAN. Let us assume that it would be on the same terms.

Mr. BULLITT. You then would have something very much like IDA. I think that it would be difficult to assure that it would be as well done as it would be done by the IDA.

Mr. PASSMAN. If it is being done, do you think that IDA can do a better job of supervising than the United States can do?

Mr. BULLITT. I think it can do at least as good a job.

Mr. PASSMAN. You wouldn't say it can do any better, would you?

Mr. BULLITT. The staff of IDA is a first-rate staff.

Mr. PASSMAN. If there is a specific amount need for aid for a specific year, if it is to accomplish same project on the same terms, it actually wouldn't make any difference whether the recipient received it all from one country or a hundred countries, would it?

Mr. BULLITT. No; if it accomplished it the same way, on the same terms.

Mr. PASSMAN. That is what I have been trying to find out for the last 5 minutes.

MEMBER COUNTRY LOAN ADMINISTRATION FACILITIES

Mr. GARY. Do these other countries have the facilities for checking on how the loans are being used as we do in this country, and for controlling the loans, if all of them are made on an individual basis rather than through IDA?

Mr. BULLITT. I can't really answer that question precisely. Each country, of course, does have its own administrative apparatus for following up on loans that it makes to India, for example. I would not be able to tell you whether the German organization, for example, was as well organized as our AID agency, or what their procedures for following up are.

Mr. GARY. If they scattered their loans among the various countries the smaller contributors, the loans to each country would be comparatively small, would they not?

Mr. BULLITT. I think that some of the loans that have been extended by the Germans and the French and the British have been comparatively large. I think in the case of the smaller countries, Sweden, Norway, Denmark, and so forth, it has been virtually impossible for them to have an effective bilateral aid program, because the amounts they feel they are able to extend are so small that they can't——

Mr. GARY. That is what I am talking about, those who are participating through IDA, the amounts are so small that if they scattered them among the countries which are receiving aid from IDA the amounts would be so small that they couldn't follow it.

Mr. BULLITT. I think that is right.

MEMBERSHIP OF THE IDA BOARD OF DIRECTORS

Mr. PASSMAN. With reference to the Board of Directors of IDA, how many members do we have on it?

Mr. BULLITT. How many members of the Board has IDA?

Mr. PASSMAN. Yes.

Mr. BULLITT. 19.

Mr. PASSMAN. How many members do we have on the Board?

Mr. BULLITT. Just one.

Mr. PASSMAN. Of the 19 Board members, 18 are from other countries?

Mr. BULLITT. That is correct of course, the vote is weighted.

LOANS BY MEMBER COUNTRIES

Mr. PASSMAN. And many of the same countries which are contributing to IDA are also making various types of loans—we might just pick India—to India, are they not?

Mr. BULLITT. Well, many of the smaller countries do not have their own aid agency.

Mr. PASSMAN. I said the same part I countries, or most of them, who are contributing to IDA are also making loans to India and Pakistan.

Mr. BULLITT. Yes. There are several part I members of IDA who are not listed in this.

Mr. PASSMAN. They didn't make any loans, and that is why they are not listed. I am mentioning some of the countries that are doing this kind of business, and they have the machinery for handling loans, do they not?

Mr. BULLITT. But the point is that the part I countries who do not appear in that list have made assistance available to India by virtue of their subscriptions to the IDA.

Mr. PASSMAN. These nations do have the machinery, they have the organization to service loans regardless of what countries they make them to?

Mr. BULLITT. Those particular countries listed there.

COUNTRIES WITHOUT LOAN ADMINISTRATION FACILITIES

Mr. PASSMAN. Do you know of any part I country without the type of setup in the government to administer a loan after it is made?

Mr. BULLITT. Sweden, I think, is one.

Mr. PASSMAN. Is Sweden on this Board of IDA?

Mr. BULLITT. Yes, it is represented.

Mr. PASSMAN. If they don't have any machinery to service loans, why would they be on the Board?

Mr. BULLITT. Because they have made subscriptions to the IDA, which in turn relends those funds to India.

Mr. PASSMAN. Then 18 members of the Board are representatives of countries other than the United States?

Mr. BULLITT. Represent other countries.

Mr. PASSMAN. They have had some experience, have they not, or they would not be qualified to be on this Board? They are the people who make the decisions, are they not, as to the loans and the projects?

Mr. BULLITT. Well, in the case of the Directors from the other countries—well, in the case of Sweden, for example, Sweden is represented by the same Executive Director that represents Norway, Finland, and Denmark. And she happens to be a Dane. So that the representative of Sweden on the Board is a Dane, not a Swede.

Mr. PASSMAN. But it still follows that the decisions must be made by a majority of the 19 members of the Board?

Mr. BULLITT. Well, by a weighted majority, Mr. Chairman. The voting is weighted, as you know, with the United States having a little bit over 26 percent of the vote.

Mr. PASSMAN. But still we have 1 individual and 26 percent of the vote, as against 18 individuals and 74 percent of the vote?

Mr. BULLITT. Right.

Mr. PASSMAN. Do you not think that the countries would probably make the appointments to the Board based upon sound qualifications?

Mr. BULLITT. I would assume so.

DISBURSEMENT OF FUNDS

Mr. PASSMAN. How much of the $577 million has been dispersed, of the total amount, thus far?

Mr. BULLITT. $143 million, I think, was the figure I mentioned in my statement, $143.4 million, as of February 29.

Mr. PASSMAN. Out of a total of $577 million?

Mr. BULLITT. That is right.

Mr. PASSMAN. So it may be that you would not need this additional account, the $312 million? Certainly there is no rush about it, is there?

Mr. BULLITT. Yes, IDA will have to stop operations within the next couple of months unless this new proposal is approved, because——

Mr. PASSMAN. What are you going to do between next month and November 1965, a year and a half from now? The $312 million would not be available, you are not even asking to use any part of it until November of 1965.

Mr. BULLITT. Well, as you know, there is always a lag between the time that——

Mr. PASSMAN. You really would go out of business?

Mr. BULLITT. Yes, we would have to stop committing money, we would have to stop committing new loans.

PROJECTED FUND REQUIREMENTS

Mr. PASSMAN. When do you anticipate that IDA will be on a self-supporting, revolving basis?

Mr. BULLITT. I couldn't make any estimate of that, Mr. Chairman.

Mr. PASSMAN. I expect that the people who are putting up the money are going to want to know something about that matter. Could you give us an estimate.

Mr. BULLITT. That would depend very much on what the needs in the future are. Now, the repayments to IDA on the basis of their present commitments of $577 million, I can provide you with a schedule of those amortizations which show that, for example, during the period the first half of 1972, amortizations begin at a million dollars for the first 6 months, then they build up to a high of $8,660,000 beginning in the first half of 1974.

Mr. PASSMAN. What you are reading there, then, putting two and two together, means it might be as late as 1985 before you are going to have capital on which to operate from repayments of anything substantial on these so-called loans?

Mr. BULLITT. No, these repayments will begin in 1972.

Mr. PASSMAN. I said substantial.

If you begin in 1971 and run up all the way through 1985 you are only going to take in about $115 million, which is only about one-third of the additional amount that you are asking us to authorize this year.

Mr. BULLITT. There would be somewhat more than that, because that is based on $577 million.

Mr. PASSMAN. Why don't you print your table accurately, then?

Mr. BULLITT. This table is accurate, but it is based on commitments of $577 million, whereas, by the end of this year there will presumably be committed——

Mr. PASSMAN. Any new payments would be 10 years later, anyway, would they not?

Mr. BULLITT. That is right.

Mr. PASSMAN. So that is substantially correct, then, practically $115 million?

Mr. BULLITT. You would have to add on what the debt service would be on the additional $115 million or so.

Mr. PASSMAN. Try to help us on that information, if you can, Mr. Secretary.

Under the present setup of IDA, if the demand persists in proportion to what it has been in the past and is now, it simply means you are going to have to continue asking for an increase in the capital of the association for many years.

Mr. BULLITT. I could provide you with this same table, but on the basis of having committed all the funds by the end of June 30.

Mr. PASSMAN. Based upon this table, and your indications as to requirements for funds in future years—and if that is in proportion to what we have given in the past 5 years, and what you are considering for the next 3 years, it simply means that, after you have disbursed the funds, including the $312 million that you may or may not get, within about 3 years you are going to have to come in and ask for another contribution, are you not?

Mr. BULLITT. Well, I would assume that there will be a need for continuing amounts of financing on concessional terms to the less-developed countries. Now, what form that need will take I couldn't predict.

Mr. PASSMAN. Do you see an end to IDA requesting funds beyond the next 3 years, if you get the additional $312 million you are now seeking?

Mr. BULLITT. No, I don't see an end to that, Mr. Chairman.

Mr. PASSMAN. After 3 years you would have to come back again?

Mr. BULLITT. Well, I don't know when the date would be that we would need further replenishment.

Mr. PASSMAN. You asked for 3 years at $104 million a year. And there is nothing coming in. If you are going to stay in business, and the demand is there——

Mr. BULLITT. I, for my part, wouldn't say that when we had the $312 million, that would be the end of the governmental contributions that IDA will require and can use.

Mr. PASSMAN. Mr. Bullitt, you are asking now for an appropriation the fifth and final payment under our authorization for IDA, $61,161,000. There is an authorization request for an addit onal $312 million. You will be out of business, so you state, this year, unless you get the additional $312; is that correct?

Mr. BULLITT. That is right.

Mr. PASSMAN. And the additional $312 million is supposed to be contributed at the rate of $104 million per year for 3 years; is that correct?

Mr. BULLITT. That is right.

LOAN REPAYMENTS

Mr. PASSMAN. You will not have any money coming into IDA until 1971 from loan repayments?

Mr. BULLITT. That is right.

Mr. PASSMAN. And that first repayment is only going to be $670,000?

Mr. BULLITT. There will be some small amounts for earning service charges, and for amortization.

PROJECTED AUTHORIZATION AND FUND REQUIREMENTS

Mr. PASSMAN. As far as this chart is concerned, it is going to be 1971, and you indicate only $670,000, if the nations who commit themselves to pay, do pay. So in the matter of 3 more years, in 1967, you are going to again be out of funds, are you not?

Mr. BULLITT. That is right.

Mr. PASSMAN. Which means that before you get back this first $670,000 you may have to come in for an additional authorization one, two, or three more times. Is there any way that the Board of Directors can tell this committee about what you anticipate for the next 10 years in IDA?

Mr. BULLITT. No; I don't think we could look ahead that far, Mr. Chairman.

Mr. PASSMAN. But, based upon past experience and the $312 million request presently pending, you will have to come back to Congress for an additional authorization in 1967 or else go out of business?

Mr. BULLITT. Yes; that is substantially right. Of course, that would have to be decided at the time.

ESTIMATED DEVELOPMENT CREDIT AMORTIZATIONS

Mr. PASSMAN. This chart will be inserted in the record at this time.

(The chart referred to follows:)

International Development Association estimate of development credit amortizations assuming all funds committed by June 30, 1964

[Expressed in millions of U.S. dollars]

Payment dates	Credit amortizations
1971: 2d half	0.67
1972:	
1st half	1.01
2d half	1.09
1973:	
1st half	2.28
2d half	2.81
1974:	
1st half	3.89
2d half	3.89
1975:	
1st half	3.89
2d half	3.89
1976:	
1st half	3.89
2d half	3.89
1977:	
1st half	3.89
2d half	3.89
1978:	
1st half	3.89
2d half	3.89
1979:	
1st half	3.88
2d half	3.89
1980:	
1st half	3.88
2d half	3.89
1981:	
1st half	3.88
2d half	5.23
1982:	
1st half	5.91
2d half	6.07
1983:	
1st half	8.45
2d half	9.51
1984:	
1st half	11.65
2d half	11.65
1985:	
1st half	11.65
2d half	11.65
1986:	
1st half	11.65
2d half	11.65
1987:	
1st half	11.65
2d half	11.65
1988:	
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1st half	11.66
2d half	11.66
2006:	
1st half	11.66
2d half	11.66
2007:	
1st half	11.66
2d half	11.66
2008:	
1st half	11.66
2d half	11.66
2009:	
1st half	11.66
2d half	11.66
2010:	
1st half	11.66
2d half	11.66
2011:	
1st half	11.66
2d half	9.65
2012:	
1st half	8.63
2d half	8.38
2013:	
1st half	4.81
2d half	3.23
Total	777.00

TOTAL U.S. CONTRIBUTIONS TO IDA

Mr. PASSMAN. If the Congress approves and appropriates the estimate for which you are testifying today, what will be the total amount of our contribution to IDA?

Mr. BULLITT. The total amount of our contribution to IDA?

Mr. PASSMAN. Yes.

Mr. BULLITT. It would be $320.29 million.

Mr. PASSMAN. You are a Board member, are you not, Mr. Secretary?

Mr. BULLITT. Yes; I am.

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Could you tell us how many other international organizations to which we are contributing and the funds are later allocated to members of the United Nations or other international organizations?

Mr. BULLITT. How many others?

Mr. PASSMAN. Yes.

Mr. BULLITT. Well, I couldn't give you a complete list, Mr. Chairman, from memory. I could submit that for the record.

(Information supplied follows:)

INTERNATIONAL DEVELOPMENT FINANCING INSTITUTIONS TO WHICH THE UNITED STATES IS A CONTRIBUTOR

The U.S. Government is currently contributing new funds to the International Development Association and the Inter-American Development Bank. The U.S. Government has in the past subscribed to the capital of the International Bank for Reconstruction, and Development and the International Finance Corporation, but is not now providing these institutions with new funds. This listing excludes the various specialized agencies of the United Nations (e.g., WHO, FAO, ICAO, etc.) which do not provide long-term capital for development. Among those excluded is the U.N. Special Fund, which performs preinvestment surveys closely related to the development process, but which does not provide the actual funds required to implement the projects surveyed.

INSTITUTIONAL COORDINATION IN CONSIDERING AID APPLICATIONS

Mr. PASSMAN. All right, sir.

If you have an application for one of these grants, you do have some system of making a cross-check to find out whether or not that same nation may not have an application to the United States for some technical aid grant program, or maybe the Inter-American Development Bank, or some of the others?

Mr. BULLITT. Yes; we have quite close coordination both formal and informal between the representatives on the various international institutions. And, of course, the staffs of the international institutions themselves are in frequent touch with each other.

Mr. PASSMAN. But if you received an application, we shall say, from Pakistan for $26 million, and you see that we have just committed ourselves for $376 million for the same year for the same type of projects, how do you look at that request?

Mr. BULLITT. I am not quite clear what you mean, Mr. Chairman.

Mr. PASSMAN. If you receive an application from Pakistan for a grant of $26 million, and up on your file—and you use a checkoff system—you find that maybe we have committed ourselves for $376

million for the same year, do you still give a good close look at this application or do you send it back and say the country is getting adequate funds directly from the United States bilateral aid program?

Mr. BULLITT. Well, the application, of course, doesn't come in to me as Director of the organization.

Mr. PASSMAN. I am talking about the organization. You have a vote.

Mr. BULLITT. What happens is that the people in the area who are directly concerned with Pakistan on the staff of the World Bank are in constant touch with the Pakistanis about what projects would be suitable for financing by the Bank or by IDA. So there is no point at which all of the applications for financing are lined up together, and somebody adds up the total, except in the case of India and Pakistan, where there are, of course, the two consortiums which meet each year, as you know, and try to come up with a global figure that is required on the basis of a described list of projects.

Mr. PASSMAN. If you see a need, regardless of what they may be getting directly from the United States, you would still approve the application?

Mr. BULLITT. If there is a need, yes. Now, if the United States has already taken care of the need, no.

Mr. PASSMAN. You say the same money may be used on the same project?

Mr. BULLITT. The same money wouldn't be provided twice for the same purpose.

Mr. PASSMAN. Well, if you are digging a 3-mile ditch here with the U.S. bilateral aid and a quarter of a mile with IDA's, it would be the same thing. You wouldn't dig in the same hole, you would merely stretch it out; is that correct?

Mr. BULLITT. That is right.

REJECTION OF LOAN APPLICATIONS BY IDA

Mr. PASSMAN. Do you have a list of the applications that you have turned down, the countries?

Mr. BULLITT. No, I do not.

Mr. PASSMAN. Do you recall ever having turned one down?

Mr. BULLITT. Having turned down——

Mr. PASSMAN. An application for a so-called loan out of IDA to a part II country.

Mr. BULLITT. I am sure that the staff and management of IDA have refused to finance projects which a particular country has wished to have them finance.

Mr. PASSMAN. Can you give the name of one country?

BOKARO STEEL MILL

Mr. BULLITT. India is one country in which the Indians wanted aid in financing for Government steel facilities.

Mr. PASSMAN. The Bokaro steel mill?

Mr. BULLITT. I don't know whether it was actually on Bokaro, Mr. Chairman, but they did ask for financing for Government steel facilities, and the Bank turned them down.

Mr. PASSMAN. By steel facilities you mean a steel mill?

Mr. BULLITT. Yes. And the Bank turned them down.
Mr. PASSMAN. When did it turn them down; do you recall?
Mr. BULLITT. No.
Mr. PASSMAN. Do you remember the amount of the application?
Mr. BULLITT. I doubt if there was a particular application.
Mr. PASSMAN. A letter or request for consideration?
Mr. BULLITT. I don't know how the request was made.
Mr. PASSMAN. You are a member of the Board?
Mr. BULLITT. Yes.
Mr. PASSMAN. Do you recall whether or not it was in the past 2 weeks or 2 months or 2 years?
Mr. BULLITT. I do not know.
Mr. PASSMAN. How could we get that information?
Mr. BULLITT. I think I could provide that.
Mr. PASSMAN. Do you remember the indications of the need?
Mr. BULLITT. No; I don't.
Mr. PASSMAN. You could not even give us a rough guess?
Mr. BULLITT. Well, the staff of the Bank is, of course, not going to bring to the Board anything except the projects that it wants to recommend for approval.
Mr. PASSMAN. You mean the staff approves these things and just tells you people about it?
Mr. BULLITT. No.
Mr. PASSMAN. Do you all get into it?
Mr. BULLITT. We have to approve them.
Mr. PASSMAN. Where would you have to go to get this information as to when Inida indicated that it wanted money for a steel mill, and the amount, and the date you declined to approve the application? Could you get that information for us?
Mr. BULLITT. I would have to get that. I would have to inquire from the management of the Bank.
(Information supplied follows:)

INDIAN REQUEST FOR IBRD FINANCING OF STEEL MILL

In early 1953, the IBRD was approached by the Indian Government for $40 million of financing for a steel plant at Rourkela, to be owned and operated by Hindustan Steel, Ltd. Additional financing was to be obtained from German private sources.

At the time of the initial conversations, it appeared that the Indian Government would be a minority shareholder in the steel company. When in late 1953, it developed that Hindustan Steel, Ltd., would be controlled by the Indian Government through a majority share interest, the IBRD declined to consider the project further. The steel plant was constructed with the assistance of German funds and is now in operation.

India has not requested Bank or IDA financing for Bokaro.

Mr. PASSMAN. Where is the Bank domiciled?
Mr. BULLITT. Washington.
Mr. PASSMAN. Is your office in the Bank?
Mr. BULLITT. My office is in the Treasury.
Mr. PASSMAN. We have reason to believe that India will persist on obtaining a "loan" through IDA for this Bokaro steel mill. Please give us such information as you can obtain.
Mr. RHODES. Mr. Chairman, would you yield?
Mr. PASSMAN. I would be glad to yield.

LARGE IDA CAPITAL ALLOCATIONS TO INDIA

Mr. RHODES. Mr. Secretary, it seems a little unusual for an international organization to allocate so much of its capital to one country. Do you have an explanation of why India was allowed such a large slice of the capital of IDA?

Mr. BULLITT. I think the reason for this is that India, as you know, has a very large population. If you compared it to the population of all of the other countries that under the standards of IDA would be considered to be eligible for IDA loans, the population would probably bear roughly the same relation to that total population as the 50 percent or so IDA credits have been committed to India. And secondly, India through its planning process has developed techniques of being able to use foreign assistance very effectively. I think those are the financial reasons. And then I think there is the general feeling among most of the Board members of IDA that there is some political importance to be attached to the successful development of India.

PROJECTED USE OF NEW CAPITAL

Mr. RHODES. If this $312 million is to be voted together with the other new capital which would be thus generated presumably, how would it be committed? Do you have requests for loan commitments which cannot now be met with the capital of IDA?

Mr. BULLITT. Yes, we do.

Mr. RHODES. Where would these be located, mainly in India?

Mr. BULLITT. These are in a variety of countries, projects that are expected to be brought forward to the Board within the next few months.

Mr. RHODES. Could you furnish us a list of those?

Mr. BULLITT. I think I can; yes.

Mr. RHODES. Would you do so for the record, please?

(Information supplied follows:)

IDA CREDITS EXPECTED TO BE SIGNED IN THE NEAR FUTURE

The IDA management had planned to obtain approval by the Executive Directors and sign commitments for 17 projects in 9 countries by June 30, 1964. The total amount of these projects would be approximately $268 million, for the following purposes in the countries and territories indicated:

Bechuanaland: Roads.
Bolivia: Electric power projects (2).
Ecuador: National highways.
India: Industrial equipment.
Niger: Roads.
Nigeria: Roads.
Pakistan: Technical education (2); East Pakistan Inland Water Transport Authority; West Pakistan roads; and East Pakistan roads; and railways (2).
Somalia: Roads.
Turkey: Industrial Development Bank, electric power.

(Financing requirements for these projects exceed IDA's remaining availability of funds under present resources of $186 million; approval of all of the above projects is therefore dependent on approval of new commitment authority for IDA.)

Mr. RHODES. When one country gets about three-eighths of all the hard-currency capital of the organization, does it seem logical that the organization didn't intend to ask for more capital all along? Did

they really think that the proportion that India deserved or could use compared to the rest of the world was about three-eighths?

Mr. BULLITT. I am not quite clear what your question is.

Mr. RHODES. To me it is just completely out of proportion, unless you assume that IDA all along intended to develop more capital someway.

PROJECTED CAPITAL REQUIREMENTS

Mr. BULLITT. As you said, at the beginning in the articles of the Association there is a specific provision requiring periodic consideration of the need for additional capital. And while I wasn't present at the time that it was organized, I believe it was contemplated that there would be need for it.

Mr. RHODES. And you have no idea as to the upper limit of such needs, or how much we will eventually be called upon to provide in capital for IDA?

Mr. BULLITT. I couldn't make an estimate of that now, though.

ALLOCATION OF IDA FUNDS TO INDIA

Mr. PASSMAN. Does it follow, then, that through June 30, of the $490 million obligated of IDA funds, $300 million was obligated to India?

Mr. BULLITT. No, that was out of a total of $577 million that has been obligated as of February 29. I think between June 30 and February 29 of this year there were some additional commitments.

Mr. PASSMAN. Let us use the old figure so as to not confuse the issue. Did I make a statement of facts?

Mr. BULLITT. Yes, you did.

Mr. PASSMAN. You have 91 part II members of IDA?

Mr. BULLITT. There are 91.

Mr. PASSMAN. But you have committed $300 million of the $495 million to one nation, namely, India?

Mr. BULLITT. That is correct.

Mr. PASSMAN. Over how long a period?

Mr. BULLITT. Well, that was from the beginning of the Association——

Mr. PASSMAN. About 3 years?

Mr. BULLITT. Two and a half years of effective operation.

Mr. PASSMAN. And I think that over the same period India was pulling these other spigots of foreign aid from the United States to the tune of pretty close to $3 billion.

IDA USE OF WORLD BANK RESERVES

Is there any prohibition against the World Bank transferring a portion of its reserves, which were approximately $813 million as of the close of business in September of 1963, to the assets of IDA?

Mr. BULLITT. Well, the reserves of the World Bank are composed of two different reserves. One is a special reserve, which is built up out of the 1 percent statutory commission that is charged on loans. And that amounts to about a quarter of a billion dollars. And that is restricted by the Bank's articles to being held in liquid form to meet the obligations of the World Bank on its borrowings.

Then the balance of the reserves, about $550 million, are what is called supplemental reserves. And those aren't really reserves,

in the sense of being a segregated fund; they are more in the nature of an earned surplus that has been reinvested in the business, and loaned out to the borrowers of the World Bank. There is no statutory restriction on transferring some part of the supplemental reserves to the IDA, but it has been our feeling, and the feeling of the management of the Bank, that it would be a breach of faith really with the bondholders of the World Bank to transfer any of those reserves to IDA.

Mr. PASSMAN. Why would it be a breach of faith?

Mr. BULLITT. Because when they purchased the World Bank bonds they did so on the basis that the Bank had those reserves available.

Mr. PASSMAN. Who purchased the bonds, countries or individuals?

Mr. BULLITT. These are purchased by individuals, and by central banks, by institutional investors.

Mr. PASSMAN. Do you consider the IDA a sound operation?

Mr. BULLITT. Yes, I do, in development terms.

Mr. PASSMAN. Why would it not be proper, then, to transfer out of the World Bank into IDA? If you were transferring out of one sound operation into another, why would you be breaking faith?

Mr. BULLITT. Because the obligor on the bonds that have been purchased by these investors is the World Bank, not the IDA. So these reserves would only be available to those investors if they remained in the World Bank.

IDA ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Could you supply for the record a list of your administrative expenses for each year from the inception of IDA?

Mr. BULLITT. I will.

(Information supplied follows:)

IDA administrative budget (fiscal years ending June 30)

[In U.S. dollars]

	Fiscal year 1961 actual [1]	Fiscal year 1962 actual	Fiscal year 1963 actual	Fiscal year 1964 budget
Staff:				
Personal services	259,895	620,233	907,245	1,469,000
Staff benefits	36,801	87,050	127,211	206,000
Travel	79,859	187,498	200,755	283,000
Consultants	118,612	87,758	146,889	150,000
Representation	407	1,457	1,517	2,000
Total	495,574	983,996	1,383,617	2,110,000
Other administrative expenses:				
Fees and compensation	516	4,765	5,615	8,000
Supplies and materials	5,420	11,306	15,323	20,500
Office occupancy	24,659	63,438	82,209	157,000
Communications	14,772	33,663	51,158	73,000
Furniture and equipment	7,967	10,776	38,970	77,000
Printing	5,975	16,311	24,991	30,000
Insurance	3,703	5,984	13,993	20,500
Other	72	154	172	500
Total	63,084	146,397	232,431	386,500
Contingency				50,000
Total	558,658	1,130,393	1,616,048	2,546,500

[1] Partial year from commencement of operations in fall, 1960.

Mr. PASSMAN. Could you give it to us for 1 year at this time?

Mr. BULLITT. Yes, sir; I can, Mr. Chairman. The administrative budget for the fiscal year ending June 30, 1964, totals, for the International Development Association, $2,546,500.

Mr. PASSMAN. That is, for fiscal 1964?

Mr. BULLITT. That is the budget for 1964. The actual expenses for fiscal 1963 are $1,616,000.

ENTERTAINMENT AND REPRESENTATION ALLOWANCE

Mr. PASSMAN. How much of that amount would be for entertainment and representation allowance?

Mr. BULLITT. $2,000.

Mr. PASSMAN. $2,000 total?

Mr. BULLITT. Yes.

Mr. PASSMAN. For fiscal 1964?

Mr. BULLITT. That is budgeted for fiscal 1964.

Mr. PASSMAN. Is it necessary for you to have annual meetings, maybe, to call in several hundred prospective borrowers or representative nations and feed them and dine them and wine them so as to familiarize them with the fact that this money is available, or do they find out through regular channels?

Mr. BULLITT. Well, the annual meetings of the Bank have been——

Mr. PASSMAN. We are talking about IDA, now.

Mr. BULLITT. Well, IDA does not have any separate annual meeting, and there are no expenses in the budget for the annual meeting.

Mr. PASSMAN. You can get plenty of applications for the money you have available without having to advertise it through banquet meetings or some other get-together?

Mr. BULLITT. That is not the purpose of the annual meeting, certainly.

Mr. PASSMAN. I asked, do you have sufficient applications to utilize your capital accounts without having to advertise that you have this money available?

Mr. BULLITT. Yes, we do, Mr. Chairman.

Mr. PASSMAN. Congratulations on the $2,000. There is one bank that spent $141,000 in 1 week.

Mr. Rhodes?

LOCAL CURRENCY CONTRIBUTIONS

Mr. RHODES. Is there any advantage to having the part II countries contribute local currencies? It seems to me that it is without meaning, since you are unable to use these currencies.

Mr. BULLITT. I think the best answer to that, Mr. Rhodes, is the proposal which is now before the Congress, which is not the proposal that I am appearing on today. We did not propose that there be any local currency contributions from the part II countries, for the reason that they had not been used.

Mr. RHODES. There will continue to be hard currency demands from the part II countries, however?

Mr. BULLITT. No.

Mr. RHODES. Nothing at all?

Mr. BULLITT. The new proposal is just the part I countries.

UNDISBURSED LOAN COMMITMENTS

Mr. RHODES. We had the Export-Import Bank here yesterday, and it develops that it sometimes commits loans, which it doesn't disburse, for various reasons. Will IDA be in this same situation? Do you have some commitments that will never be disbursed?

Mr. BULLITT. There haven't been any yet that have been canceled. It may be that sometime in the future a commitment will be made, and for one reason or another a country will decide not to go ahead with a project and it will be canceled. That has been the case with another affiliate of the World Bank. So far it hasn't been done with the IDA.

Mr. RHODES. I think the classic example that was given was the Canadian loan.

Mr. BULLITT. The Canadian standby.

Mr. RHODES. The Canadian standby.

Mr. BULLITT. That was really, as I recall it, a balance-of-payments stabilization loan, whereas, the IDA commitments are for projects that have been very carefully worked out and thoroughly engineered, and so are likely to go ahead, whereas, in the Canadian case, the stabilization was successful and they didn't have to draw down on the commitment.

INCOME FROM U.S. GOVERNMENT OBLIGATIONS

Mr. RHODES. I notice in your comparative statement of income and expenses you have rather substantial sums under the category "Income from investments." And I notice also in "Assets" under appendix A that you have considerable investment in Government obligations to the U.S. Government, $81 million, plus, to be exact. How much of the investment income is from interest payments on U.S. Government obligations?

Mr. BULLITT. I don't have that figure, Mr. Rhodes.

Mr. RHODES. Will you furnish it, please?

Mr. BULLITT. I don't have it right here, but I can furnish that.

(The information supplied follows:)

IDA INTEREST EARNINGS ON HOLDINGS OF U.S. GOVERNMENT OBLIGATIONS

The IDA balance sheet for December 31, 1963, shows an investment of $72.7 million in U.S. Government obligations. The IDA statement of income and expenses for the period July 1 to December 31, 1963, shows a total income from investments of $1,439,000. Of the latter amount, approximately $931,000 represented interest earned on holdings of U.S. Government obligations.

It should be noted that of the $72.7 million in U.S. Government obligations, $41.6 million is provided by subscription payments of countries other than the United States, and $3.1 million represents accumulated net income.

IDA CASH POSITION

Mr. RHODES. It appears that the International Development Association has called for contributions of capital long before it was needed. Your cash position is amazingly good.

Mr. BULLITT. The explanation of this statement of condition is that most of the initial 10 percent of all countries' subscriptions was made in cash in the beginning, when IDA was first organized. And it was felt that in order to provide IDA with sufficient income to cover its

expenses in its first years of operation until there had been enough disbursements on its credits to permit it to earn from current income its expenses, that these funds should be kept invested, and thereby enable it to pay its expenses.

Then a call is not made on the rest of the countries' subscriptions until the IDA anticipates that there will be within the next 3 months, say, the next quarterly period, a need for the cash to disburse.

Mr. RHODES. The $61 million which you are asking for this year would be paid over to IDA at what time?

Mr. BULLITT. That would not be paid over until it actually needed the cash for disbursement. We could give them a non-interest-bearing note, and they wouldn't call on that until some time 2 years from now, or whatever the period would be, when they were out of cash and needed cash for disbursement.

Mr. RHODES. You now have $337 million worth of nonnegotiable, non-interest-bearing demand notes. How much of that amount is represented by notes from the United States?

Mr. BULLITT. The total is $230,608,800 of these notes which are held by the association of the United States.

Mr. RHODES. You have disbursed about $130 million?

Mr. BULLITT. Excuse me, Mr. Rhodes. I should subtract from the $230 million figure that I gave you, the $66 million that has already been encashed of notes held. So that the net figure would be $164,608,800 of that $337 million that would be represented by U.S. notes.

ANTICIPATED DISBURSEMENTS IN 1964

Mr. RHODES. How much do you anticipate that IDA will disburse in the calendar 1964?

Mr. BULLITT. Of course, it is awfully hard to predict, and what they have done is to proceed on a quarterly basis. They try to estimate their disbursements for 3 months ahead and make sure they are in funds for that. And their past request was for $50 million, I believe, out of the total. So that presumably they are thinking about $200 million a year.

Mr. RHODES. For the first quarter of 1964—it was——

Mr. BULLITT. It was $75 million for fiscal 1964 so far.

Mr. PASSMAN. Gentlemen, we shall take a brief recess.

(Whereupon, a short recess was taken.)

Mr. PASSMAN. The committee will come to order.

I am going to yield to Mr. Conte.

IDA MEMBERSHIP AND OPERATING CONCEPTS

Mr. CONTE. Mr. Secretary, I am wondering, after reading your statement, if we could amplify a bit on the group I and the group II contributors to IDA. What makes up group I and what makes up group II?

Mr. BULLITT. If you will look at table II on back of the statement, Mr. Conte, you will see the countries. And the reason for the distinction is that when the IDA was organized, it was thought that these countries were the countries that were in a position to provide economic assistance to less developed countries.

And so they had to pay all of their subscriptions in convertible currency which could be used in any country. The part II countries

were the countries that were not thought to be in a position to extend aid to other countries, so their subscriptions were 10 percent in convertible currency and 90 percent in their own local currency which couldn't be used outside of their territory unless they agreed to it.

Mr. CONTE. I see. Does that still hold today?

Mr. BULLITT. Yes. It does.

Now, there have been a couple of changes. Kuwait was added as a part I member after the organization was established.

Mr. CONTE. The United States, in other words, contributes about $4 to the fund and these other 16 countries $6?

Mr. BULLITT. That is roughly it.

Mr. CONTE. Is it the plan of the U.S. Government to eventually limit their loaning powers, shall we say, in soft currency to this agency?

Mr. BULLITT. No. We have requests for this appropriation as well as the appropriation for the development loan part of the AID appropriation, and the Fund for Special Operations appropriation for the Inter-American Development Bank. All of these three would be loans on easy terms.

COMPARISON OF AID AND IDA LOAN TERMS

Mr. CONTE. The terms of the development loan and the terms of IDA are about the same?

Mr. BULLITT. That is right. The terms of the AID agencies' lending are three-quarters of 1 percent for the first 10 years, and then 2 percent thereafter. The terms of the IDA are three-quarters of 1 percent throughout.

Mr. CONTE. They also have a three-quarters of 1 percent service charge?

Mr. BULLITT. No interest but three-quarters of 1 percent service charge.

Mr. CONTE. No interest at all?

Mr. BULLITT. That is right.

Mr. CONTE. And that is where it differs with a development loan. A development loan is three-quarters of 1 percent for 10 years, and then 2 percent interest charge thereafter.

Mr. BULLITT. That is correct.

Mr. CONTE. For the term of the loan?

Mr. BULLITT. That is correct.

Mr. CONTE. So, that is where we differ here between IDA and development loan?

Mr. BULLITT. That is right.

COORDINATION OF LOAN PROGRAMS

Mr. CONTE. How close does IDA work with the development loan agency? Say I am a recipient country and I want a loan and I go to IDA and I also go to the U.S. AID agency and apply for a loan under their development loan law. Who gives me the loan?

Mr. BULLITT. Well, that depends on a whole lot of things. There is, of course, very close communication on a staff level between the people in our AID agency and the people on IDA's staff. They are talking to each other all the time, and also with the Inter-American Development Bank, and they are familiar with the various projects that countries have in mind for financing.

And then it is a question for each agency to decide how much it wants to make available to a particular country, whether it feels that this particular project meets its standards, and so forth.

Mr. CONTE. This makes a lot of sense. Under development loan, its a full dollar loan and here for the dollar loaned the United States is contributing about 42 cents.

CONSOLIDATION OF U.S. DEVELOPMENT LOAN PROGRAMS

But I can't understand why you would have to have both agencies. You seem to have an overlapping here.

Mr. BULLITT. I think the reason for that is that we could not ask—we could ask, but we could not persuade—the other countries who are contributors to the IDA to contribute that money instead to our own AID agency, which is controlled by the State Department, and has entirely Americans on its staff, whereas the IDA staff is the same staff as the World Bank.

Mr. CONTE. Can't you convince these participating countries to contribute a greater percentage, or the same percentage in a greater amount, and the United States participate in a greater amount and do away with development loans?

We would be saving on all of that personnel here. We would be doing away with another bureau in the Government. And we would have one agency handling this particular type of a loan.

Now, this differs from the World Bank. The World Bank gives hard loans—IDA gives a soft loan, which is similar to a development loan.

And I think this is one area where you get in trouble with the Congress. Development loans gets in trouble with the Congress because they say there is IDA. IDA gets in trouble with the Congress because they say that you have a development loan agency. You should have one or the other.

Mr. BULLITT. I think one of the problems there, Mr. Conte, is that even if the Congress or the administration was prepared to see all of our funds that are appropriated to the AID agency turned over to IDA, we couldn't get the other countries to come up with that much additional.

In other words, we now provide—thinking about the new proposal that is presently before the Congress and not this one that I am here on today—we would provide $312 million, and other countries would provide $438 million, for a total of $750 million.

Well, if we turned over our whole Development Loan Fund to IDA, and say that was $1 billion, that would mean that in order to keep the same proportion we would have to get $1.5 billion from other countries.

And it has been our judgment that they would be unwilling to put up that much money, to contribute that much money to the IDA.

Mr. CONTE. In other words, you think the idea that I have proposed is a good one, but you feel that you just can't put it across because the other participating nations wouldn't come up with the money?

Mr. BULLITT. I think that it is unquestionably true that we need our own bilateral funds for certain situations in which perhaps an international organization wouldn't be willing to make a loan that we would feel is immediately necessary in our national interests, and an international organization wouldn't.

So, I don't think we could probably look forward to terminating one and not the other.

Mr. CONTE. Maybe you wouldn't have to terminate it, but you could cut it down quite a bit. You can cut down the agency quite a bit. I could see maybe in some cases whether you may have to have some funds on a bilateral basis for political reasons.

But that would be the small percentage of the cases. I don't think it would be the average case.

LOAN STANDARDS OF IDA COMPARED WITH ALIANZA

The other thing that troubles me is the Alliance for Progress. We have set down certain norms or certain principles that recipient nations must follow in order to qualify as a recipient under the Alliance for Progress.

One of them is social reforms. Now, if IDA goes in and gets a soft loan to these countries, do they make the same requirements?

Mr. BULLITT. They haven't in the past gone as extensively into the detailed social and economic structure of a country that we have attempted to do with our own program in the Alliance for Progress.

They have been very attentive to requiring that borrowers of theirs follow suitable financial and economic policies in terms of balance-of-payments policies and fiscal policies and monetary policies.

And they will not lend to countries which they don't think are following sound policies. But they haven't tried to get nearly as far into the social structure of a country as we have in our own AID program, although I think they are moving in that direction, and in isolated cases they have made suggestions in particular areas.

And I think we would hope that we would have a central coordinating body for all external assistance to Latin America that over time could get all the aid donors to concentrate their efforts on trying to persuade each Latin American country to do what we and they felt was the right thing in terms of social reform.

Mr. CONTE. How much of a vote do we have in the bank?

Mr. BULLITT. Between 26 and 27 percent.

Mr. CONTE. And in giving aid to a Latin American country—you have given aid to eight countries in Latin America—does the United States insist that these countries put through certain social reforms that the United States has set out in the Alliance for Progress program? Do we take that stand there in IDA?

Mr. BULLITT. In IDA?

Mr. CONTE. Yes, with our 26-percent vote?

Mr. BULLITT. We have so far as I know not held up any loan to a Latin American country—that was put forward to us by the management—for its failure to adopt a specific reform.

But we have generally been urging that countries should move in the direction that the people in the AID agency feel is desirable.

IDA LOAN TO SWAZILAND

Mr. CONTE. I notice that you gave a loan to Swaziland. Isn't Swaziland still a British protectorate, British possession?

Mr. BULLITT. That is right.

Mr. CONTE. What was that loan for?

Mr. BULLITT. It was a highway project to help finance the construction to all weather standards of the most important highway in Swaziland, extending 112 miles across the country from the South African border on the west to the Mozambique border on the east.

Mr. CONTE. Has that highway been built, do you know?

Mr. BULLITT. I don't know whether they have finished construction on that or not.

ECONOMIC IMPACT OF IDA DISBURSEMENTS ON THE U.S. ECONOMY

Mr. CONTE. Now, you have given about $74 million in development credits to eight countries in Latin America and some other countries throughout the world. Do you know what percentage if any of commodities are used for the construction of these highways, buildings, dams, whatever they were, were bought here in the United States?

Mr. BULLITT. So far I can't give you that on a per borrowing country basis, but the latest figures we have, our IDA disbursements show about 15 percent of their disbursements are to the United States.

Now, the disbursements experience of the IDA has been relatively short, and there has been only a relatively small amount, and we expect that once it has a period of experience that it will roughly pattern the same experience as the World Bank has had, because they operate on the same principle.

And there in the World Bank, which has had a long period of operation and has disbursed a lot of money, we are now getting about 34 percent of the total disbursements.

Mr. CONTE. There is a big difference between this and the World Bank. The World Bank is a hard loan, and we are gathering interest on the loan, the Bank itself is making a profit, whereas here this is more or less of a giveaway, and we should do everything we can to exert our influence on the Bank to see that we receive at least 42 percent of the commodities purchased for the particular project.

Mr. BULLITT. Of course, the contribution that we make to the IDA costs us the same as this costs all the other countries for their contribution.

So, that what we would expect to get back from the IDA—if, as I say, it does what we expect, which would be to pattern after the World Bank—would be 34 percent. And we are making a 42-percent contribution, so that somewhat over 80 percent of our contribution to the IDA would come back to us to finance U.S. exports, which would be about the same as AID—maybe even a little bit better.

But probably just about the same as the AID agency's experience.

DISPOSITION OF WORLD BANK INCOME

Mr. CONTE. One other question: The interest which gathered under the World Bank rate, is that used by IDA for loan?

Mr. BULLITT. No. That isn't. In the past, ever since 1950 the net income of the World Bank has automatically been allocated to this supplemental reserve of the Bank, and reinvested in the Bank's operations by making loans. At the last annual meeting of the World Bank in 1963, the Board of Governors approved a resolution that would require the executive directors of the Bank each year to decide what to do with the net income of the Bank for that year.

And that means that sometime this summer the executive directors have to decide whether the net income of the Bank should again be allocated to the supplemental reserve or whether some portion of it should be granted to the IDA, or just exactly what should be done with it.

Mr. CONTE. I have no further questions.

Mr. PASSMAN. Thank you.

EFFECTS OF IDA DISBURSEMENTS ON THE U.S. ECONOMY

The "Buy American" clause does not apply to IDA?

Mr. BULLITT. That is correct.

Mr. PASSMAN. I believe you mentioned, in response to a question of Mr. Conte, that only about 15 percent of the total amount of IDA funds are spent for U.S. commodities.

Mr. BULLITT. Fifteen percent of the total amount of the IDA funds so far have been spent so far as we know.

BALANCE OF PAYMENTS SITUATION

Mr. PASSMAN. Which means, of course, that this has affected, or has an effect, on our balance of payments situation.

Mr. BULLITT. It has some effect on the balance of payments, yes. Now, this particular contribution, this particular installment that we are asking for won't have any effect on the balance of payments, of course, until——

Mr. PASSMAN. Nothing has any effect until it is spent.

Mr. BULLITT. It is called for by the IDA.

Mr. PASSMAN. We know that it never has any effect until disbursement has been made.

But we assume that it will, or you wouldn't be asking for the money. So it will have an effect on the balance of payments to the extent of the appropriation not returned to our country.

Mr. BULLITT. That is right, not returned to this country.

IDA PROJECT COMMITMENTS AND ALLOCATIONS

Mr. PASSMAN. Under the so-called AID program, at least those people come in with illustrative projects.

But under IDA it is just a blanket request. You do not even know yourselves what projects will be initiated from this appropriation until after you get it; is that correct?

Mr. BULLITT. That is correct, in some part.

Mr. PASSMAN. Tell us what part of this——

Mr. BULLITT. I can't break it down by a specific portion.

Mr. PASSMAN. Could you tell us particularly what country or what projects are going to get into this $61,656,000?

Mr. BULLITT. No; I can't tell you.

Mr. PASSMAN. You don't even have the projects?

Mr. BULLITT. I have the projects that the IDA has already committed it to themselves.

Mr. PASSMAN. To what projects have we committed the $61,656,000?

Mr. BULLITT. Those specific funds haven't been disbursed.

Mr. PASSMAN. You do not know what projects or countries will get the money until after you get it? Now, after you get the money and make the allocations, yes, you could come in with a list.

I am talking about prior to——

Mr. BULLITT. The IDA, as you know, makes commitments on the basis of countries having agreed to make contributions.

It does not wait until it has the actual cash in hand before it makes commitments.

Mr. PASSMAN. I understand that fact, but you are getting away from the question. We want to know whether or not you have any illustrative projects that you are going to fund with this money?

Mr. BULLITT. Well, some of these funds will be disbursed on projects that have already been committed by the IDA.

Mr. PASSMAN. Let's go back to the beginning on your original request for an appropriation. Did you know what projects and what countries the money would be allocated to until you got the money?

Mr. BULLITT. From the first installment?

Mr. PASSMAN. Yes.

Mr. BULLITT. No. We did not.

But we knew from the experience of the commitments that had been made by the IDA after it began operations. Now, they didn't wait until each installment was paid in to commit a particular amount which was related to that installment; they committed on the basis of having a total of $777 million available.

Mr. PASSMAN. You actually don't have any list of projects, even illustrative projects, in your justifications anywhere dealing with this particular request, do you?

Mr. BULLITT. We do have the description——

Mr. PASSMAN. No. You are dealing with something that is in the past. I am talking about this request. However, you do not know who is going to apply for this money until after you get it, do you? Do you know to what nations and in what amounts it will be disbursed until after this money is available and you start looking over your applications?

Mr. BULLITT. Yes. We do, Mr. Chairman.

Mr. PASSMAN. How do you know India is going to make an application to IDA for money to carry out some project that is at present underway?

Mr. BULLITT. Well, as I told you, there is a series of projects which the management was considering recommending to the Board for approval prior to June 30, 1964.

(NOTE.—The list of projects referred to appears on p. 77.)

Mr. PASSMAN. Give us a list of them, including what country, when you received the letter, and what amount. You either have some program or you don't have them.

Mr. BULLITT. We do know that some of the funds that have been requested for appropriation will be spent on projects that have already been approved by the Board of Directors of the IDA.

And I also would like to say that——

Mr. PASSMAN. You are talking about disbursements now, and I am talking about new obligations.

You couldn't actually tell the committee, could you, precisely what countries that you will approve loans to and for what projects; you don't have an illustrative list, do you?

Mr. BULLITT. In fiscal 1965, for example?

Mr. PASSMAN. Fiscal 1965.

Mr. BULLITT. No. We do not.

Mr. PASSMAN. That is the only thing I am trying to clear up.

Mr. BULLITT. Those funds that we are asking now will not be used for projects that will be approved in fiscal 1965.

Mr. PASSMAN. With regard to the funds that you are requesting today, you don't actually know the countries or the projects on which they will be spent? Is that what you are saying?

Mr. BULLITT. If we distinguish between disbursements and commitments——

Mr. PASSMAN. Let us talk about obligations. You don't know in what countries or for what projects this appropriation that you are requesting will be used?

Mr. BULLITT. Well, this appropriation will be used to fund projects that will have been approved by the middle of calendar 1964.

Mr. PASSMAN. Then you actually don't know for what projects or in what countries the $61 million will be spent at this time?

Mr. BULLITT. I could tell you what countries the management——

Mr. PASSMAN. I am not talking about what countries for which you have allocated funds.

Mr. BULLITT. I could tell you what countries the management is recommending to the Board.

Mr. PASSMAN. We want to know whether or not you can tell the committee to what countries and for what projects you are going to allocate this $61 million.

Mr. BULLITT. I can tell you what countries are going to be recommended for loans by the management before the middle of calendar 1964. And when that has been done, the entire $777 million of hard currency resources of the IDA will have been committed.

And this $61 million, together with previous appropriations that we have received, would then go to provide the funds to make the disbursements on those commitments.

Mr. PASSMAN. We are either going to let the record show that you don't know the answer or, else, you don't want to answer the question. We do know that when the AID people come in they have the justification books here; and they turn over to India, for example, and they have illustrative projects listed, and the estimated cost, and they say, "We want certain funds for these projects."

They admit that the projects are illustrative, that they might or might not spend the money on these projects. But here you don't even have an illustrative list; you only say that in fiscal 1964 you are going to approve certain projects in certain countries; and you would assume that in fiscal 1965 whatever money you get will be applied to those countries and those projects, but it is yet to be determined?

Mr. BULLITT. The funds that we are requesting in this appropriation will not be used to disburse on commitments that the association makes in 1965.

Mr. PASSMAN. Therefore, you would not know what countries and what projects this money will be disbursed on finally?

Mr. BULLITT. We are not asking for these funds for use for commitments that are made in 1965.

Mr. PASSMAN. We know that fact.

Does it follow that you would not know, since you have yet to approve projects for fiscal 1964, that the money you are requesting today will not be disbursed on projects that you commit in 1965, so this could mean that we are moving this into calendar 1966?

Mr. BULLITT. So, whether in the next couple of years——

Mr. PASSMAN. And at this time you wouldn't know just to what countries, specifically, or to what projects that the money may be assigned?

Mr. BULLITT. These specific funds?

Mr. PASSMAN. Yes.

Mr. BULLITT. No. I couldn't——

Mr. PASSMAN. Thank you. That is good enough. I don't want to complicate the matter any further.

ALTERNATIVES TO U.S. FUNDING OF IDA AGREEMENT

What is the new date for ratification of the agreement to provide additional resources for IDA, Mr. Secretary?

Mr. BULLITT. The new date is June 30, 1964.

Mr. PASSMAN. Then, what happens if the Congress, in its wisdom, does not pass the bill by June 30, 1964?

Mr. BULLITT. Well, the first thing that would happen would be that the IDA would have to stop making new commitments.

The second thing that would happen would be that a question would arise as to whether the United States was going to authorize entry into this agreement to provide $750 million of new resources to IDA.

And unless the United States does participate the agreement doesn't become effective. And, therefore, the other countries would not be required to subscribe to $438 million that they have agreed to subscribe to.

Mr. PASSMAN. And it would have no effect on our so-called bilateral aid program and mutual assistance?

Mr. BULLITT. Presumably it would require some increase in the estimates of what aid would be necessary for 1966, 1967, and 1968.

PROPENSITY OF PART I COUNTRIES TO DISPENSE BILATERAL AID

Mr. PASSMAN. Part I IDA member countries are developed industrial countries, are they not?

Mr. BULLITT. Most of them. Australia I don't think I would characterize——

Mr. PASSMAN. The majority of them are?

Mr. BULLITT. Yes.

Mr. PASSMAN. And they have been doing business for many years with other nations on loans, barter, and trade agreements, have they not? They have been in the banking business and negotiating loans and trade agreements——

Mr. BULLITT. Most of them.

Mr. PASSMAN. They are usually accepted as highly intelligent bankers and business people, are they not?

Mr. BULLITT. That is correct.

Mr. PASSMAN. Well, does it follow that those countries wouldn't give consideration to loans or grants to some of the recipient nations of IDA if IDA is not operating? Are the people trying to say that unless we have IDA there will be no agreements with these nations to give them aid or loans?

Mr. BULLITT. I think definitely some of these countries would probably not, because they would not want to mount the administrative apparatus that was required to administer an equivalent amount of their own bilateral aid.

And I think that the other countries who have their own bilateral aid program would probably not give aid on the favorable terms that they give it to the IDA.

Mr. PASSMAN. Why not?

Mr. BULLITT. Well, I think their pattern of administration of their aid programs doesn't provide for as favorable terms.

Mr. PASSMAN. If they are willing to commit their resources to IDA for 50 years couldn't they, by the same token, commit their resources to India for 50 years, with no interest?

Mr. BULLITT. They could.

Mr. PASSMAN. What makes you think they wouldn't?

Mr. BULLITT. They haven't in the past.

Mr. PASSMAN. As far as I am concerned, if these people want to help those nations it would be just as easy to type out an agreement for 50 years, no interest, for the same amount to India as it would be to type out the agreement and give it to IDA.

PROJECTED ANNUAL COMMITMENTS TO IDA

At what amount is the average annual commitment running now?

Mr. BULLITT. The average commitment now?

Mr. PASSMAN. Yes.

Mr. BULLITT. It is hard to give an average; $260 million was the total commitment in 1963; and so far this year it has been $96 million; in fiscal year 1962 it was $134 million.

And under the first year of operations, fiscal 1961, it was $101 million.

Mr. PASSMAN. Well, is this imagination, or am I reading correctly?

It hopes to be able to operate at the level of about $300 million a year.

Mr. BULLITT. That is the hope of the management.

Mr. PASSMAN. Then, if we look over your repayment schedule here—and this is Treasury Department Financial Division, January 7, 1964—running all the way from 1971 up to 2015—the maximum amount of money that you are going to get in 1 year will be in the neighborhood of about $17 million. Is that correct?

Mr. BULLITT. I will have to look at it.

Mr. PASSMAN. Look at it and see if that is right.

Mr. BULLITT. About $17 million based on having had only $577 million of commitments.

Mr. PASSMAN. Which simply means that this is just a beginning of what we may have to appropriate to IDA if it is going to reach

$300 million annually, unless you could tell us whether that $300 million is for 1 year or whether it is going to be for several.

Mr. BULLITT. Let me explain how that $300 million figure evolved.

That was on the basis of having new resources of $750 million plus a carryover after June 30, 1963, of the original resources of $150 million, which totaled $900 million altogether. The management concluded that a reasonable rate at which to commit that $900 million would be $300 million a year.

Now, I don't think that represents any estimate of what they could commit if the amount of funds they had was some different figure. The original proposal that was made by Eugene Black was for a substant ally higher figure.

If that higher figure had been the result of the negotiations, presumably the $300 million would have been higher; if the negotiations had resulted in a lower figure, it would have been a lower annual rate.

But the $300 million was based on the cash they actually foresaw having.

Mr. PASSMAN. Let us deal with your expectation rather than any present figure. I read from a report of the Committee on Banking and Currency, January 8, 1964, on page 11:

> It hopes to be able to operate at the level of about $300 million a year. This would mean that by June of this year it would have exhausted its present resources and have to stop operation.

EFFECTS OF PROJECTED IDA DISBURSEMENT LEVEL ON U.S. CONTRIBUTIONS

If you are going to operate at a level of $300 million a year, and the very maximum repayments under the present financial arrangements will only give you about $17 million a year, should you not somewhere along the way be able to estimate how much you would expect the United States to contribute, we shall say, in the next 10 or 15 years?

We do not know how long you want to maintain this $300 million a year, whether it is 10 years or 15 years, until all the underdeveloped countries become highly developed, and their currencies are easily convertible.

It is loose at both ends; we just don't know which direction we are traveling. Is there any way you could work up an estimate for us, Mr. Bullitt?

Mr. BULLITT. I don't really see how we can, Mr. Chairman.

Mr. PASSMAN. You want, you say, to reach a disbursement level of $300 million a year, and we note that the maximum repayment that you will get between the year 1971 and the year 2015, under the present capital account, would be about $17 million a year.

So we have to keep feeding the kitty until we can get up to where you are going to reach $300 million a year.

Mr. BULLITT. Mr. Chairman, if the IDA committed at the rate of $300 million a year, that figure of $17 million which you are quoting would be larger, of course, during the years that you are talking about.

Mr. PASSMAN. No, not for many years You have a 10-year grace period to start with, during which you don't get anything back.

Mr. BULLITT. If, in the next 3 years——

Mr. PASSMAN. Whether it is the old account or the new account you are going to give a 10-year grace period, and you are not going to get anything back?

Mr. BULLITT. That is right.

Mr. PASSMAN. And you have 10 years following during which you are only going to get 1 percent per year on the principal?

Mr. BULLITT. That is right.

Mr. PASSMAN. So it is way off in the distant future that you are going to get payments back in sufficient amount to contribute substantially toward this $300 million you are envisioning.

Mr. BULLITT. All I am saying is that the payments of $17 million a year would be significantly greater. How much greater—it would not be a substantial portion of $300 million, that is certainly correct.

Mr. PASSMAN. Now, projecting the $300 million, if you reach it this year, for how many years do you expect to maintain commitments of $300 million a year——

Mr. BULLITT. We couldn't maintain that rate beyond the——

Mr. PASSMAN (continuing). Assuming that the Congress was willing to give your entire request?

TERMINATION OF DEVELOPMENT FINANCING

Mr. BULLITT. I just can't estimate that, Mr. Chairman, I mean there may be a considerable change in the requirements of the less-developed countries for this kind of financing.

Mr. PASSMAN. Secretary Dillon said once it would take 50 years.

Mr. BULLITT. When that will happen I don't know. In the Marshall plan countries it happened relatively quickly.

Mr. PASSMAN. You can't judge this by the highly developed European countries that happened to get knocked off their blocks by the war.

Mr. BULLITT. Mr. Chairman, I was going to continue to say that in the case of India, where the per capita income now is about $78 a year, it would be unrealistic to assume that we could terminate assistance and still do the job that has to be done within the foreseeable future.

On the other hand, in Mexico I would think that assistance could be terminated fairly soon.

Mr. PASSMAN. What we are trying to arrive at is whether you may come in for an additional $312 million, then $512 million, and $812 million, and then $1,212 million. You are going to try to maintain an annual disbursement of $300 million, and to do that you are going to require a lot of money in the future, Mr. Secretary, or else you have some other plan that we don't know anything about.

If you could just project the——

Mr. BULLITT. We don't have any plan that you don't know anything about.

Mr. PASSMAN. Do you think this would be 30 years at that rate?

Mr. BULLITT. But the $300 million a year figure, as I said, was based on the resources that it was contemplated would be available to the association on the basis of $750 million.

EXHAUSTION OF IDA RESOURCES

Mr. PASSMAN. When would it run out?

Mr. BULLITT. When would it run out?

Mr. PASSMAN. Yes.

Mr. BULLITT. Well, the commitments, if it was done at the rate of $300 million a year, it would be 3 years from—at that time I was talking in the fall—it would be 3 years from June 30, 1963. So it would be June 30, 1966.

Mr. PASSMAN. So, if you got the $312 million, the year after next you would be back for some more?

Mr. BULLITT. I can't predict, Mr. Chairman. Certainly the need will persist.

Mr. PASSMAN. If you are going to obligate at a level of $300 million—you have made that statement, I think, before another committee—what we want to find out, Mr. Secretary, is how long you expect to continue to keep that commitment in effect for 10 years, 7 years, 3 years?

Mr. BULLITT. That $300 million, I would reiterate, was on the basis of resources that it would be contemplated would become available to the association.

Mr. PASSMAN. Under the present——

Mr. BULLITT. Under the proposed replenishment of the resources. I am not in a position——

Mr. PASSMAN. That would be good for how long?

Mr. BULLITT. That would be good under present planning until June 30, 1966.

Mr. PASSMAN. Then do you contemplate that IDA will go out of business so far as new commitments are concerned, or do you contemplate that it will be necessary then to come back to the Congress for more money?

Mr. BULLITT. I am not in a position to say what the administration in 1966 will wish to do. Certainly the need for this kind of funds will continue to exist in 1966.

Mr. PASSMAN. But so far as you are concerned in your present position justifying the funds, and as a member of the Board, would you contemplate whether or not IDA would go out of business or whether you feel personally, as a part of the administration, you would be in for new, additional funds?

Mr. BULLITT. I would think it would very much depend on what the results of IDA's operations would be between now and then.

IDA COMMITMENT LEVEL AND FUTURE REQUESTS

Mr. PASSMAN. We want to be able to tell the members when we take this bill out, after they have read this $300-million-a-year commitment figure, about how long this thing is going to last. If Congress approves the additional $312 million, it is good to June 30, 1966, and at that time you will either go out of business or you will have to come back for a new authorization.

Mr. BULLITT. Mr. Chairman, it is true that about that time IDA will either have to stop making commitments or we will have to come back and ask for new authorizations.

Mr. PASSMAN. That is all I wanted to know.

PROVISIONS FOR DISSOLUTION OF IDA

Mr. RHODES. Is there anything in the charter of IDA which provides means by which any member or group of members could call for dissolution and division of the assets?

Mr. BULLITT. Yes, article 7 provides a procedure for dissolution, and withdrawal of membership.

IDA LOAN TO HAITI

Mr. RHODES. Have you recently made a loan to Haiti?

Mr. BULLITT. There was a $350,000 credit to Haiti. I think it was made on November 2, 1962. They had asked for quite a large loan, I think of $6 million, for road construction, which was a continuation of a World Bank project.

And it was decided to scale that down to just provide the amount that was necessary for maintenance of the existing system.

Mr. RHODES. At that time hadn't practically all of the Central and Latin American nations either withdrawn recognition from Haiti or were they not under some sort of status of punishment by the Organization of American States?

Mr. BULLITT. I can't recall, Mr. Rhodes.

Mr. RHODES. Would you find out if this occurred during that period?

Mr. BULLITT. Yes.

Mr. RHODES. I would appreciate it if you would. That is all, Mr. Chairman.

(The information supplied follows:)

OAS ACTION ON HAITI

The Organization of American States (OAS) has never invoked sanctions against the Republic of Haiti, although twice in 1963 it conducted investigations of Haiti, first in regard to alleged deprivation of human rights and, second, in regard to the Haitian-Dominican dispute. No effective action was taken as a result of these investigations.

At the time of the IDA credit to Haiti in November 1962 Western Hemisphere nations maintained normal diplomatic relations with Haiti, although in May 1963 a number of these nations severed or suspended their diplomatic ties with that country. The United States did not break diplomatic relations with Haiti, although the U.S. Government did temporarily interrupt its diplomatic contacts with the Haitian Government for a period of 2 to 3 weeks in late May and early June of 1963. The American Ambassador was withdrawn from Port-au-Prince in mid-May and the Haitian Ambassador was likewise withdrawn from Washington, but ambassadorial representation was resumed in both capitals by early 1964.

FUNDING ALTERNATIVES

Mr. PASSMAN. Mr. Secretary, if the Congress should reconsider the authorization bill for $312 million, do you feel that this committee and the Congress will have a right to reduce the annual appropriation below that $104 million estimate, or do you feel that we would then have such a strong moral obligation that we would have no alternative other than to provide the money?

Mr. BULLITT. I think that if the Congress does authorize our participation in this increase, and we agree with all the other countries that we will put up $312 million, if the others will put up the $438

million, that there is a strong obligation to follow through on the level of appropriation.

Mr. PASSMAN. The people who were justifying the new, additional $312 million authorization said we would have the right to reduce the appropriation below the authorization.

Now, we have two stories. We can work one against the other.

Mr. BULLITT. You certainly have the right, Mr. Chairman.

Mr. PASSMAN. Do these other people realize that when you get this type of an authorization you must later get an appropriation?

AGREEMENT IMPLEMENTATION IN VIEW OF CONGRESSIONAL REDUCTIONS

They may make these commitments with the understanding that there would be an appropriation made, do they not? If you should only get an appropriation of $52 million annually rather than $104 million, at least we could implement the agreement to 50 percent; could we not?

Mr. BULLITT. That isn't what the agreement provides.

Mr. PASSMAN. I said, could we? Would you turn down the $52 million, or would you modify the plans?

Mr. BULLITT. I can't speculate on how the other countries would react.

Mr. PASSMAN. If this committee had the right to make a reduction, and we exercised that right, and we recommended only $52 million, and the Congress approved it, and we said to you, Mr. Secretary, this is the amount of money available per year for the next 3 years, would you turn it all down, or would you try to renegotiate this contract?

Mr. BULLITT. I don't know what I would try to do under those circumstances, Mr. Chairman.

Mr. PASSMAN. Would you like to think it over and let us know?

Mr. BULLITT. Sure.

Mr. PASSMAN. Would you furnish some information as to what your position would be if the Congress made available only half the amount of money?

Mr. BULLITT. I will do that, Mr. Chairman.

Mr. PASSMAN. And the administration—it would have to be their position?

Mr. BULLITT. Yes.

Mr. PASSMAN. Or tell us where they are going to get the money.

(The information supplied follows:)

FUTURE CONGRESSIONAL ACTION ON APPROPRIATIONS OF NEW RESOURCES FOR IDA

The question has been raised as to the position the administration might take in the event that the Congress, after having authorized U.S. representatives to agree to U.S. participation in an increase in IDA resources at an annual level of $104 million, were to appropriate only $52 million in one of the fiscal years 1966 through 1968.

Clearly, the administration can make available to IDA only the funds the Congress appropriates for the purpose. It would be anticipated that the ordinary course of events the Congress—having authorized the United States to enter into a solemn agreement with other nations to participate in the provision of new resources to IDA—would likewise act to make these resources available. For the United States to do otherwise could have grave repercussions, not only on pledges totaling a much greater sum made in good faith by other free world nations but on the political and financial image of the United States at home and abroad.

The query would seem, however, to presume that sometime in the future there might be some unusual circumstances not now envisaged which would be of such gravity as to motivate the Congress to take action which would cause the United States to default on an international commitment and to be in violation of an international agreement formally entered into by the executive branch pursuant to express authorization by the Congress to do so. It would be highly speculative to conjecture upon the circumstances which would motivate the Congress to act to breach such a pledge. It would, similarly, be highly speculative to prejudge the position of the executive branch under such presently unforeseen circumstances.

INVESTMENT IN THE INTER-AMERICAN DEVELOPNENT BANK

WITNESSES

TOM KILLEFER, U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK
ALEXANDER M. ROSENSON, ALTERNATE U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK
JOHN O. HALLY, ACTING ASSISTANT GENERAL COUNSEL, U.S. TREASURY DEPARTMENT
SCHUBERT J. DYCHE, ECONOMIST, OFFICE OF LATIN AMERICA, U.S. TREASURY DEPARTMENT
ERNEST C. BETTS, JR., DIRECTOR, OFFICE OF BUDGET AND FINANCE, U.S. TREASURY DEPARTMENT
JOSEPH M. BOWMAN, ASSISTANT TO THE SECRETARY OF TREASURY (CONGRESSIONAL RELATIONS)

Program and financing

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
Program by activities: Investment in Inter-American Development Bank (costs—obligations) (object class 33)	60,000	50,000	
Financing:			
Unobligated balance brought forward	−200,000	−200,000	−200,000
Unobligated balance carried forward	200,000	200,000	405,880
New obligational authority (appropriation)	60,000	50,000	205,880

Mr. PASSMAN. The next item for consideration will be that of the Inter-American Development Bank. Testifying for the budget request will be Mr. Tom Killefer, U.S. Executive Director of the Inter-American Bank, and supporting witnesses.

I believe, that in fiscal 1964, the IDB had an appropriation of $50 million, and in fiscal 1965 you are requesting $205.88 million.

JUSTIFICATION MATERIAL

We shall insert in the record three pages of the justifications.

(The justification follows:)

Total appropriation authorized by the Inter-American Development Bank Act (Public Law 86–147; Aug. 7, 1959, and by Public Law 88–259; Jan. 22, 1964):	
Paid-in shares of capital stock	$150, 000, 000
Callable capital stock	200, 000, 000
Fund for Special Operations	100, 000, 000
Increase in callable capital stock	411, 760, 000
Increase in Fund for Special Operations	50, 000, 000
Total appropriations authorized	911, 760, 000
Appropriated by the Supplemental Appropriation Act, 1960 (Public Law 86–213; Sept. 1, 1959):	
Paid-in shares of capital stock	30, 000, 000
Callable capital stock	200, 000, 000
Fund for Special Operations	50, 000, 000
Total appropriated	280, 000, 000
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1962 (Public Law 87–329; Sept. 30, 1961):	
Paid-in shares of capital stock	60, 000, 000
Fund for Special Operations	50, 000, 000
Total appropriated	110, 000, 000
Appropriated by the Foreign Aid and Related Agencies Appropriation Act, 1963 (Public Law 87–872; Oct. 23, 1962): Paid-in shares of capital stock	60, 000, 000
Appropriated by the Foreign Aid and Related Agencies Appropriation Act, 1964 (Public Law 88–258; Jan. 6, 1964): Increase in Fund for Special Operations	50, 000, 000
Appropriation estimate, 1965: Increase in callable capital stock	205, 880, 000

JUSTIFICATION

Public Law 86–147, approved August 7, 1959, authorized U.S. membership in the Inter-American Development Bank (IDB) and authorized an appropriation of $450 million to cover the U.S. obligation to the Bank. Public Law 88–259, approved January 22, 1964, provided for increased U.S. participation in the Inter-American Development Bank and authorized appropriation of $461,760,000 for this purpose.

The charter of the Inter-American Development Bank establishes the Bank as an intergovernmental institution, corporate in form, all its capital stock being owned by its member governments. It is the purpose of the Bank to contribute to the acceleration of the process of economic development of the member countries by providing capital, extending technical assistance, and by encouraging private investments in development projects. All the Western Hemisphere Republics, except Cuba, are members of the Bank, and have completed payment of their authorized subscriptions.

The Bank's authorized capital is the equivalent of $850 million of which $813,160,000 has been subscribed. Of this total amount, the equivalent of $381,580,000 has been paid in, while the remaining $431,580,000 remains subject to call by the Bank only as required to meet its obligations arising out of borrowings or guarantees. The Bank's authorized capital will be enlarged to $1,350 million on or before December 31, 1964, and to $1,850 million on or before December 31, 1965. The entire enlargement of $1 billion will take the form of callable capital subscriptions of members.

The Bank's charter also provided for establishment within the Bank of a Fund for Special Operations, with resources of $150 million. The purpose of this Fund is to permit the Bank to extend loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects. The actual amount subscribed in the Fund is equivalent to $146,316,000. On or before March 31, 1964, the resources of the Fund for Special Operations are to be enlarged by the equivalent of $73,158,000.

The U.S. subscription to the Bank's resources involves: (i) A subscription of $150 million for paid-in shares of capital stock, which was paid in three installments in 1960, 1961, and 1962; (ii) a $200 million subscription to the callable

capital stock, which was appropriated in 1959; (iii) a quota of $100 million to the resources of the Fund for Special Operations, which was paid in two equal installments in 1960 and 1961; (iv) a contribution of $50 million to the enlargement of the Fund for Special Operations, to be paid on or before March 31, 1964; and (v) a $411,760,000 share in the enlarged callable capital, of which one-half is to be subscribed on or before December 31, 1964, and one-half on or before December 31, 1965.

By the end of December 1963, commitments by the IDB from ordinary capital had reached $385,750,000 in 82 loans. At the same time, $121,700,000 in 37 loans had been committed from the Fund for Special Operations. The Bank had also made 119 loans for $367,600,000 from the resources of the Social Progress Trust Fund administered on behalf of the United States.

An appropriation of $205,880,000 is being requested at this time in order to enable the United States to subscribe before the end of 1964 to the first installment of its share in the enlarged callable capital. United States and other member subscriptions will enable the Bank to raise in private capital markets additional funds required for lending operations. Funds appropriated for the U.S. subscription will remain subject to call by the Bank only as required in the unlikely event the Bank should be unable to meet its obligations arising out of borrowings or guarantees.

INCREASE REQUESTED FOR 1965

Mr. PASSMAN. Before hearing Mr. Killefer, I shall ask whether it is inflation that is bringing about such a tremendous increase in this request or do you have a broader plan than you did last year?

Mr. KILLEFER. No, it is not inflation, Mr. Chairman. The purpose of this request for an appropriation is to permit the Bank to continue operating on the same basis as it has done in the past. And the funds requested to be appropriated will in all likelihood never be spent.

ADDITIONAL FUNDS REQUESTED FOR CALLABLE CAPITAL ACCOUNT

Mr. PASSMAN. You are adding $200 million to your callable capital account?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. Do you have $200 million presently in callable capital to the credit of the Inter-American Development Bank which you have not used?

Mr. KILLEFER. No. The original U.S. share of the callable capital when the Bank was established was $200 million. But that money will have all been obligated by the end of the present year.

By that I mean that the callable capital has permitted the Bank to go to the private capital markets and raise funds from private enterprise.

Mr. PASSMAN. This is the equivalent of a U.S. guarantee?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. You may never draw down the $200 million that you are requesting now?

Mr. KILLEFER. We would not ever expect to draw down any of it, Mr. Chairman.

What I have done in my statement is to try to outline this as succinctly and briefly as I could, because it is a different thing than the committee has been treating with thus far this session. Would you permit me to read my statement?

General Statement

Mr. Passman. We are going to hear your statement now, Mr. Director.

Mr. Killefer. Thank you. Mr. Chairman and gentlemen, I appear before you today in support of the request for appropriation of $205,880,000 to meet U.S. obligations arising from the increased participation of the United States in the callable capital stock of the Inter-American Development Bank.

The administration's request for this appropriation arises from the commitment to subscribe to the callable capital of the Bank undertaken by the United States as authorized by Public Law 88–259 of the present Congress, which also authorized the appropriation of funds to cover the increased U.S. subscription.

This appropriation is to cover a contingent liability which the Secretary of the Treasury would be required to pay out only in the highly unlikely event that the Bank would be unable to meet its obligations in the capital markets of the United States and other countries.

Let me recall briefly the structure of the Bank and the extent of U.S. participation in this institution, which was established for the purpose of contributing to "the acceleration of the process of economic development of the member countries." All of the Latin American countries, except Cuba, are members of the Bank and are actively receiving loans from it.

Resources Initially Authorized

The Bank was initially established with an authorized ordinary capital amounting to $850 million. In addition, there was established within the Bank a Fund for Special Operations with resources of approximately $150 million.

The authorized initial resource of the Bank thus totalled $1 billion, though subscribed capital was slightly less because of Cuba's not becoming a member. Of the authorized ordinary capital of $850 million it was arranged that $400 million would be paid in and $450 million would be callable.

Of the paid-in capital in the United States subscribed to $150 million, while the Latin American members subscribed to $232 million, half of which was paid in gold or dollars and half in their own currencies. Actual payments to the Bank on these subscriptions were made in three installments completed in October 1962. All the members have met their subscription payments in full.

That portion of the ordinary capital not required to be paid in is known as the callable capital. The initial callable capital was established at $450 million, of which the U.S. share is $200 million and that of the other members is $232 million.

This callable portion of the capital is a contingent liability of the subscribing countries which can be called only and to the extent necessary to meet obligations of the Bank on securities which it has issued for sale in the private financial markets or on guarantees which the Bank has made. Such calls must be uniform in percentage on all capital shares.

OPERATIONS ON THE PRIVATE CAPITAL MARKETS

On the strength of this contingent liability which is in effect a limited guarantee of the member governments, the Bank has been able to go to the private capital markets in Europe and the United States and successfully place its own securities.

The proceeds from these bond issues are then available to the Bank as additional capital for lending operations. As long as the Bank is able to meet its obligations on the bonds from capital and the proceeds of principal and interest repayments by borrowers on their loans, there is no burden on the member governments or on taxpayers in the United States or in the Latin countries.

The governments can be called upon only if the Bank's resources are insufficient to meet its obligations to the holders of its bonds. The Bank showed a net profit after paying operating expenses, technical assistance expenses and interest on outstanding bonds of $98,620 in 1961, more than $3.4 million in 1962 and more than $3.7 million in 1963.

INCREASES IN BANK RESOURCES

The agreement establishing the Inter-American Development Bank contemplated a future need to enlarge the resources of the Bank and included specific provisions looking toward such an enlargement. It was provided that after all the original subscriptions had been paid, the callable capital could be increased when the Governors deemed it advisable.

In the spring of 1962, it became clear from the tempo of the Bank's operations that the matter of an increase in the Bank's capital should be placed under active consideration. Pursuant to instructions by the Governors, the Bank's Board of Executive Directors studied the matter and submitted a proposal for such an increase which was approved by the Board of Governors and became effective on January 28, 1964.

The U.S. vote in favor of the increase in resources was cast pursuant to Public Law 88–259 approved January 22, 1964. At the same time and in accordance with the same statute, the United States agreed to subscribe its share of the increases.

The increase in resources approved by the Board of Governors was in three parts: First, the authorized callable capital stock of the Bank was increased by $1 billion. Second, the resources of the Fund for Special Operations were increased by $73 million. Third, the authorized ordinary capital was increased by $300 million to provide for the possible future admission of new members to the IDB.

PROPOSED INCREASE IN CALLABLE CAPITAL

As I have already pointed out, the request before you today relates only to the callable capital. The increase in the resources of the Fund for Special Operations was appropriated under Public Law 88–258 approved January 6, 1964.

The $300 million additional increase in the authorized capital of the IDB does not involve subscription by the United States and, therefore, does not require further legislative action.

The proposed $1 billion increase in the callable capital is to be subscribed by the members in the same proportion as their current subscriptions bear to the initially authorized capital of the IDB.

U.S. SHARE

The U.S. share of the increase is $411.8 million. The actual subscriptions are to be met in two installments: half by the end of December 1964, and the other half by the end of 1965.

REQUESTED APPROPRIATION FOR FIRST INSTALLMENT

The appropriation here requested of $205.88 million is to enable the United States to subscribe to this first installment of the increase.

I wish to emphasize that it is highly unlikely that any of this increase in our subscription would be paid out as actual cash expenditure of the Treasury. The "callable capital" arrangement is similar to the U.S. subscription to the World Bank, which has worked so successfully during the past 15 years that no cash has ever been required from the Treasury on account of the callable capital subscription of the United States in the IBRD. It is not anticipated that the experience with the IDB will be any less satisfactory than it has been with the IBRD.

MONEY MARKET OPERATIONS

As noted before, the callable capital of the Bank represents an effective guarantee of the member governments for its obligations and thus permits it to raise funds in the private capital markets. The Bank has in fact successfully used this authority by raising funds totaling approximately $100 million in two separate bond issues.

A first placement of bonds was arranged in April 1962 in Italy, for the equivalent of $24.2 million in Italian lire, at 5 percent and for a 20-year term. In December 1962, the Bank successfully floated in the United States a public issue consisting of $75 million of 20-year 4¼ percent bonds.

The ability of the Bank to raise additional funds in the private capital markets will soon be exhausted and further issues will be dependent upon these additional subscriptions to the callable capital. The Bank is currently negotiating in various European countries to effect additional bond issues in order to enable it to continue its lending operations from its ordinary capital resources, and at appropriate times it also contemplates issues in the U.S. market.

EXHAUSTION OF ORDINARY CAPITAL

The need for augmenting the ordinary capital resources stems fundamentally from the tasks being assigned to the Bank within the context of the program of inter-American economic cooperation and Latin America's requirements for external resources to accomplish the goals of the Alliance for Progress.

The specific amounts involved are derived by projecting a modest dollar lending rate of $150 million per year from the Bank's ordinary capital. On this basis, it is estimated that existing lendable dollar resources will have been exhausted before the end of this calendar year.

The proposed additional subscription by the United States should provide the Bank with sufficient borrowing capacity to enable it to

cover additional loan commitments at the projected rates through 1966.

SCOPE OF BANK ACTIVITIES

The Inter-American Development Bank has a remarkable record of accomplishment during the short 3½-year span since it opened its doors for loan operations. As of the end of December 1963, it had approved from its own resources 119 loans for an aggregate value of $507.5 million and 73 loans from the social progress trust fund for $368 million.

In excess of $875 million has thus been made available to meet the pressing economic and social needs of Latin America—for housing and schools, for water supply and sanitation facilities, and for the variety of agricultural, industrial, and public works facilities essential to proper development and growth.

It must be emphasized that every dollar loaned by the Bank has been matched, on the average, by at least an additional dollar from local sources to finance the cost of these projects.

Of the loans made from its own capital resources, 82 loans for $385.8 million were financed out of the Bank's ordinary capital resources, drawing upon the paid-in capital subscriptions and the proceeds of the two bond issues last year.

The equivalent of approximately $57.4 million of these ordinary capital loans was provided in the Latin American currencies available to the IDB. Thirty-seven loans for $121.7 million, including $17.5 million in Latin American currencies, were made from the Fund for Special Operations, which will be virtually exhausted by the time the recent increase in the Fund becomes available.

TERMS FOR BANK LOANS

A brief mention might be made here of the terms on which the IDB extends its credits.

(1) Loans from the Bank's ordinary capital resources are made at an interest rate of 5¾ percent. This includes a commission of 1 percent which goes into a special reserve against the Bank's liabilities on borrowings. Amortization periods are tailored to fit the projects but have averaged 10 to 12 years.

(2) Loans from the Fund for Special Operations generally carry an interest rate of 4 percent and are repayable in the currency of the borrower over periods averaging about 20 years.

(3) Loans from the social progress trust fund are made at a rate of interest of 1¼ percent or 2¾ percent, depending on the nature of the project. In addition, these loans carry an annual service charge of three-quarters of 1 percent payable in dollars. The trust fund loans are repayable in local currency over a period of 20 to 30 years.

DEVELOPMENT EFFORTS IN LATIN AMERICA

Together with the assistance the IDB has provided to Latin America through the provision of this loan capital, it has also given help in the building of developmental institutions. It has been instrumental in the creation or improvement of many such institutions—among them development banks, housing institutes, savings and loan associations, and agrarian credit organizations.

The IDB has also helped significantly in promoting the acceptance of the administrative and social reforms vital to the success of the Alliance for Progress, such as the reorganization of antiquated fiscal, agrarian, and administrative systems.

EFFORTS TO STIMULATE INTEREST OF EUROPEAN INVESTORS

As of special interest at this time, I should note the increasing efforts being made by the Bank to mobilize resources and obtain supplementary credits from European countries for development projects which it is helping to finance.

I have already noted that the Bank placed its first bond issue in Europe. It has been very active in bringing Latin America's needs to the attention of the European countries and stiumlating their interest in specific project opportunities as well as in bond issues.

We are hopeful that the increasing interest in Latin America on the part of European governments and investors will help broaden their participation in international development assistance on suitable terms.

We have in the IDB an admirable multilateral instrument which can assist—and is exerting itself to assit—in bringing about expanded European participation in the Alliance for Progress.

SUMMARY OF REQUEST

In summary, the $205.88 million appropriation presently requested by the administration is needed to permit the United States to fulfill an international commitment., United States to fulflll an international commitment, authorized by the Congress, to increase the U.S. subscription to the callable capital of the Bank.

No expenditure is contemplated under this increase, but the move will facilitate the Bank's issuance of its securities in financial markets in the United States and abroad.

I believe that the Bank as a multilateral institution representative of all the American Republics (except Cuba) has justified in its 3 years of banking operations the belief and confidence of its 20 founding governments that it would make a substantial and significant contribution to accelerating economic development in Latin America.

The additional subscription by the United States to the callable capital will permit the Bank to continue its effective operations and contribute to the realization of the goals for the Alliance for Progress.

Thank you, Mr. Chairman.

IDB OPERATIONS CONTRASTED WITH IDA

Mr. PASSMAN. Thank you very much, Mr. Killefer. You have an entirely different type of operation so far as funding of capital structure than the International Development Association.

Mr. KILLEFER. Yes, sir.

Mr. PASSMAN. There we make a contribution and the contribution is spent in the form of grant aid. which is called a loan. On the other hand, you are operating as a banking institution. You sell your bonds to countries or individuals in countries, and pay a dividend on those bonds.

And this is capital stock that we provide as a form of insurance toward the purchase of the bonds.

Mr. KILLEFER. This is what we would call a hard banking operation, Mr. Chairman.

Mr. PASSMAN. Our contribution is not made as money to be distributed but it is rather intact——

Mr. KILLEFER. It is a contingent liability.

Mr. PASSMAN. It is a contingent liability—whereas in the IDA, if you are familiar with the IDA's operation, that money is actually disbursed, and they either cease operation or you come in for more money.

BANK APPROPRIATIONS TO DATE

How much money has the Congress appropriated to date for the Bank?

Mr. KILLEFER. That is contained on the third page of the justification, Mr. Chairman. And to recap it, the total appropriation authorized by the two acts, one in 1959 and one in 1964, is as follows:

Paid in shares of capital stock——

Mr. PASSMAN. Please put that information in the record. The total is $911,780,000; is that correct?

Mr. KILLEFER. Yes, sir. Those are total appropriations authorized. Now, the total amounts appropriated are $280 million by the Supplemental Appropriations Act of 1960; $110 million by the Foreign Assistance Appropriations Act of 1962; $60 million by the Foreign Aid Appropriations Act of 1963, and finally, $50 million in January of this year.

Mr. PASSMAN. The $200 million that you are asking for this year would be in addition to the previous $500 million; is that correct?

Mr. KILLEFER. I am sorry.

Mr. PASSMAN. The $200 million you are asking for this year would be in addition to the $500 million?

Mr. KILLEFER. That is correct.

APPROPRIATIONS TO THE SOCIAL PROGRESS TRUST FUND

Mr. PASSMAN. How much money has the Congress appropriated for the Social Progress Trust Fund?

Mr. KILLEFER. In 1961, the amount was $394 million, which was the portion that the Bank had to administer, but actually the Fund itself was $500 million. The part given to the Bank under the Trust Fund was $394 million.

Mr. PASSMAN. And the other went to the Organization of American States as kind of a technical aid program?

Mr. RHODES. And Chile.

Mr. KILLEFER. And the Chilean earthquake reconstruction.

Mr. PASSMAN. Did Chile ever draw down that loan?

Mr. RHODES. Yes.

Mr. KILLEFER. I think it has all been disbursed.

Then there was a second part of the Social Progress Trust Fund which you recommended this year, Mr. Chairman, $131 million.

NORMAL BANK-LENDING FUNCTIONS CONTRASTED WITH TRUST FUND OPERATIONS

Mr. PASSMAN. We thought that $394 million would get it, but we found out differently last year. Is there any significant difference in the normal lending functions of the Bank and the functions of the Trust Fund?

Mr. KILLEFER. Yes, sir, because in the nature of the projects, the Bank's own resources go to finance economic development projects while the Social Progress Trust Fund is limited under the Trust Agreement to only the four social fields of advanced education, housing, land improvement, water and sewage.

Mr. PASSMAN. Would yours cover the four plus other things?

Mr. KILLEFER. No; this money will be added to the Bank's own resources and cannot be used for these social purposes.

Mr. PASSMAN. It cannot be used for such purposes?

Mr. KILLEFER. No, sir. These are all economic project development loans.

MEMBER COUNTRY CONTRIBUTIONS TO RESPECTIVE BANK FUNDS

Mr. PASSMAN. Could you supply for the record a statement showing the contribution to date of each of the member countries to the various funds of the Bank?

Mr. KILLEFER. Yes, I will do that.

(Information supplied follows:)

Subscriptions to authorized capital stock, ordinary capital resources, Inter-American Development Bank (fully paid as of Dec. 31, 1963)

[In thousand dollar equivalent]

Country	Paid-in capital [1]	Callable capital	Total subscription
Argentina	51,570	51,570	103,140
Bolivia	4,140	4,140	8,280
Brazil	51,570	51,570	103,140
Chile	14,160	14,160	28,320
Colombia	14,150	14,150	28,300
Costa Rica	2,070	2,070	4,140
Dominican Republic	2,760	2,760	5,520
Ecuador	2,760	2,760	5,520
El Salvador	2,070	2,070	4,140
Guatemala	2,760	2,760	5,520
Haiti	2,070	2,070	4,140
Honduras	2,070	2,070	4,140
Mexico	33,150	33,150	66,300
Nicaragua	2,070	2,070	4,140
Panama	2,070	2,070	4,140
Paraguay	2,070	2,070	4,140
Peru	6,910	6,910	13,820
United States	150,000	200,000	350,000
Uruguay	5,530	5,530	11,060
Venezuela	27,630	27,630	55,260

[1] Payable ½ in gold or dollars, and ½ in local currency.

Contributions to the Fund for Special Operations, Inter-American Development Bank
(fully paid as of Dec. 31, 1963)

Country:	*Quota* [1] *(in thousand dollar equivalents)*
Argentina	10, 314
Bolivia	828
Brazil	10, 314
Chile	2, 832
Colombia	2, 830
Costa Rica	414
Dominican Republic	552
Ecuador	552
El Salvador	414
Guatemala	552
Haiti	414
Honduras	414
Mexico	6, 630
Nicaragua	414
Panama	414
Paraguay	414
Peru	1, 382
United States of America	100, 000
Uruguay	1, 106
Venezuela	5, 526

[1] Payable ½ in gold or dollars, and ½ in local currency.

Mr. PASSMAN. Are there any members delinquent on their subscriptions, as of this time?

Mr. KILLEFER. No; none. All the subscriptions were paid in full and on time.

DATA ON APPROVED LOANS

Mr. PASSMAN. Would you provide for the record a list of the commitments of the various funds of the Bank showing the countries, the type of projects, amount of the commitment, and terms of repayment?

Mr. KILLEFER. Yes, sir.

(The information follows:)

EXHIBIT

ORDINARY CAPITAL, INTER-

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
ARGENTINA				
Banco de la Provincia de Entre Ríos, Banco Provincial de Santa Fé, Banco de la Provincia de Córdoba, mixed entity.	13	Development of agricultural, industrial, and mining projects of an estimated cost of $30,000,000.	July 13, 1961 (Aug. 18, 1961)	Pesos [3] U.S. dollars (local costs, $3,870,000). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
Agua y Energía Eléctrica, Empresa del Estado de Argentina (Republic of Argentina), public entity.	16	Technical assistance report on Chocón-Cerros Colorados project of an estimated cost of $637,000.	Aug. 3, 1961 (Aug. 28, 1961)	Pesos [3] U.S. dollars Total, expressed in U.S. dollars.
Tool Research Argentina Sociedad Anónima Industrial y Comercial (Banco Provincial de Santa Fé), private entity.	28	Expand production on gears and axles of an estimated cost of $2,206,000.	Oct. 5, 1961 (Dec. 13, 1961)	U.S. dollars Less taken by participants. Net total, expressed in U.S. dollars.
Vialsa, S. A., private entity.	36	Financing of machinery and equipment to manufacture prefabricated housing of an estimated cost of $4,550,000.	Dec. 14, 1961 (Dec. 15, 1961)	U.S. dollars (local costs $100,000).
Socieded Anóimo "La Merced" (Garovaglio y Zorraquin, S.A.) (private entity).	38	To assist in the financing of irrigation canal and development of farm property of an estimated cost of $1,600,000.	Dec. 21, 1961 (Mar. 5, 1962)	Pesos U.S. dollars (local costs, $160,000). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
Agua y Energía Eléctrica, Empresa del Estado de Argentina (Republic of Argentina) (public entity).	39	To assist in the financing of an electrical expansion program of an estimated cost of $40,000,000.	Dec. 21, 1961 (Mar. 22, 1962)	Pesos U.S. dollars (local costs, $2,800,000). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
Corporación Entrerriana de Citrus Sociedad Anónima de Economía Mixta Industrial, Comercial y Financiera (Provincia de Entre Ríos) (mixed entity).	45	To assist in the financing of a citrus fruit processing plant of an estimated cost of $3,413,000.	Feb. 21, 1962 (Apr. 6, 1962)	Pesos [3] U.S. dollars Total, expressed in U.S. dollars.
Armetal, Industria Argentina de Metales, S.A. (Banco Industrial de la República Argentina) (private entity).	46	Purchase of equipment and machinery for automotive industry of an estimated cost of $5,681,000.	Mar. 8, 1962 (May 31, 1962)	Pesos [3] Italian lire U.S. dollars (local costs $144,000). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
COMINCO, Sociedad Anónima, Comercial, Industrial, Inmobiliaria y Financiera (Banco Industrial de la República Argentina) (private entity).	61	Financing the pruchase of equipment and installation of a plant for the production of pressed chipboard of an estimated cost of $1,217,000.	Feb. 21, 1963 (Aug. 13, 1963)	Pesos [3] U.S. dollars (local costs, $58,000). Total, expressed in U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

2–A

AMERICAN DEVELOPMENT BANK

loans, Dec. 31, 1963

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$1,000,000	$956,313	$43,687	----------	$43,687	$6,627	5.75	16 semiannual beginning Jan. 1, 1966.
14,000,000	8,446,230	5,553,770	----------	5,553,770	248,208		
15,000,000	9,402,543	5,597,457	----------	5,597,457	254,835		
100,000	----------	100,000	----------	100,000	7,168		
14,900,000	9,402,543	5,497,457	----------	5,497,457	247,667		
252,000	----------	252,000	$36,000	216,000	14,841	5.75	7 semiannual beginning Aug. 28, 1963. $7,000 of loan balance canceled.
378,000	----------	378,000	54,000	324,000	31,148		
630,000	----------	630,000	90,000	540,000	45,989		
252,000	----------	252,000	----------	252,000	24,178	5.75	20 semiannual beginning June 1, 1964. $448,000 of loan balance canceled.
70,000	----------	70,000	----------	70,000	6,068		
182,000	----------	182,000	----------	182,000	18,110		
2,200,000	1,106,138	1,093,862	----------	1,093,862	75,052	5.75	20 semiannual beginning June 15, 1964.
13,280,000	6,058,500	7,221,500	----------	7,221,500	529,075	5.75	18 semiannual beginning Sept. 6, 1965.
470,000	69,385	400,615	----------	400,615	25,276		
573,670	115,110	458,560	----------	458,560	29,157		
52,222	----------	52,222	----------	52,222	3,590		
521,448	115,110	406,338	----------	406,338	25,567		
232,400,000	22,241,837	210,158,163	----------	210,158,163	5,104,970	5.75	24 semiannual beginning Apr. 1, 1966.
8,000,000	7,736,414	263,586	----------	263,586	80,226		
9,671,595	7,904,277	1,767,318	----------	1,767,318	115,396		
150,000	50,000	100,000	----------	100,000	1,442		
9,521,595	7,854,277	1,667,318	----------	1,667,318	113,954		
337,000	189,612	147,388	----------	147,388	5,368	5.75	24 semiannual beginning Oct. 15, 1964.
1,300,000	----------	1,300,000	----------	1,300,000	63,758		
1,637,000	189,612	1,447,388	----------	1,447,388	69,126		
170,000	----------	170,000	----------	170,000	2,944	[4] 5.75	12 semiannual beginning Nov. 15, 1964.
465,000,000	363,697,267	101,302,733	----------	101,302,733	9,234,379		
1,080,000	240,044	839,956	----------	839,956	49,036		
2,000,000	826,652	1,173,348	----------	1,173,348	66,874		
500,000	----------	500,000	----------	500,000	29,410		
1,500,000	826,652	673,348	----------	673,348	37,464		
29,000	----------	29,000	----------	29,000	----------	5.75	11 semiannual beginning Feb. 12, 1965.
203,000	1,294	201,706	----------	201,706	----------		
232,000	1,294	230,706	----------	230,706	----------		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
ARGENTINA—continued				
Banco de la Nación Argentina (public entity).	66	To assist in the financing of a program for mechanization of agriculture of an estimated cost of $83,333,000.	Apr. 16, 1963 (June 27, 1963)	Pesos [3] Italian lire U.S. dollars (local costs, $12,500,000). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
Compañía Sud Americana de Cemento Portlant Juan Minetti e Hijos Ltda., S.A. (Banco Industrial de la República Argentina) (private entity).	67	To finance the acquisition of equipment for a cement plant of an estimated cost of $11,000,000.	Apr. 16, 1963	U.S. dollars
CARBOCLOR, Industrias Químicas, SAIC (Banco Industrial de la República Argentina) (private entity).	69	Finance a petrochemical products factory of an estimated cost of $4,868,000.	June 20, 1963 (July 12, 1963)	do
Wilson y Compañía, S.A.I.C. (Banco Industrial de la República Argentina) (private entity).	80	Financing the modernization and expansion of a Buenos Aires packinghouse of an estimated cost of $4,903,000.	Dec. 17, 1963 (Dec. 18, 1963)	Pesos [3] U.S. dollars Total, expressed in U.S. dollars. Total loans to Argentina expressed in U.S. dollars. Less taken by participants. Net total of loans to Argentina expressed in U.S. dollars.
BRAZIL				
Lutcher S.A. Celulose e Papel (private entity).	2	Construction of cellulose pulp mill and related facilities of an estimated cost of $13,000,000.	Mar. 31, 1961 (June 14, 1961)	Cruzeiros [3] U.S. dollars (local costs, $2,000,000). Total, expressed in U.S. dollars.
Sifco do Brasil, S.A. (private entity).	11	Purchase of machinery to expand production of forgings for automotive industry of an estimated cost of $1,480,000.	June 28, 1961 (Nov. 21, 1961)	Cruzeiros [3] U.S. dollars (local costs, $175,190). Total, expressed in U.S. dollars. Less taken by participants. Net total, expressed in U.S. dollars.
Industria Brasileira de Equipamentos S.A. (a Brazilian Commercial Bank) (private entity).	29	Financing of machinery for the production of bits and joints of an estimated cost of $1,230,000.	Oct. 19, 1961 (Jan. 24, 1962)	Cruzeiros [3] U.S. dollars (local costs, $88,000). Total, expressed in U.S. dollars.
Papel e Celulose Catarinense Ltda. (Klabin Irmãos & Cia.) (private entity).	34	Construction of a kraft pulp and paper mill of an estimated cost of $21,600,000.	Dec. 14, 1961 (Jan. 22, 1962)	U.S. dollars
Centrais Elétricas de Minas Gerais, S.A. (Banco Minero da Producão) (public entity).	35	To finance the expansion of electrical transmission and distribution facilities of an estimated cost of $35,000,000.	Dec. 14, 1961 (June 5, 1962)	Cruzeiros [3] U.S. dollars (local costs, $1,500,000). Total, expressed in U.S. dollars.
Fundicão Tupy S.A. (private entity).	44	To expand production of iron castings of an estimated cost of $1,630,100.	Feb. 15, 1962 (May 16, 1962)	U.S. dollars

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$7,500,000	$6,500,000	$1,000,000	----------	$1,000,000	----------	[4] 5.75	23 semiannual beginning July 3, 1967.
3,100,000,000	2,480,000,000	620,000,000	----------	620,000	----------		
12,500,000	12,000,000	500,000	----------	500,000	----------		
25,000,000	22,500,000	2,500,000	----------	2,500,000	----------		
321,736	----------	321,736	----------	321,736	----------		
24,678,264	22,500,000	2,178,264	----------	2,178,264	----------		
[5] 7,000,000	7,000,000	----------	----------	----------	----------	5.75	13 semiannual beginning 30 months after date of contract.
[5] 2,500,000	2,500,000	----------	----------	----------	----------	5.75	13 semiannual beginning Jan. 12, 1967.
189,000	189,000	----------	----------	----------	----------	5.75	15 semiannual beginning Dec. 15, 1966.
1,328,000	1,328,000	----------	----------	----------	----------		
[5] 1,517,000	1,517,000	----------	----------	----------	----------		
68,213,265	53,062,626	15,150,639	90,000	15,060,639	$680,609		
1,193,958	50,000	1,143,958	----------	1,143,958	47,676		
67,019,307	53,012,626	14,006,681	90,000	13,916,681	632,933		
2,200,000	----------	2,200,000	----------	2,200,000	107,267	5.75	16 semiannual beginning Dec. 15, 1963.
2,500,000	----------	2,500,000	----------	2,500,000	226,503		
4,700,000	----------	4,700,000	----------	4,700,000	333,770		
180,000	----------	180,000	25,704	154,296	5,667	5.75	14 semiannual beginning Apr. 1, 1963.
570,000	----------	570,000	81,396	488,604	49,869		
750,000	----------	750,000	107,100	642,900	55,536		
122,094	----------	122,094	81,396	40,698	11,591		
627,906	----------	627,906	25,704	602,202	43,945		
87,000	87,000	----------	----------	----------	853	5.75	16 semiannual beginning July 15, 1964.
528,000	312,042	215,958	----------	215,958	5,175		
615,000	399,042	215,958	----------	215,958	6,028		
5,000,000	3,054,160	1,945,840	----------	1,945,840	133,055	5.75	9 semiannual beginning Jan. 15, 1965.
1,500,000	106,149	1,393,851	----------	1,393,851	22,102	5.75	20 semiannual beginning Dec. 5, 1966.
3,500,000	2,118,128	1,381,872	----------	1,381,872	76,164		
5,000,000	2,224,277	2,775,723	----------	2,775,723	98,266		
560,000	----------	560,000	----------	560,000	44,726	5.75	12 semiannual beginning Nov. 15, 1964.

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
BRAZIL—continued				
Companhia Agrícola, Imobiliária e Colonizadora (Banco do Estado do São Paulo) (public entity).	48	Program of agricultural mechanization in the State of São Paulo of an estimated cost of $10,647,000.	June 28, 1962 (Dec. 6, 1962)	Italian lire U.S. dollars Total, expressed in U.S. dollars.
Companhia Pernambucana de Borracha Sintética (Banco Nacional do Desenvolvimento Economico) (public entity).	49	Synthetic rubber plant of an estimated cost of $33,134,000.	July 5, 1962 (Nov. 9, 1962)	U.S. dollars
Companhia Hidro Elétrica do Sao Francisco (United States of Brazil) (public entity).	52	Financing expansion of electrical generation and transmission facilities of an estimated cost of $42,089,000.	Aug. 9, 1962 (Dec. 12, 1962)	Italian lire U.S. dollars (local costs, $1,500,000). Total, expressed in U.S. dollars.
Centrais Elétricas de Urubupungá S.A. (CELUSA) (United States of Brazil) (public entity).	76	Financing hydroelectrical facilities on the Paraná River of an estimated cost of $200,390,000.	Nov. 14, 1963 (Nov. 20, 1963)	U.S. dollars (local costs, $5,180,000).
Companhia de Eletricidade do Estado da Bahía (COELBA) (Estado da Bahía) (public entity).	84	Financing the expansion of electrical energy capacities of an estimated cost of $7,097,000.	Dec. 31, 1963	Cruzeiros [3] U.S. dollars (local costs, $740,000). Total, expressed in U.S. dollars. Total loans to Brazil expressed in U.S. dollars. Less taken by participants Net total of loans to Brazil expressed in U.S. dollars.
CHILE				
Corporación de Fomento de la Producción de Chile (public entity).	4	Development of industrial, mining and fishery projects of an estimated cost of $76,000,000.	Apr. 9, 1961 (Aug. 19, 1961)	Escudos [3] U.S. dollars (local costs, $1,500,000). Total, expressed in U.S. dollars. Less taken by participants Net total, expressed in U.S. dollars.
Government of the Republic of Chile (public entity).	31	Expansion of potable water supply systems of an estimated cost of $1,805,880.	Nov. 22, 1961 (May 16, 1962)	U.S. dollars
Corporación de Fomento de la Producciónde Chile, public entity.	33	To assist in the financing of a fishing enterprise of an estimated cost of $9,500,000.	Dec. 7, 1961 (Mar. 29, 1962)	U.S. dollars Less taken by participants. Net total, expressed in U.S. dollars.
Republic of Chile, public entity.	43	To construct and expand irrigation canal of an estimared cost of $11,714,000.	Feb. 8, 1962 (May 16, 1962)	Escudos U.S. dollars (local costs, $600,000). Total, expressed in U.S. dollars.
Compañía Manufacturera de Papeles y Cartones, S.A., private entity.	56	To assist in the financing the expansion of a pulp-producing plant of an estimated cost of $32,004,000.	Nov. 8, 1962 (Nov. 23, 1962)	Escudos [3] Italian lire U.S. dollars (local costs, $1,600,000). Total, expressed in U.S. dollars. Less taken by participants Net total, expressed U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$620,000,000	$140,600,899	$479,399,101	----------	$479,399,101	$3,108,493	[4] 5.75	12 semiannual beginning June 6, 1965.
3,500,000	9,474	3,490,526	----------	3,490,526	8,774		
4,500,000	236,250	4,263,750	----------	4,263,750	13,788		
3,615,000	1,358,984	2,256,016	----------	2,256,016	100,615	5.75	14 semiannual beginning May 15, 1966.
1,860,000,000	1,860,000,000	----------	----------	----------	9,172,603	[4] 5.75	28 semiannual beginning July 10, 1966.
12,000,000	11,431,060	568,940	----------	568,940	29,537		
15,000,000	14,431,060	568,940	----------	568,940	44,332		
[3] 13,250,000	13,250,000	----------	----------	----------	----------	5.75	32 semiannual beginning May 20, 1968.
640,000	640,000	----------	----------	----------	----------	5.75	28 semiannual beginning 42 months after date of contract.
2,560,000	2,560,000	----------	----------	----------	----------		
[3] 3,200,000	3,200,000	----------	----------	----------	----------		
56,190,000	38,153,773	18,036,227	$107,100	17,929,127	830,116		
122,094	----------	122,094	81,396	40,698	11,591		
56,067,906	38,153,773	17,914,133	25,704	17,888,429	818,525		
1,500,000	----------	1,500,000	56,537	1,443,463	92,803	5.75	20 semiannual beginning Dec. 15, 1963.
4,500,000	1,460,130	3,039,870	169,611	2,870,259	186,150		
6,000,000	1,460,130	4,539,870	226,148	4,313,722	278,953		
344,611	----------	344,611	169,611	175,000	37,787		
5,655,389	1,460,130	4,195,259	56,537	4,138,722	241,166		
1,050,000	950,000	100,000	----------	100,000	15,218	5.75	32 semiannual beginning Nov. 16, 1966.
5,000,000	2,606,199	2,393,801	----------	2,393,801	62,950	5.75	18 semiannual beginning July 15, 1965.
250,000	25,000	225,000	----------	225,000	10,986		
4,750,000	2,581,199	2,168,801	----------	2,168,801	51,964		
1,350,000	1,082,509	267,491	----------	267,491	19,889	5.75	32 semiannual beginning Nov. 16, 1966.
1,575,000	1,311,960	263,040	----------	263,040	22,827		
2,318,555	1,853,215	465,340	----------	465,340	35,662		
1,600,000	1,600,000	----------	----------	----------	21,090	[4] 5.75	25 semiannual beginning Nov. 23, 1965.
4,960,000,000	3,047,400,000	1,912,600,000	----------	1,912,600,000	58,293,809		
6,400,000	6,150,000	250,000	----------	250,000	40,962		
16,000,000	12,665,161	3,334,839	----------	3,334,839	143,976		
450,000	150,000	300,000	----------	300,000	7,093		
15,550,000	12,515,161	3,034,839	----------	3,034,839	136,883		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
CHILE—continued				
Maderas Aglomeradas Pinihue, S.A. (Corporación de Fomento de la Producción de Chile), private entity.	60	To assist in financing the cost of the installation of a plant for the production of chipboard of an estimated cost of $3,067,000.	Feb. 7, 1963 (Feb. 8, 1963)	Italian lire U.S. dollars (local costs, $335,000). Total, expressed in U.S. dollars.
Empresa de Agua Potable (Republic of Chile), public entity.	63	To assist in financing the improvement of the water supply system of Santiago of an estimated cost of $10,695,000.	Apr. 4, 1963 (May 24, 1963)	Escudos [3] U.S. dollars (local costs, $1,625,000). Total, expressed in U.S. dollars.
Empresa Nacional del Petróleo (ENAP) (Corporación de Fomento de la Producción de Chile), public entity.	74	To assist in financing the construction of an oil refinery of an estimated cost of $34,000,000.	Oct. 24, 1963 (Nov. 5, 1963)	U.S. dollars (local costs, $700,000). Swiss francs Belgian francs Total, expressed in U.S. dollars Less taken by participants Net total, expressed in U.S. dollars. Total loans to Chile expressed in U.S. dollars. Less taken by participants Net total of loans to Chile expressed in U.S. dollars.
COLOMBIA				
Corporación Financiera Colombiana de Desarrollo Industrial, private entity.	5	Development of small and medium size industries of an estimated cost of $1,050,974.	Apr. 9, 1961 (Sept. 8, 1961)	Pesos U.S. dollars Total, expressed in U.S. dollars. Less taken by participants Net total, expressed in U.S. dollars.
Empresas Públicas de Medellín (Republic of Colombia), public entity.	6	Improvement and expansion of water supply of an estimated cost of $10,500,000.	Apr. 9, 1961 (June 3, 1961)	Pesos U.S. dollars Total, expressed in U.S. dollars. Less taken by participants Net total, expressed in U.S. dollars.
Empresas Públicas Municipales de Cartagena (Republic of Colombia), public entity.	9	Improvement and expansion of water and sewerage system of an estimated cost of $10,800,000.	June 15, 1961 (Oct. 17, 1961)	Pesos [4] U.S. dollars Total, expressed in U.S. dollars. Less taken by participants Net total, expressed in U.S. dollars.
Government of Colombia, public entity.	23	Technical assistance to establish specific projects of an estimated cost of $500,000.	Sept. 6, 1961 (Oct. 14, 1961)	Pesos [3] U.S. dollars Total expressed in U.S. dollars.
Celulosa y Papel de Colombia, S.A., (Instituto de Fomento Industrial), private entity.	41	Purchase of machinery and equipment for a woodpulp plant of an estimated cost of $3,403,000.	Jan. 18, 1962 (Mar. 2, 1962)	U.S. dollars Less taken by participants Net total expressed in U.S. dollars.
Instituto Nacional de Fomento, Municipal (Republic of Colombia), public entity.	50	Expansion of potable water and sewerage system of an estimated cost of $9,088,000.	July 12, 1962 (Aug. 21, 1962)	U.S.dollars

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$207,700,000	$207,700,000				776,741	[4] 5.75	18 semiannual beginning Aug. 8, 1965.
900,000	900,000				1,683		
1,235,000	1,235,000				2,936		
1,500,000	1,500,000				2,897	5.75	32 semiannual beginning Nov. 24, 1967.
3,625,000	3,625,000				7,002		
[5] 5,125,000	5,125,000				9,899		
10,718,240	10,718,240					5.75	20 semiannual beginning May 5, 1966.
1,000,000	1,000,000						
2,500,000	2,500,000						
[5] 11,000,000	11,000,000						
1,131,760	1,131,760						
9,868,240	9,868,240						
47,728,555	36,894,705	$10,833,850	$226,148	10,607,702	$549,594		
2,176,371	1,306,760	869,611	169,611	700,000	55,866		
45,552,184	35,587,945	9,964,239	56,537	9,907,702	493,728		
4,000,000		4,000,000		4,000,000	331,472	5.75	16 semiannual beginning Mar. 15, 1964; $296,347 of loan balance canceled.
203,653		203,653		203,653	16,595		
658,682		658,682		658,682	51,450		
61,500		61,500		61,500	5,268		
597,182		597,182		597,182	46,182		
19,950,000	10,188,695	9,761,305		9,761,305	789,188	5.75	32 semiannual beginning Dec. 1, 1965.
3,300,000	1,833,611	1,466,389		1,466,389	108,659		
5,361,935	2,854,523	2,507,412		2,507,412	188,194		
103,125		103,125		103,125	8,595		
5,258,810	2,854,523	2,404,287		2,404,287	179,599		
3,800,000	2,879,336	920,664		920,664	61,976	5.75	32 semiannual beginning Apr. 17, 1966.
2,200,000	723,560	1,476,440		1,476,440	83,359		
6,000,000	3,602,896	2,397,104		2,397,104	145,335		
137,500		137,500		137,500	10,299		
5,862,500	3,602,896	2,259,604		2,259,604	135,036		
200,000	172,695	27,305		27,305	3,841	5.75	6 semiannual beginning Apr. 1, 1964.
300,000	300,000				3,862		
500,000	472,695	27,305		27,305	7,703		
1,400,000	794,958	605,042		605,042	23,205	5.75	14 semiannual beginning Sept. 2, 1965.
100,000		100,000		100,000	5,687		
1,300,000	794,958	505,042		505,042	17,518		
4,000,000	3,600,000	400,000		400,000	30,458	5.75	32 semiannual beginning Feb. 21, 1967

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
COLOMBIA—continued				
Republic of Colombia, public entity.	64	Financing of a soda-producing plant of an estimated cost of $25,413,000.	Apr. 9, 1963 (Sept. 18, 1963)	Italian lire U.S. dollars Total expressed in U.S. dollars.
Banco de la República, public entity.	72	Financing of industrial and agricultural enterprises of a total cost of $49,100,000.	Oct. 10, 1963 (Oct. 30, 1963)	U.S. dollars
Empresa "Puertos de Colombia" (Republic of Colombia) public entity.	77	Rehabilitation and improvement of the port of Buenaventura of a total cost of $19,665,000.	Dec. 5, 1963 (Dec. 10, 1963)	U.S. dollars (local costs $4,100,000). Less taken by participants. Net total expressed in U.S. dollars. Total loans to Colombia expressed in U.S. dollars. Less taken by participants. Net total of loans to Colombia expressed in U.S. dollars.
COSTA RICA				
Banco Nacional de Costa Rica, public entity.	32	Development of livestock raising industry of an estimated cost of $5,000,000.	Nov. 30, 1961 (Jan. 15, 1962)	Colones U.S. dollars (local costs $500,000). Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Industria Nacional de Cemento, S.A., private entity.	40	Purchase of machinery and equipment for a cement plant of an estimated cost of $4,950,000.	Jan. 11, 1962 (Mar. 2, 1962)	U.S. dollars
Banco de Costa Rica, public entity.	53	Financing a program of industrial development of an estimated cost of $5,000,000.	Aug. 9, 1962 (Nov. 15, 1962)	Colones U.S. dollars (local costs $500,000). Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Instituto Costarricense de Electricidad (Republic of Costa Rica), public entity.	54	Financing of an electrical power expansion program of an estimated cost of $3,903,000.	Aug. 9, 1962 (Sept. 14, 1962)	U.S. dollars Less taken by participants. Net total expressed in U.S. dollars. Total loans to Costa Rica expressed in U.S. dollars. Less taken by participants. Net total of loans to Costa Rica expressed in U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$3,534,000,000	$3,534,000,000					[4] 5.75	24 semiannual beginning Mar. 18, 1967.
6,300,000	6,300,000						
12,000,000	12,000,000						
[5] 3,000,000	3,000,000					5.75	20 semiannual beginning Apr. 30, 1966.
[5] 10,000,000	10,000,000					5.75	23 semiannual beginning Dec. 10, 1967.
825,000	825,000						
9,175,000	9,175,000						
42,920,617	36,325,072	$6,595,545		$6,595,545	$446,345		
1,227,125	825,000	402,125		402,125	29,849		
41,693,492	35,500,072	6,193,420		6,193,420	416,496		
3,311,500	2,961,500	350,000		350,000	54,421	5.75	20 semiannual beginning July 15, 1964.
2,500,000	2,110,386	389,614		389,614	40,262		
3,000,000	2,557,516	442,484		442,484	48,472		
150,000		150,000		150,000	11,200		
2,850,000	2,557,516	292,484		292,484	37,272		
2,800,000	987,509	1,812,491		1,812,491	71,335	5.75	20 semiannual beginning Sept. 2, 1964.
2,660,000	2,505,233	154,767		154,767	6,231	5.75	19 semiannual beginning Nov. 15, 1965.
2,600,000	2,320,792	279,208		279,208	6,090		
3,001,631	2,699,044	302,587		302,587	7,028		
200,000	100,000	100,000		100,000	1,124		
2,801,631	2,599,044	202,587		202,587	5,904		
2,700,000	2,321,728	378,272		378,272	17,987	5.75	32 semiannual beginning Sept. 30, 1966.
253,125		253,125		253,125	1,462		
2,446,875	2,321,728	125,147		125,147	16,525		
11,501,631	8,565,797	2,935,834		2,935,834	144,822		
603,125	100,000	503,125		503,125	13,786		
10,898,506	8,465,797	2,432,709		2,432,709	131,036		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
DOMINICAN REPUBLIC				
Banco Agrícola (Dominican Republic), public entity.	71	Program of livestock and agricultural development of an estimated cost of $11,000,000.	Aug. 15, 1963 (Aug. 29, 1963)	Pesos [3] U.S. dollars Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars. Total loans to the Dominican Republic expressed in U.S. dollars. Less taken by participants. Net total of loans to the Dominican Republic expressed in U.S. dollars.
ECUADOR				
Comisión Nacional de Valores (Republic of Ecuador), public entity.	17	Development of wool production of an estimated cost of $5,000,000.	Aug. 10, 1961 (Oct. 3, 1961)	Sucres [3] U.S. dollars Total loans to Ecuador expressed in U.S. dollars.
EL SALVADOR				
Pan Lido, S.A., private entity.	12	Purchase of machinery to expand production of bread, cookies, and crackers of an estimated cost of $265,000.	June 29, 1961 (July 12, 1961)	U.S. dollars
Banco Central de Reserva (Republic of El Salvador) public entity.	20	Development of industry and agriculture of an estimated cost of $4,160,000.	Aug. 10, 1961 (Oct. 25, 1961)	Colones U.S. dollars Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Banco Central de Reserva (Republic of El Salvador) public entity.	22	Improvement and expansion of municipal water supply system of an estimated cost of $2,100,000.	Aug. 10 1961 (Nov. 17, 1961)	U.S. dollars Total loans to El Salvador expressed in U.S. dollars. Less taken by participants. Net total of loans to El Salvador expressed in U.S. dollars.
GUATEMALA				
Industria y Comercio textiles Rex, S.A., private entity.	10	Machinery for textile mill of an estimated cost of $215,000.	June 22, 1961 (Aug. 10, 1961)	U.S. dollars
Banco de Guatemala public entity.	18	Financing of projects in industrial, agricultural, and livestock fields of an estimated cost of $8,300,000.	Aug. 10, 1961 (Sept. 6, 1961)	Quetzales [3] U.S. dollars (local costs $50,000). Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Hidroeléctricas del Atlántico, S.A., private entity.	26	Improvement and expansion of water supply system of Puerto Barrios of an estimated cost of $265,000.	Sept. 28, 1961 (Feb. 27, 1962)	U.S. dollars

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$1,100,000	$1,100,000					5.75	18 semiannual beginning Mar. 1, 1967.
4,900,000	4,300,000	$600,000		$600,000			
6,000,000	5,400,000	600,000		600,000			
200,000		200,000		200,000			
5,800,000	5,400,000	400,000		400,000			
6,000,000	5,400,000	600,000		600,000			
200,000		200,000		200,000			
5,800,000	5,400,000	400,000		400,000			
717,000	624,200	92,800	3,200	89,600	$9,155	5.75	20 semiannual beginning June 15, 1963.
1,626,000	1,007,864	618,136	6,400	611,736	29,420		
2,343,000	1,632,064	710,936	9,600	701,336	38,575		
199,375		199,375	40,000	159,375	14,080	5.75	10 semiannual beginning Jan. 15; 1963 $625 of loan balance canceled.
2,000,000	1,636,040	363,960		363,960	6,773	5.75	20 semiannual beginning Apr. 25, 1965.
1,700,000	1,289,494	410,506		410,506	14,349		
2,500,000	1,943,910	556,090		556,090	17,058		
63,000		63,000		63,000	3,523		
2,437,000	1,943,910	493,090		493,090	13,535		
1,260,000	227,636	1,032,364		1,032,364	30,485	5.75	32 semiannual beginning May 17, 1966.
3,959,375	2,171,546	1,787,829	40,000	1,747,829	61,623		
63,000		63,000		63,000	3,523		
3,896,375	2,171,546	1,724,829	40,000	1,684,829	58,100		
125,000		125,000	25,000	100,000	11,898	5.75	10 semiannual beginning Feb. 10, 1963.
1,350,000	1,188,621	161,379		161,379	5,402	5.75	10 annual beginning Sept. 6, 1964.
3,650,000	2,184,008	1,465,992		1,465,992	47,988		
5,000,000	3,372,629	1,627,371		1,627,371	53,390		
580,000	100,000	480,000		480,000	25,485		
4,420,000	3,272,629	1,147,371		1,147,371	27,905		
175,000	29,206	145,794		145,794	4,519	5.75	10 semiannual beginning Aug. 27, 14.

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
GUATEMALA—continued				
Instituto Nacional de Electrificación (INDE) (Republic of Guatemala), public entity.	81	Construction of a hydroelectric plant in the Department of Santa Rosa of an estimated cost of $5,125,000.	Dec. 19, 1963	U.S. dollars Less taken by participants Net total expressed in U.S. dollars. Total loans to Guatemala expressed in U.S. dollars. Less taken by participants Net total of loans to Guatemala expressed in U.S. dollars.
HONDURAS				
Molinos de Honduras (Jacobo D. Kattan Industrial, S.A.) private entity.	8	Purchase and installation of corn-flour mill of an estimated cost of $522,000.	June 15, 1961 (July 27, 1961)	U.S. dollars
Químicas Dinant de Centroamérica, S.A. de C.V., private entity.	14	Machinery and equipment for chemical plant of an estimated cost of $735,000.	July 27, 1961 (Aug. 8, 1961)	U.S. dollars Less taken by participants Net total expressed in U.S. dollars. Total loans to Honduras expressed in U.S. dollars. Less taken by participants Net total of loans to Honduras expressed in U.S. dollars.
MEXICO				
Nacional Financiera, S.A., public entity.	19	Expansion of small and medium industries of an estimated cost of $3,000,000.	Aug 10, 1961 (Oct. 19, 1961)	Pesos [3] U.S. dollars Total expressed in U.S. dollars. Less taken by participants Net total expressed in U.S. dollars.
Nacional Financiera, S.A. (Government of Mexico), public entity.	24	4 irrigation projects of an estimated cost of $46,600,000.	Sept. 7, 1961 (Nov. 14, 1961)	Pesos U.S. dollars (local costs $2,430,000). Total expressed in U.S. dollars. Less taken by participants Net total expressed in U.S. dollars.
Nacional Financiera, S.A. (Government of Mexico), public entity.	42	3 irrigation projects of an estimated cost of $11,800,000.	Jan. 25, 1962 (April 16, 1962)	Pesos U.S. dollars (local costs $500,000). Total expressed in U.S. dollars. Less taken by participants Net total expressed U.S. dollars.
Nacional Financiera, S.A. (Government of Mexico), public entity.	58	To assist in the financing of an irrigation project in the Temascalcingo Valley of an estimated cost of $3,000,000.	Nov. 27, 1962 (June 6, 1963)	Pesos U.S. dollars Total expressed in U.S. dollars.
Química del Rey, S.A. (Metalúrgica Mexicana Peñoles, S.A.), private entity.	59	To finance the purchase of equipment for a sodium sulfate plant of an estimated cost of $2,750,000.	Jan. 17, 1963 (Apr. 17, 1963)	Pesos U.S. dollars Total expressed in U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
[3] $3,150,000	$3,150,000					5.75	35 semiannual beginning 36 months after date of contract.
270,000	270,000						
2,880,000	2,880,000						
8,450,000	6,551,835	$1,898,165	$25,000	$1,873,165	$69,807		
850,000	370,000	480,000		480,000	25,485		
7,600,000	6,181,835	1,418,165	25,000	1,393,165	44,322		
150,000	49,526	100,474		100,474	9,782	5.75	10 semiannual beginning July 15, 1964.
360,000		360,000		360,000	13,271	5.75	12 semiannual beginning Feb. 10, 1964.
60,000		60,000		60,000	2,506		
300,000		300,000		300,000	10,765		
510,000	49,526	460,474		460,474	23,053		
60,000		60,000		60,000	2,506		
450,000	49,526	400,474		400,474	20,547		
1,000,000		1,000,000		1,000,000	67,522	5.75	12 semiannual beginning Apr. 20, 1966.
2,000,000		2,000,000		2,000,000	122,898		
3,000,000		3,000,000		3,000,000	190,420		
130,000		130,000		130,000	9,510		
2,870,000		2,870,000		2,870,000	180,910		
52,750,000	13,042,724	39,707,276		39,707,276	1,550,649	5.75	34 semiannual beginning May 14, 1965.
8,780,000	2,309,364	6,470,636		6,470,636	255,508		
13,000,000	3,352,782	9,647,218		9,647,218	379,560		
774,000	70,000	704,000		704,000	60,423		
12,226,000	3,282,782	8,943,218		8,943,218	319,137		
34,300,000	20,414,071	13,885,929		13,885,929	474,342	5.75	34 semiannual beginning Oct. 16, 1965.
3,000,000	1,048,407	1,951,593		1,951,593	40,058		
5,744,000	2,681,532	3,062,468		3,062,468	78,006		
176,470	176,470				1,659		
5,567,530	2,505,062	3,062,468		3,062,468	76,347		
6,000,000	6,000,000				11,465	5.75	36 semiannual beginning Dec. 6, 1965.
720,000	720,000				1,375		
1,200,000	1,200,000				2,293		
4,125,000	1,073,975	3,051,025		3,051,025	11,033	5.75	16 semiannual beginning Oct. 17, 1964.
170,000	89.	169,108		169,108	1,328		
500,000	86,810	413,190		413,190	2,210		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
MEXICO—continued				
Negromex, S.A., private entity.	62	To finance a carbon black producing factory of an estimated cost of $3,200,000.	Feb. 28, 1963 (June 21, 1963)	Pesos U.S. dollars Total expressed in U.S. dollars.
Naciolal Financiera, S.A. (Government of Mexico), public entity.	70	Financing the colonization and improved land use of the El Limon zone of Tabasco of an estimated cost of $52,170,493.	June 20, 1963 (Sept. 19, 1963)	Pesos [3] U.S. dollars Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Nacional Financiera, S.A. (Government of Mexico) public entity.	73	Relending to finance acquisition of fixed assets of an estimated cost of $15,000,000.	Oct. 24, 1963 (Oct. 31, 1963)	U.S. dollars
Industria del Hierro, S.A. de C.V. (Sociedad Mexicana de Crédito Industrial, S.A.) private entity.	82	Installation of heavy machinery production facilities of an estimated cost of $19,200,000.	Dec. 19, 1963	Pesos [3] U.S. dollars (local costs $1,300,000). Total expressed in U.S. dollars.
Nacional Financiera, S.A. (Government of Mexico) public entity.	85	Financing the utilization of the Humaya River, including a hydroelectric plant of an estimated cost of $112,000,000.	Dec. 31, 1963	U.S. dollars Less taken by participants. Net total expressed in U.S. dollars. Total loans to Mexico expressed in U.S. dollars. Less taken by participants. Net total of loans to Mexico expressed in U.S. dollars.
NICARAGUA				
Instituto de Fomento Nacional de Nicaragua (Republic of Nicaragua) public entity.	3	Industrial development of as estimated cost of $4,000,000.	Mar. 31, 1961 (July 11, 1961)	U.S. dollars Less taken by participants. Net total expressed in U.S. dollars. Total loans to Nicaragua expressed in U.S. dollars. Less taken by participants Net total of loans to Nicaragua expressed in U.S. dollars.
PARAGUAY				
Compañía Algodonera Paraguaya, S.A., (Consorcio Coplata, S.A. de Panama), private entity.	25	Equipment for processing cotton, tobacco, and industrial oils of an estimated cost of $1,291,300.	Sept. 28, 1961 (Oct. 31, 1961)	Guaranies [3] U.S. dollars Total expressed in U.S. dollars.
Manufactura de Pilar, S.A. (Banco Nacional de Fomento), private entity.	65	Expansion of textile and oil prducing capacities of an estimated cost of $4,184,000.	Apr. 11, 1963 (June 6, 1963)	U.S. dollars Less taken by participants. Net total expressed in U.S. dollars. Total loans to Paraguay expressed in U.S. dollars. Less taken by participants. Net total of loans to Paraguay expressed in U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$4,850,296		$4,850,296		$4,850,296	$91,690	5.75	10 semiannual beginning Dec. 21, 1964; $180,557 of loan balance canceled.
131,980		131,980		131,980	2,494		
520,003		520,003		520,003	9,830		
5,250,000	$5,250,000					5.75	34 semiannual beginning Mar. 19, 1967.
20,250,000	20,250,000						
[3] 25,500,000	25,500,000						
1,630,000	1,630,000						
23,870,000	23,870,000						
5,000,000	4,000,000	1,000,000		1,000,000		5.75	14 semiannual beginning Apr. 30, 1967.
1,700,000	1,700,000					5.75	17 semiannual beginning 24 months after date of contract.
1,300,000	1,300,000						
[3] 3,000,000	3,000,000						
[3] 20,000,000	20,000,000					5.75	35 semiannual beginning 36 months after date of contract.
1,510,000	1,510,000						
18,490,000	18,490,000						
77,464,003	59,821,124	17,642,879		17,642,879	662,319		
4,220,470	3,386,470	834,000		834,000	71,592		
73,243,533	56,434,654	16,808,879		16,808,879	590,727		
2,000,000	1,106,210	893,790	$100,000	793,790	59,783	5.75	20 semiannual beginning July 15, 1963.
261,000		261,000	100,000	161,000	22,039		
1,739,000	1,106,210	632,790		632,790	37,744		
2,000,000	1,106,210	893,790	100,000	793,790	59,783		
261,000		261,000	100,000	161,000	22,039		
1,739,000	1,106,210	632,790		632,790	37,744		
220,000	61,900	158,100		158,100	16,319	5.75	20 semiannual beginning May 1, 1964.
330,000	113,405	216,595		216,595	15,799		
550,000	175,305	374,695		374,695	32,118		
2,200,000	1,687,851	512,149		512,149	7,417	5.75	17 semiannual beginning June 6, 1965.
154,411		154,411		154,411	254		
2,045,589	1,687,851	357,738		357,738	7,163		
2,750,000	1,863,156	886,844		886,844	39,535		
154,411		154,411		154,411	254		
2,595,589	1,863,156	732,433		732,433	39,281		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
PERU				
Corporación de Saneamiento de Arequipa, Perú (Republic of Peru) public entity.	1	Improvement and expansion of potable water and sewerage system of an estimated cost of $6,400,000.	Feb. 3, 1961 (June 2, 1961)	Soles. U.S. dollars. Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Compañía Peruana de Cemento Portland, S.A. (Banco Popular del Perú), private entity.	27	Financing the centralization of cement production installations of an estimated cost of $2,350,000.	Oct. 5, 1961 (Dec. 15, 1961)	Soles. U.S. dollars. Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Banco Industrial del Perú (Republic of Peru) mixed entity.	55	To finance specific industrial projects of an estimated cost of $11,000,000.	Oct. 18, 1962 (Nov. 23, 1962)	U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
"PERUINVEST" Peruano-Suiza de Fomento e Inversiones, Sociedad Anónima private entity.	75	Financing credits for industrial and agricultural projects of an estimated cost of $3,000,000.	Nov. 5, 1963 (Nov. 8, 1963)	U.S. dollars.
Banco Industrial del Perú (Republic of Peru), public entity.	78	To finance specific private industrial projects of an an estimated cost of $16,000,000.	Dec. 12, 1963 (Dec. 13, 1963)	U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Compañía Irrigadora Pativilca, S.A. (Republic of Peru), private entity.	79	To finance contruction of an irrigation system in the area of Purmacana of an estimated cost of $3,486,852.	Dec. 12, 1963 (Dec. 16, 1963)	Soles [3] U.S. dollars (local costs $430,000). Total expressed in U.S. dollars. Total loans to Peru expressed in U.S. dollars. Less taken by participants. Net total of loans to Peru expressed in U.S. dollars.
URUGUAY				
Government of the Republic of Uruguay, public entity.	15	Expansion of water supply system of Montevideo of an estimated cost of $14,500,000.	Aug. 3, 1961 (Oct. 19, 1961)	Pesos [3] U.S. dollars (local costs $1,497,000). Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Administración Nacional de Combustibles, Alcohol y Portland, public entity.	47	To assist in financing projects related to petroleum refining and a cement factory of an estimated cost of $8,550,000.	June 14, 1962 (Aug. 23, 1962)	U.S. dollars (local costs $380,000). Less taken by participants. Net total expressed in U.S. dollars.
Government of the Republic of Uruguay, public entity.	57	To finance improvement of a national highway of an estimated cost of $7,001,000.	Nov. 15, 1962 (Mar. 5, 1963)	U.S. dollars.

See footnotes at end of table, pp. 126 and 127.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$66,000,000	$45,035,883	$20,964,117	----------	$20,964,117	$1,618,858	5.75	20 semiannual beginning Dec. 1, 1965.
1,450,000	1,298,460	151,540	----------	151,540	26,370		
3,910,899	2,977,651	933,248	----------	933,248	86,735		
145,000	----------	145,000	----------	145,000	2,358		
3,765,899	2,977,651	788,248	----------	788,248	84,377		
6,750,000	376,310	6,373,690	----------	6,373,690	430,910		
1,250,000	----------	1,250,000	----------	1,250,000	118,901		
1,501,719	14,031	1,487,688	----------	1,487,688	134,967		
238,125	----------	238,125	----------	238,125	22,782		
1,263,594	14,031	1,249,563	----------	1,249,563	112,185		
2,500,000	939,767	1,560,233	----------	1,560,233	36,668	5.75	20 semiannual beginning May 15, 1965.
375,000	----------	375,000	----------	375,000	14,173		
2,125,000	939,767	1,185,233	----------	1,185,233	22,495		
[3] 750,000	750,000	----------	----------	----------	----------	5.75	15 semiannual beginning Nov. 8, 1966.
[3] 5,000,000	5,000,000	----------	----------	----------	----------	5.75	20 semiannual beginning June 13, 1966.
250,000	250,000	----------	----------	----------	----------		
4,750,000	4,750,000	----------	----------	----------	----------		
335,000	335,000	----------	----------	----------	----------	5.75	19 semiannual beginning Dec. 16, 1966.
1,075,000	1,075,000	----------	----------	----------	----------		
[3] 1,410,000	1,410,000	----------	----------	----------	----------		
15,072,618	11,091,449	3,981,169	----------	3,981,169	258,370		
1,008,125	250,000	758,125	----------	758,125	39,313		
14,064,493	10,841,449	3,223,044	----------	3,223,044	219,057		
2,750,000	2,689,394	60,606	----------	60,606	36,193	5.75	33 semiannual beginning Oct. 10, 1965.
2,993,000	999,031	1,993,969	----------	1,993,969	72,365		
5,743,000	3,688,425	2,054,575	----------	2,054,575	108,558		
55,581	----------	55,581	----------	55,581	3,785		
5,687,419	3,688,425	1,998,994	----------	1,998,994	104,773		
4,600,000	2,713,725	1,886,275	----------	1,886,275	42,810	5.75	20 semiannual beginning Feb. 23, 1965.
593,000	10,000	583,000	----------	583,000	17,864		
4,007,000	2,703,725	1,303,275	----------	1,303,275	24,946		
4,100,000	4,078,475	21,525	----------	21,525	----------	5.75	25 semiannual beginning Mar. 1, 1966.

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
URUGUAY—continued				
Banco de la República Oriental del Uruguay (Republic of Uruguay) (Public entity).	83	Financing agricultural and industrial development by extending credits of an estimated cost of $12,200,000.	Dec. 19, 1963	U.S. dollars (local costs $1,500,000). Total loans to Uruguay expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
VENEZUELA				
Corporación Venezolana de Fomento (Public entity).	7	Development of industrial projects of an estimated cost of $29,500,000.	May 18, 1961 (Aug. 11, 1961)	Bolívares. U.S. dollars. Total expressed in U.S. dollars. Less taken by participants Net total expressed in U.S. dollars.
Instituto Nacional de Obras Sanitarias (Republic of Venezuela), Public entity.	51	Improvement of water supply system in city of Maracaibo of an estimated cost of $20,598,000.	Aug. 2, 1962 (Aug. 25, 1962)	U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars.
Banco Agrícola y Pecuario (Republic of Venezuela, public entity.	68	Financing a program of livestock development of an estimated cost of $35, 583,000.	Apr. 16, 1963 Apr. 18, 1963	Bolívares [2]. U.S. dollars. Total expressed in U.S. dollars. Less taken by participants. Net total expressed in U.S. dollars. Total loans to Venezuela expressed in U.S. dollars Less taken by participants. Net total expressed in U.S. dollars. Net total active loans expressed in U.S. dollars Add total taken by participants. Total. Add loan cancellations. Total approved loans.

[1] Including the special commission of 1 percent required by art. III, sec. 12, of the agreement. In addition to the interest rate shown, all loans are subject to a commitment fee of 0.75 percent on all or a portion of the undisbursed balance of the loan.

[2] Interest and amortizations shall be payable in the currencies loaned.

[3] Expressed in U.S. dollar equivalent.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
[3] 5,000,000	$5,000,000	----------	----------	----------	----------	5.75	18 semiannual beginning 42 months after date of contract.
19,443,000	15,480,625	$3,962,375	----------	$3,962,375	$151,368		
648,581	10,000	638,581	----------	638,581	21,649		
18,794,419	15,470,625	3,323,794	----------	3,323,794	129,719		
10,000,000	4,906,317	5,093,683	----------	5,093,683	221,834	5.75	20 semiannual beginning Feb. 15, 1964.
7,000,000	4,602,519	2,397,481	----------	2,397,481	150,869		
9,208,023	5,686,788	3,521,235	----------	3,521,235	199,613		
762,500	----------	762,500	----------	762,500	63,949		
8,445,523	5,686,788	2,758,735	----------	2,758,735	135,664		
6,000,000	4,903,733	1,096,267	----------	1,096,267	34,089	5.75	30 semiannual beginning Feb. 24, 1966.
402,500	----------	402,500	----------	402,500	2,286		
5,597,500	4,903,733	693,767	----------	693,767	31,803		
470,000	470,000	----------	----------	----------	898	5.75	15 semiannual beginning Apr. 18, 1966.
5,530,000	5,530,000	----------	----------	----------	10,567		
[4] 6,000,000	6,000,000	----------	----------	----------	11,465		
1,130,000	1,130,000	----------	----------	----------	2,159		
4,870,000	4,870,000	----------	----------	----------	9,306		
21,208,023	16,590,521	4,617,502	----------	4,617,502	245,167		
2,295,000	1,130,000	1,165,000	----------	1,165,000	68,394		
18,913,023	15,460,521	3,452,502	----------	3,452,502	176,773		
370,670,827	287,331,799	83,339,028	$246,841	83,092,187	3,847,563		
15,083,260	7,428,230	7,655,030	351,007	7,304,023	413,523		
385,754,087	294,760,029	90,994,058	597,848	90,396,210	4,261,086		
4,457,529	----------	----------	----------	----------	7,951		
390,211,616	----------	----------	----------	----------	4,269,037		

[1] In addition to the interest rate shown and the standard commitment fee of 0.75 percent, loans payable in Italian lire are subject to a service commission of 1 percent and an extra commitment fee of 0.75 percent.

[2] Not eligible for disbursement.

[3] Of the undisbursed balance of loans held by the Bank, the Bank has entered into irrevocable commitments to disburse $10,114,571.

EXHIBIT

FUND FOR SPECIAL OPERATIONS,

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
ARGENTINA				
Republic of Argentina, public entity.	17	Technical assistance for planning development projects in Argentina of an estimated cost of $3,733,000.	Feb. 28, 1962 (June 29, 1962)	Pesos U.S. dollars Total expressed in U.S. dollars. Less taken by participant. Net total expressed in U.S. dollars.
Province of Río Negro, public entity.	24	To finance colonization, agricultural and industrial development of an estimated cost of $9,608,222.	July 31, 1962 (May 10, 1963)	Pesos [1] U.S. dollars (local costs $483,000). Total expressed in U.S. dollars. Total of loans to Argentina expressed in U.S. dollars. Less taken by participant. Net total of loans to Argentina expressed in U.S. dollars.
BOLIVIA				
Corporación Boliviana de Fomento (Banco Central de Bolivia), public entity.	1	To finance specific projects for economic development of an estimated cost of $10,000,000.	Feb. 24, 1961 (May 11, 1961)	U.S. dollars (local costs $3,000,000).
Corporación Minera de Bolivia (Banco Central de Bolivia), public entity.	9	To finance machinery, equipment and services for rehabilitation of mines of an estimated cost of $16,700,000.	July 14, 1961 (Aug. 31, 1961)	U.S. dollars (local costs, $1,500,000).
Corporación Boliviana de Fomento (Banco Central de Bolivia), public entity.	29	To finance a program of agricultural credit relating to the settlement of 8,000 farm families of an estimated cost of $6,128,572.	Dec. 28, 1962 (Jan. 24, 1963)	U.S. dollars (local costs, $2,210,000).
Corporación Minera de Bolivia (Banco Central de Bolivia), public entity.	30	To finance machinery, equipment and services for 2d phase of rehabilitation of mines of an estimated cost of $20,250,000.	Feb. 14, 1963 (Mar 15, 1963)	Pesos [1] U.S. dollars (local costs, $400,000). Total expressed in U.S. dollars.
Republic of Bolivia, pubtity.	35	To finance agricultural credits in connection with the rural development project of an estimated cost of $1,567,231.	Oct. 31, 1963	U.S. dollars (local costs, $825,000). Total of loans to Bolivia expressed in U.S. dollars
BRAZIL				
Banco do Nordeste do Brasil (public entity).	3	Economic development program for northeastern Brazil of an estimated cost of $20,000,000.	Apr. 9, 1961 (Aug. 3, 1961)	U.S. dollars (local costs $3,333,333).
Fundação Comissão de Planejamento Econômico da Bahia (public entity).	16	Technical assistance for planning industrial social and infrastructure projects of an estimated cost of $810,000.	Feb. 21, 1962 (Aug. 9, 1962)	Cruzeiros [1]

See footnotes at end of table, p. 136.

2–B

INTER-AMERICAN DEVELOPMENT BANK

loans, Dec. 31, 1963

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate	Repayment terms, principal installments
		Disbursed	Repaid	Outstanding			
$25,000,000	$19,519,083	$5,480,917	----------	$5,480,917	$33,636	4.00	7 semiannual beginning Jan. 15, 1965 (interest and principal payable in currencies loaned).
500,000	232,260	267,740	----------	267,740	884		
686,859	379,574	307,285	----------	307,285	1,129		
67,740	----------	67,740	----------	67,740	----------		
619,119	379,574	239,545	----------	239,545	1,129		
2,845,000	2,845,000	----------	----------	----------	----------	4.00	30 semiannual beginning Nov. 30, 1968 (interest and principal payable in currencies loaned).
2,683,000	2,683,000	----------	----------	----------	----------		
[2] 5,528,000	5,528,000	----------	----------	----------	----------		
6,214,859	5,907,574	307,285	----------	307,285	1,129		
67,740	----------	67,740	----------	67,740	----------		
6,147,119	5,907,574	239,545	----------	239,545	1,129		
10,000,000	4,605,067	5,394,933	----------	5,394,933	271,317	4.50	20 semiannual beginning Nov. 11, 1964 (1st 16 interest and 1st 10 principal payments in pesos, the balance in dollars).
4,500,000	----------	4,500,000	----------	4,500,000	221,096	4.00	14 semiannual beginning Mar. 1, 1965 (interest and principal payable in dollars).
2,600,000	2,600,000	----------	----------	----------	----------	4.00	25 semiannual beginning Jan. 15, 1966 (interest and principal payable in pesos).
400,000	396,880	3,120	----------	3,120	3,120	4.00	15 semiannual beginning Apr. 1, 1966 (interest and principal payable in pesos except that payments relating to ½ of dollar portion of loan are payable in dollars).
4,460,000	1,743,424	2,716,576	----------	2,716,576	3,120		
4,860,000	2,140,304	2,719,696	----------	2,719,696	6,240		
[2] 1,100,000	1,100,000	----------	----------	----------	----------	4.00	25 semiannual beginning 36 months after date of contract (interest payable in dollars and principal payable in pesos or dollars, at borrower's option).
23,060,000	10,445,371	12,614,629	----------	12,614,629	498,653		
10,000,000	8,220,000	1,780,000	----------	1,780,000	46,816	4.50	24 semiannual beginning Dec. 15, 1965 (interest and principal payable in dollars).
265,000	178,000	87,000	----------	87,000	921	4.00	13 semiannual beginning Aug. 9, 1964 (interest and principal payable in cruzeiros).

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
BRAZIL—continued				
Banco do Estado da Guanabara, S.A. (State of Guanabara) (public entity).	18	Improvement and expansion of the water supply system of the State of Guanabara of an estimated cost of $25,653,200.	Mar. 13, 1962 (May 5, 1962)	Cruzeiros [1] U.S. dollars (local costs $5,900,000). Total expressed in U.S. dollars.
Departamento Municipal de Agua e Esgotos (DMAE) (Banco do Estado do Rio Grande do Sul) (public entity).	36	Improvement of the water supply and sewerage system of the city of Porto Alegre of an estimated cost of $6,973,500.	Dec. 19, 1963	Cruzeiros [1] U.S. dollars (local currency $1,350,000). Total expressed in U.S. dollars. Total of loans to Brazil expressed in U.S. dollars.
CHILE				
Corporación de Fomento de la produción de Chile (public entity).	14	Farm settlement of an estimated cost of $13,860,058.	Dec. 21, 1961 (5/2/62)	Escudos U.S. dollars (local costs $4,029,000). Total expressed in U.S. dollars.
Corporación de Fomento de la Producción de Chile and Corporación de la Reforma Agraria (CORA) (public entity).	15	Technical assistance in connection with rural credit, farm colonizationof an estimated cost of $265,000.	Dec. 21, 1961 (5/2/62)	U.S. dollars (local costs $75,000).
Corporación de Fomento de la Producción de Chile (public entity).	25	Aerial photogrametric survey of agricultural lands of central Chile of an estimated cost of $5,380,000.	Oct. 18, 1962 (12/20/62)	U.S. dollars Less taken by participant. Net total expressed in U.S. dollars. Total of loans to Chile expressed in U.S. dollars. Less taken by participant. Net total of loans to Chile expressed in U.S. dollars.
COLUMBIA				
Corporación Autónoma Regional de los Valles del Magdalena y del Sinú (Republic of Colombia) public entity.	21	Technical assistance in connection with the regional development of the Sinu River watershed of an estimated cost of $1,586,325.	May 11, 1962 (July 17, 1962)	Pesos U.S. dollars (local costs $42,000) Total expressed in U.S. dollars.
Instituto Nacional de Fomento Municipal (Republic of Colombia) public entity.	23	Expansion of potable water and sewerage system of an estimated cost of $5,680,000.	July 12, 1962 (Aug. 21, 1962)	Pesos [1] U.S. dollars (local costs $1,100,000). Total expressed in U.S. dollars. Less taken by participant. Net total expressed in U.S. dollars Total of loans to Colombia expressed in U.S. dollars Less taken by participant. Net total of loans to Colombia expressed in U.S. dollars.
COSTA RICA				
Banco Nacional de Costa Rica, public entity.	31	Establishment of cooperatives encouraging agricultural, fishing and industrial development of of an estimated cost of $2,000,000.	Apr. 4, 1963	U.S. dollars (local costs $250,000) (total of loans to Costa Rica.

See footnotes at end of table, p. 136.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate	Repayment terms, principal instalments
		Disbursed	Repaid	Outstanding			
$2,500,000	$2,500,000					4.00	50 semiannual beginning Nov. 5, 1967 (1st 20 interest and 1st 10 principal payments in cruzeiros; balance in currencies loaned.
9,000,000	7,921,923	$1,078,077		$1,078,077	$19,769		
11,500,000	10,421,923	1,078,077		1,078,077	19,769		
1,500,000	1,500,000					4.00	42 semiannual beginning 54 months after date of contract (interest and principal payable in currencies loaned).
1,650,000	1,650,000						
[2] 3,150,000	3,150,000						
24,915,000	21,969,923	2,945,077		2,945,077	67,506		
1,470,000	1,270,000	200,000		200,000	8,175	4.00	27 annual beginning May 2, 1966 (interest and principal payable in escudos or in currencies loaned at election of borrower).
5,657,000	5,032,000	625,000		625,000	25,616		
6,482,658	5,667,000	815,658		815,658	30,506		
265,000	226,500	38,500		38,500		4.00	7 annual beginning May 2, 1965 (interest and principal payable in escudos).
2,100,000		2,100,000		2,100,000	9,801	4.00	19 semiannual beginning Jan. 15, 1966 (interest and principal payable in currencies loaned).
663,158		663,158		663,158			
1,436,842		1,436,842		1,436,842	9,801		
8,847,658	5,893,500	2,954,158		2,954,158	40,307		
663,158		663,158		663,158			
8,184,500	5,893,500	2,291,000		2,291,000	40,307		
3,300,000	2,199,233	1,100,767		1,100,767	11,140	4.00	12 semiannual beginning Jan. 17, 1966 (interest and principal payable in currencies loaned).
380,000	344,661	35,339		35,339			
708,091	565,025	143,066		143,066	1,016		
1,000,000	900,000	100,000		100,000	1,537	4.00	52 semiannual beginning Feb. 21, 1967 (interest and principal payable in currencies loaned).
1,500,000	1,350,000	150,000		150,000	2,347		
2,500,000	2,250,000	250,000		250,000	3,884		
115,384		115,384		115,384			
2,384,616	2,250,000	134,616		134,616	3,884		
3,208,091	2,815,025	393,066		393,066	4,900		
115,384		115,384		115,384			
3,092,707	2,815,025	277,682		277,682	4,900		
[1] 1,000,000	1,000,000					4.00	37 semiannual beginning 36 months after date of contract (principal repayable in colones; interest payable in dollars).

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
ECUADOR				
Comisión Nacional de Valores (Republic of Ecuador), public entity.	8	Development of African oil palm cultivation of an estimated cost of $4,944,000.	July 13, 1961 (Oct. 31, 1961)	Sucres [1] U.S. dollars (local costs $2,002,000). Total expressed in U.S. dollars.
Banco Nacional de Fomento, public entity.	22	Technical assistance for reorganization of the borrower of an estimated cost of $187,000.	July 5, 1962 (Sept. 20, 1962)	U.S. dollars
Sistema de Crédito de Fomento (Republic of Ecuador), public entity.	26	To assist in financing a program of credit for agricultural and industrial development of an estimated cost of $12,000,000.	Oct. 25, 1962 (Nov. 7, 1962)	U.S. dollars (local costs $1,850,000). Total of loans to Ecuador expressed in U.S. dollars.
EL SALVADOR				
Banco Central de Reserva (Republic of El Salvador), public entity.	11	Development of rural electrification project for municipalities of an estimated cost of $225,000.	Aug. 10, 1961 (Nov. 17, 1961)	Colones U.S. dollars Total of loans to El Salvador expressed in U.S. dollars.
GUATEMALA				
Instituto Nacional de Electrificación (INDE) (Republic of Guatemala), public entity.	37	Studies relating to the construction of a hydroelectric plant of an estimated cost of $500,000.	Dec. 31, 1963	U.S. dollars (total of loans to Guatemala).
HAITI				
Banque Nationale de la Republique d'Haiti (Republic of Haiti), public entity.	4	To finance specific projects for economic development of an estimated cost of $5,000,000.	Apr. 9, 1961 (Aug 17, 1961)	U.S. dollars (local costs $875,000) (total of loans to Haiti).
HONDURAS				
Government of Honduras, public entity.	5	Highway construction of an estimated cost of $13,250,000.	May 11, 1961 (Aug. 11, 1961)	U.S. dollars (local costs, $750,000).
Do	12	Technical assistance for highway and air transport surveys of an estimated cost of $1,660,000.	Nov. 9, 1961 (Mar. 30, 1962)	U.S. dollars Less taken by participant. Net total expressed in U.S. dollars.
Banco Nacional de Fomento (Banco Central de Honduras), public entity.	20	To assist in financing an agricultural development program of an estimated cost of $11,635,000.	Apr. 12, 1962 (June 8, 1962)	U.S. dollars (local costs, $1,980,000). Less taken by participant. Net total expressed in U.S. dollars. Total of loans to Honduras expressed in U.S. dollars. Less taken by participant. Net total of loans to Honduras expressed in U.S. dollars.

See footnotes at end of table, p. 136.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate	Repayment terms, principal instalments
		Disbursed	Repaid	Outstanding			
$276,000	$147,538	$128,462	----------	$128,462	$6,196	5.00	24 semiannual beginning June 15, 1964 (interest during the period of disbursement payable in sucres and thereafter principal and interest in the currencies loaned).
2,089,000	2,001,697	87,303	----------	87,303	1,450		
2,365,000	2,149,235	215,765	----------	215,765	7,646		
97,000	13,528	83,472	----------	83,472	802	4.00	2 annual beginning Sept. 20, 1964 (interest and principal payable in dollars.
6,000,000	5,400,000	600,000	----------	600,000	9,533	4.00	20 semiannual beginning May 7, 1966 (interest and principal payable in currencies loaned).
8,462,000	7,562,763	899,237	----------	899,237	17,981		
147,317	----------	147,317	----------	147,317	5,777	4.00	34 semiannual beginning May 17, 1970. 2,683 colones and $41,198 of loan balance canceled (interest and principal payble in currencies loaned).
123,802	----------	123,802	----------	123,802	6,161		
182,728	----------	182,728	----------	182,728	8,472		
[2]300,000	300,000	----------	----------	----------	----------	4.00	10 semiannual beginning 30 months after date of contract (interest and principal payable in dollars)
3,500,000	3,078,420	421,580	----------	421,580	8,214	4.00	24 semiannual beginning Feb. 17, 1965 (interest and principal payable in gourdes).
2,250,000	1,380,576	869,424	----------	869,424	16,026	4.00	32 semiannual beginning Jan. 1, 1966 (interest payable in dollars, principal payable in lempiras).
960,000	609,189	350,811	----------	350,811	2,321	4.00	10 semiannual beginning Sept. 30, 1964 (interest and principal payable in dollars.)
198,776	----------	198,776	----------	198,776	----------		
761,224	609,189	152,035	----------	152,035	2,321		
6,000,000	4,427,836	1,572,164	----------	1,572,164	39,462	4.00	24 semiannual installments beginning Dec. 8, 1966 (interest and principal payable in dollars).
600,000	----------	600,000	----------	600,000	3,107		
5,400,000	4,427,836	972,164	----------	972,164	36,355		
9,210,000	6,417,601	2,792,399	----------	2,792,399	57,807		
798,776	----------	798,776	----------	798,776	3,107		
8,411,224	6,417,601	1,993,623	----------	1,993,623	54,702		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
MEXICO				
Nacional Financiera, S.A. (Government of Mexico), public entity.	32	Preinvestment studies for the advancement of agricultural development and agricultural processing industries in the Lerma-Chapala-Santiago Basin of an estimated cost of $5,000,000.	Apr. 4, 1963 (Sept. 19, 1963)	Pesos [1] U.S. dollars (local costs $100,000). Total of loans to Mexico expressed U.S. dollars.
PANAMA				
Instituto de Fomento Económico (Republic of Panama), public entity.	13	To assist in financing an agricultural development plan of an estimated cost of $11,112,000.	Dec. 7, 1961 (Jan. 10, 1962)	Balboas U.S. dollars (local costs, $1,410,000). Total, expressed in U.S. dollars.
Republic of Panama, public entity.	38	Studies relating to the choice of a highway route between Penonomé and Colon of an estimated cost of $400,000.	Dec. 31, 1963	U.S. dollars Total loans to Panama expressed in U.S. dollars.
PARAGUAY				
Banco Nacional de Fomento del Paraguay (Republic of Paraguay), public entity.	2	Development of industrial, agricultural, and livestock projects of an estimated cost of $5,500,000.	Mar. 24, 1961 (July 28, 1961)	U.S. dollars (local costs, 750,000).
Government of Paraguay, public entity.	6	Equipment for expansion of colonization project of an estimated cost of $1,050,000.	May 26, 1961 (July 28, 1961)	U.S. dollars (local costs, $50,000).
Do	19	Technical assistance in connection with a colonization program of the Alto Paraná region of an estimated cost of $879,000.	Apr. 5, 1962 (Dec. 3, 1962)	U.S. dollars (local costs, $150,000).
Administración Nacional de Electricidad (ANDE) (Banco Central del Paraguay), public entity.	28	Technical assistance for planning the construction of a hydroelectric plant of an estimated cost of $400,000.	Dec. 6, 1962 (Dec. 7, 1962)	U.S. dollars
Administración Nacional de Electricidad (ANDE) (Republic of Paraguay), public entity.	34	Construction of hydroelectric plant and installation of a transmission line to the City of Asuncion of an estimated cost of $30,200,000.	Apr. 18, 1963	U.S. dollars (local costs, $4,500,000). Total of loans to Paraguay expressed in U.S. dollars.
URUGUAY				
Establecimientos Frigoríficos del Cerro, S.A., private entity.	10	Improvement in meat-processing plant of an estimated cost of $640,000.	Aug. 3, 1961 (Nov. 30, 1961)	Pesos [1] U.S. dollars Total of loans to Uruguay expressed in U.S. dollars.

See footnotes at end of table, p. 136.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate	Repayment terms, principal instalments
		Disbursed	Repaid	Outstanding			
$3,200,000	$3,200,000	----------	----------	----------	----------	4.00	24 semiannual beginning Mar. 19, 1967 (interest and principal payable in currencies loaned).
600,000	600,000	----------	----------	----------	----------		
3,800,000	3,800,000	----------	----------	----------	----------		
186,000	121,051	$64,949	----------	$64,949	$3	4.00	24 semiannual beginning July 15, 1965 (interest and principal payable in currencies loaned).
2,714,000	2,344,380	369,620	----------	369,620	448		
2,900,000	2,465,431	434,569	----------	434,569	451		
[2] 300,000	300,000	----------	----------	----------	----------	4.00	17 semiannual beginning 24 months after date of contract (interest and principal payable in dollars).
3,200,000	2,765,431	434,569	----------	434,569	451		
3,000,000	1,171,371	1,828,629	$60,495	1,768,134	79,749	5.75	14 semiannual beginning May 7, 1963 (interest and principal payable in guaranies).
250,000	8,976	241,024	27,778	213,246	6,601	4.00	18 semiannual beginning Feb. 1, 1963 (interest and principal payable in guaranies)
800,000	800,000	----------	----------	----------	----------	4.00	10 semiannual beginning Nov. 30, 1966 (interest and principal payable in guaranies).
400,000	212,000	188,000	----------	188,000	2,540	4.00	8 semiannual beginning May 30, 1965 (interest and principal payable in guaranies or dollars at borrower's election).
[2] 12,000,000	12,000,000	----------	----------	----------	----------	4.00	40 semiannual beginning 66 months after date of contract (1st 20 principal and interest installments payable either in dollars or guaranies; remaining installments payable in dollars).
16,450,000	14,192,347	2,257,653	88,273	2,169,380	88,620		
190,000	190,000	----------	----------	----------	----------	5.75	14 semiannual beginning May 31, 1964 (interest and principal payable in currencies loaned).
450,000	258,000	197,000	----------	197,000	4,376		
640,000	443,000	197,000	----------	197,000	4,376		

Statement of approved loans,

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
VENEZUELA				
Instituto Agrario Nacional (Republic of Venezuela), public entity.	27	To finance a program of consolidation of rural settlements of an estimated cost of $21,621,420.	Nov. 8, 1962 (Dec. 19, 1962)	Bolivares [1] (total of loans to Venezuela expressed in U.S. dollars).
CENTRAL AMERICAN BANK				
Central American Bank for Economic Integration, public entity.	33	To finance the economic development in the countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua of an estimated cost of $9,003,927.	Apr. 4, 1963 (Apr. 26, 1963)	Colones (Costa Rica) Colones (El Salvador) Quetzales Lempiras Cordobas U.S. dollars (local costs, $2,000,000). Total of loans to Central American Bank for Economic Integration expressed in U.S. dollars. Net total active loans expressed in U.S. dollars. Add total taken by participant. Total Add loan cancellations Total approved loans.

[1] Expressed in U.S. dollar equivalent.
[2] Not eligible for disbursement.
[3] Of the undisbursed balance of loans held by the Bank, the Bank has entered into irrevocable commitments to disburse $3,677,485.

Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate	Repayment terms, principal instalments
		Disbursed	Repaid	Outstanding			
[2] $2,700,000	$2,700,000					4.00	39 semiannual beginning Dec. 19, 1963 (interest and principal payable in bolivares).
1,350,000	1,350,000					4.00	32 semiannual beginning Oct. 26, 1967 (interest and principal payable in currencies loaned, except that payments relating to $1,000,000 of the dollar portion of the loan may be paid in currencies of member countries of the Central American Bank).
350,000	350,000						
270,000	270,000						
380,000	380,000						
1,400,000	1,400,000						
5,000,000	4,750,000	$250,000		$250,000			
6,003,927	5,753,927	250,000		250,000			
120,049,205	95,044,882	25,004,323	$88,273	24,916,050	$795,311		
1,645,058		1,645,058		1,645,058	3,107		
121,694,263	95,044,882	26,649,381	88,273	26,561,108	798,418		
192,272							
121,886,535							

EXHIBIT

SOCIAL PROGRESS TRUST FUND,

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
ARGENTINA				
Republic of Argentina, public entity.	26	Equipment for advanced technical education for the National Universities of Argentina of an estimated cost of $10,000,000.	Mar. 22, 1962 (May 4, 1962)	U.S. dollars (local costs $1,000,000).
Banco Hipotecario Nacional, public entity.	47	Financing the construction of housing for low-income families of an estimated cost of $60,000,000.	Nov. 29, 1962 (Jan. 24, 1963)	U.S. dollars (local costs $26,100,000).
Total loans to Argentina.	------	----------	----------	U.S. dollars----------
BOLIVIA				
Corporación Boliviana de Fomento (Banco Central de Bolivia), public entity.	51	Financing the settlement of 8,000 farm families of an estimated cost of $15,321,428.	Dec. 28, 1962 (Jan. 24, 1963)	U.S. dollars (local costs $4,615,000).
Corporación Boliviana de Fomento (Banco Central de Bolivia), public entity.	61	Financing the construction of housing for low-income families of an estimated cost of $5,429,000.	Mar. 21, 1963 (June 14, 1963)	U.S. dollars (local costs $652,000).
Government of Bolivia, Public entity.	67	Improvement, completion and creation of new rural development bases of an estimated cost of $619,-769.	Oct. 31, 1963	U.S. dollars (local costs $105,000).
Total loans to Bolivia.	------	----------	----------	U.S. dollars----------
BRAZIL				
Superintendencia de Aguas y Esgotosdo Reconcavo (State of Bahia), public entity.	13	Financing of water system for the city of Salvador of an estimated cost of $8,127,000.	Nov. 30, 1961 (Mar. 1, 1962)	U.S. dollars (local costs $3,870,000).
Banco do Estado da Guanabara, S.A. (State of Guanabara), public entity.	22	Financing of water supply system of the State of Guanabara of an estimated cost of $27,883,852.	Mar. 13, 1962 (May 5, 1962)	U.S. dollars----------
Banco do Estado da Guanabara, S.A. (State of Guanabara), public entity.	23	Financing of sewerage system of the State of Guanabara of an estimated cost of $22,473,000.	Mar. 13, 1962 (May 5, 1962)	-----do----------
Banco do Nordeste do Brasil, S.A. (United States of Brazil), public entity.	30	To finance the expansion and improvement of potable water and sewerage systems in 6 cities of an estimated cost of $18,534,700.	Apr. 5, 1962 (May 2, 1963)	U.S. dollars (local costs $12,740,000).
Caixa Econômica do Estrado de Minas Gerias (State of Minas Gerais), public entity.	31	To expand the agricultural credit program for low income farmers of an estimated cost of $13,000,000.	Apr. 12, 1962 (Oct. 31, 1962)	U.S. dollars----------
Banco do Nordeste do Brasil, S.A. (United States of Brazil), public entity.	40	Financing a low-cost housing program in the State of Pernambuco, Brazil, of an estimated cost of $7,058,600.	Aug. 16, 1962 (Dec. 13, 1963)	U.S. dollars (local costs $3,850,000).
Banco de Crédito Agrícola do Espírito Santo, S.A. (State of Espírito Santo), public entity.	54	Financing a program of agricultural credit of an estimated cost of $3,-420,800.	Jan. 24, 1963 (June 10, 1963)	U.S. dollars (local costs $2,000,000).

See footnotes at end of table, p. 148.

2–C

INTER-AMERICAN DEVELOPMENT BANK

loans, Dec. 31, 1963

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest percent[1]	Repayment terms, principal installments
		Disbursed	Repaid	Outstanding			
$5,000,000	$4,500,000	$500,000	$25,000	$475,000	$6,092	1.25	15 annual beginning Apr. 30, 1963.
30,000,000	27,400,000	2,600,000	----	2,600,000	8,691	1.25	49 semiannual beginning Jan. 24, 1964.
35,000,000	31,900,000	3,100,000	25,000	3,075,000	14,783		
6,500,000	6,360,117	139,883	----	139,883	----	1.25	49 semiannual beginning Jan. 15, 1964.
[2] 4,000,000	4,000,000	----	----	----	----	1.25	59 semiannual beginning June 15, 1964.
[2] 435,000	435,000	----	----	----	----	1.25	49 semiannual beginning 12 months after date of contract.
10,935,000	10,795,117	139,883	----	139,883	----		
4,120,000	2,501,791	1,618,209	15,000	1,603,209	28,255	2.75	23 annual beginning March 15, 1963.
12,500,000	7,765,588	4,734,412	15,000	4,719,412	67,947	2.75	59 semiannual beginning May 5, 1963.
11,000,000	8,822,034	2,177,966	19,981	2,157,985	33,451	2.75	59 semiannual beginning May 5, 1963.
12,990,000	12,750,000	240,000	----	240,000	----	2.75	30 annual beginning May 2, 1964.
6,400,000	5,700,000	700,000	16,000	684,000	----	1.25	20 annual beginning Nov. 1, 1963.
[2] 3,850,000	3,850,000	----	----	----	----	1.25	26 annual beginning Dec. 13, 1964.
2,000,000	1,800,000	200,000	----	200,000	----	1.25	39 semiannual beginning Mar. 1, 1964.

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
BRAZIL—continued				
Departamento de Águas e Esgotos (DAE) (State of Pará), public entity.	68	Financing the water and sewerage systems of Belem of an estimated cost of $4,829,000.	Nov. 21, 1963	U.S. dollars (local costs, $2,359,000).
Total loans to Brazil				U.S. dollars
CHILE				
Republic of Chile, public entity.	12	Financing of potable water systems for the cities of Concepción and Talcahuano of an estimated cost of $4,248,120.	Nov. 22, 1961 (May 16, 1962)	U.S. dollars (local costs, $2,470,000).
Corporación de Fomento de la Producción de Chile and Corporación de la Reforma Agraria (CORA), public entity.	17	Financing construction of houses for low income farmers of an estimated cost of $2,489,942.	Dec. 21, 1961 (May 2, 1962)	U.S. dollars (local costs, $1,268,000).
Do	18	Agricultural credits to small farmers and agricultural cooperatives of an estimated cost of $21,770,000.	Dec. 21, 1961 (May 16, 1962)	U.S. dollars (local costs, $9,000,000).
Caja Central de Ahorros y Préstamos (Government of Chile), public entity.	34	Financing construction of houses for low income families of an estimated cost of $7,696,800.	May 17, 1962 (June 13, 1962)	U.S. dollars (local costs $5,000,000).
Promotoras de Viviendas Económicas Limitada y Compañía, C.P.A. (Corporación de Fomento de la Producción or Corporación de la Vivienda) private entity.	38	Financing construction of houses for low income familes of an estimated cost of $7,642,857.	July 26, 1962 (Jan. 22, 1963)	U.S. dollars (local costs $2,000,000).
La Universidad de Chile (Corporación de Fomento de la Producción de Chile) public entity.	45	Financing a program for five regional colleges of an estimated cost of $6,847,000.	Nov. 15, 1962 (Dec. 19, 1962)	U.S. dollars (local costs $1,900,000).
Cooperativá de Consumidores Unidos "UNICOOP"—Santiago Ltda. (Corporación de Fomento de la Producción de Chile) public entity.	57	Financing the establishment of cooperatives supermarkets of an estimated cost of $1,175,000.	Jan. 31, 1963 (Apr. 26, 1963)	U.S. dollars (local costs $600,000).
Corporación de la Vivienda, public entity.	66	Financing the construction of houses for low-income families of an estimated cost of $5,600,000.	Oct. 24, 1963 (Nov. 5, 1963)	U.S. dollars (local costs $2,000,000).
Total loans to Chile				U.S. dollars
COLOMBIA				
Establecimiento Público Empresas Municipales de Cali (Republic of Colombia), public entity.	9	Financing the expansion and improvement of potable water systems of an estimated cost of $4,780,000.	Oct. 6, 1961 (Apr. 16, 1962)	U.S. dollars (local costs $1,960,000).
Instituto de Crédito Territorial (Republic of Colombia), public entity.	10	Financing housing for persons of low income of and estimated cost of $29,340,000.	Nov. 16, 1961 (Feb. 2, 1962)	U.S. dollars (local costs $14,200,000).
Empresas Municipales de Cúcuta (Republic of Colombia), public entity.	11	Financing the expansion and improvement of water and sewerage system of the city of Cúcuta of an estimated cost of $9,161,000.	Nov. 22, 1961 (Feb. 3, 1962)	U.S. dollars (local costs $4,483,000).

See footnotes at end of table, p. 148.

loans, Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
[3] $2,500,000	$2,500,000	----------	----------	----------	----------	2.75	59 semiannual beginning 12 months after date of contract.
55,360,000	45,689,413	$9,670,587	$65,981	$9,604,606	$129,653		
2,470,000	2,114,891	355,109	17,500	337,609	10,636	2.75	20 annual beginning May 16, 1963.
1,268,000	1,118,000	150,000	5,000	145,000	2,370	1.25	30 annual beginning May 2, 1963.
10,000,000	8,758,959	1,241,041	50,000	1,191,041	17,225	1.25	20 annual beginning Jan. 30, 1963.
5,000,000	1,750,111	3,249,889	25,000	3,224,889	238,346	1.25	27 annual beginning June 13, 1963.
2,000,000	1,507,500	492,500	----------	492,500	3,923	1.25	21 annual beginning Jan. 22, 1964.
2,300,000	2,070,000	230,000	----------	230,000	----------	1.25	29 semiannual beginning Dec. 19, 1963.
600,000	550,000	50,000	----------	50,000	----------	1.25	25 semiannual beginning Apr. 24, 1964.
[3] 2,000,000	2,000.000	----------	----------	----------	----------	1.25	59 semiannual beginning Nov. 5, 1964.
25,638,000	19,869,461	5,768,539	97,500	5,671,039	62,500		
2,454,000	908,543	1,545,457	20,000	1,525,457	23,936	2.75	39 semiannual beginning Apr. 16, 1963.
15,200,000	6,259,043	8,940,957	76,000	8,864,957	65,493	1.25	20 annual beginning Feb. 2, 1963.
5,183,000	3,218,287	1,964,713	54,000	1,910,713	22,308	2.75	60 semiannual beginning Feb. 3, 1963.

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
COLOMBIA—continued				
Instituto Nacional de Fomento Municipal (Republic of Colombia), public entity.	37	Expansion of potable water and sewerage systems of an estimated cost of $19,312,000.	July 12, 1962 (Aug. 21, 1962)	U.S. dollars (local costs $8,500,000).
Total loans to Colombia.				U.S. dollars
COSTA RICA				
Instituto Nacional de Vivienda y Urbanismo de Costa Rica, public entity.	4	Financing construction of houses for low income families of an estimated cost of $16,000,000.	Aug. 10, 1961 (Oct. 31, 1961)	U.S. dollars (local costs $2,300,000).
Servicio Nacional de Acueductos y Alcantarillados (SNAA), public entity.	69	Financing of studies regarding water and sewerage systems in several cities of an estimated cost of $150,000.	Dec. 12, 1963 (Dec. 13, 1963)	U.S. dollars (local costs $100,000).
Total loans to Costa Rica.				U.S. dollars
DOMINICAN REPUBLIC				
Banco Agrícola (Dominican Republic), public entity.	41	Financing a program of rural credit for low income farmers of an estimated cost of $5,790,000.	Aug. 23, 1962 (Oct. 12, 1962)	U.S. dollars (local costs $2,440,000).
Government of the Dominican Republic, public entity.	52	Financing the construction of housing for low income families of an estimated cost of $6,375,000.	Dec. 28, 1962 (Feb. 28, 1963)	U.S. dollars (local costs $2,500,000).
Total loans to the Dominican Republic.				U.S. dollars
ECUADOR				
Banco Ecuatoriano de la Vivienda (Republic of Ecuador), public entity.	19	Financing construction of houses for low income families of an estimated cost of $16,415,000.	Feb. 28, 1962 (July 23, 1962)	U.S. dollars (local costs $7,400,000).
Municipalidad de Quito (Republic of Ecuador), public entity.	20	Expansion and improvement of sewerage systems of an estimated cost of $3,925,000.	Feb. 28, 1962 (July 10, 1962)	U.S. dollars (local costs $2,650,000).
Republic of Ecuador, public entity.	55	Financing a program of integration of the farmer into the national economy of an estimated cost of $5,451,000.	Jan. 31, 1963 (Oct. 24, 1963)	U.S. dollars (local costs $849,000).
Instituto Nacional de Colonización (Republic of Ecuador), public entity.	56	Financing a project of settlement at Santo Domingo de los Colorados of an estimated cost of $4,000,000.	Jan. 31, 1963 (Oct. 1, 1963)	U.S. dollars (local costs $1,859,500).
Republic of Ecuador, public entity.	59	Financing the construction and improvement of water supply and sewerage systems in 18 cities of an estimated cost of $6,224,000.	Feb. 19, 1963 (Oct. 1, 1963)	U.S. dollars (local costs $1,420,858).
Universidad de Guayaquil (Republic of Ecuador), public entity.	72	Development of a basic sciences and technology curriculum of an estimated cost of $800,000.	Dec. 31, 1963	U.S. dollars (local costs $100,000).
Universidad Central de Quito (Republic of Ecuador), public entity.	73	Development of a basic sciences and technology curriculum of an estimated cost of $840,000.	do	do
Total loans to Ecuador.				U.S. dollars

See footnotes at end of table, p. 148.

loans, Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$8,500,000	$7,650,000	$850,000	$42,500	$807,500	$11,880	2.75	4 annual and 52 semiannual beginning Aug 21, 1963.
31,337,000	18,035,873	13,301,127	192,500	13,108,627	123,617		
3,500,000	348	3,499,652	35,000	3,464,652	63,961	1.25	25 annual beginning Oct. 15, 1962.
[3] 100,000	100,000	----------	----------	----------	----------	2.75	13 semiannual beginning Dec. 13, 1964.
3,600,000	100,348	3,499,652	35,000	3,464,652	63,961		
3,000,000	849,209	2,150,791	60,000	2,090,791	23,968	1.25	20 annual beginning Oct. 15, 1963.
[3] 3,400,000	3,400,000	----------	----------	----------	----------	1.25	53 semiannual beginning Feb. 28, 1964.
100,000	57,644	42,356	----------	42,356	184		
6,500,000	4,306,853	2,193,147	60,000	2,113,147	24,152		
10,600,000	9,583,281	1,016,719	50,000	966,719	10,329	1.25	59 semiannual beginning July 23, 1963.
3,000,000	2,799,160	200,840	15,000	185,840	3,375	2.75	2 annual and 36 semiannual beginning July 10, 1963.
[3] 1,815,000	1,815,000	----------	----------	----------	----------	1.25	59 semiannual beginning Oct. 24, 1964.
[3] 2,600,000	2,600,000	----------	----------	----------	----------	1.25	39 semiannual beginning Oct. 1, 1964.
[3] 5,500,000	5,500,000	----------	----------	----------	----------	2.75	59 semiannual beginning Oct. 1, 1964.
[3] 600,000	600,000	----------	----------	----------	----------	1.25	39 semiannual beginning 12 months after date of contract.
[3] 400,000	400,000	----------	----------	----------	----------	1.25	Do.
24,515,000	23,297,441	1,217,559	65,000	1,152,559	13,704		

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
EL SALVADOR				
Banco Central de Reserva de El Salvador (Republic of El Salvador), public entity.	3	For relending to small farmers for development of agriculture and animal husbandry of an estimated cost of $2,800,000.	Aug. 3, 1961 (Nov. 24, 1961)	U.S. dollars (local costs $2,000,000).
Do	5	Financing the expansion and improvement of sewerage systems of 5 cities of an estimated cost of $1,400,000.	Aug. 10, 1961 (Nov. 17, 1961)	U.S. dollars (local costs $790,000).
Do	6	Financing the expansion and improvement of potable water and sewerage systems in 34 towns of an estimated cost of $3,830,000.	Oct. 12, 1961 (Nov. 17, 1961)	U.S. dollars (local costs $1,200,000).
Instituto de Vivienda Urbana (Republic of El Salvador), public entity.	27	Construction of housing for families of low income of an estimated cost of $11,300,000.	Mar. 29, 1962 (June 7, 1962)	U.S. dollars (local costs $3,960,000).
Total loans to El Salvador.				U.S. dollars
GUATEMALA				
Banco de Guatemala, public entity.	21	Financing of approximately 82 water supply and sewerage systems of an estimated cost of $5,150,000.	Mar. 8, 1962 (Aug. 3, 1962)	U.S. dollars (local costs $1,500,000).
Do	39	Financing of housing for low income families of an estimated cost of $10,740,000.	Aug. 2, 1962 (Oct. 1, 1962)	U.S. dollars (local costs $4,800,000).
Republic of Guatemala, public entity.	58	Financing a rural credit program for low income farmers of an estimated cost of $3,500,000.	Feb. 14, 1963 (Oct. 4, 1963)	U.S. dollars (local costs $2,200,000).
Total loans to Guatemala.				U.S. dollars
HONDURAS				
Banco Nacional de Fomento (Banco Central de Honduras), public entity.	42	Financing a program of rural credit of an estimated cost of $3,575,000.	Aug. 30, 1962 (Dec. 1, 1962)	U.S. dollars (local costs $1,950,000).
Instituto de la Vivienda (Republic of Honduras), public entity.	48	Financing construction of housing for low income families of an estimated cost of $1,469,000.	Dec. 6, 1962 (May 7, 1963)	U.S. dollars (local costs $800,000).
Servicio Autónomo Nacional de Acueductos y Alcantarillados (Republic of Honduras), public entity.	60	Financing the improvement of the water supply system in the city of Tegucigalpa of an estimated cost of $2,700,000.	Mar. 7, 1963 (Apr. 8, 1963)	U.S. dollars
Republic of Honduras, public entity.	71	Construction and improvement of feeder roads in the Sula Valley of an estimated cost of $2,087,000.	Dec. 31, 1963	U.S. dollars (local costs, $290,000).
Total loans to Honduras.				U.S. dollars
MEXICO				
Nacional Financiera, S.A. (Government of Mexico), public entity.	24	Water supply service for 12 cities in the State of Yucatan of an estimated cost of $15,280,000.	Mar. 15, 1962 (June 15, 1962)	U.S. dollars (local costs, $7,720,000).
Nacional Financiera, S.A. (United States of Mexico), public entity.	32	Improved use of farmlands of an estimated cost of $2,448,000.	Apr. 19, 1962 (June 15, 1962)	U.S. dollars (local costs, $1,000,000).

See footnotes at end of table, p. 148.

loans, Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate[1]	Repayment terms, principal instalments[2]
		Disbursed	Repaid	Outstanding			
$2,000,000	$1,100,000	$900,000	$10,000	$890,000	$11,298	1.25	20 annual beginning Dec. 1, 1962.
840,000	202,806	637,194	12,600	624,594	5,898	2.75	60 semiannual beginning Nov. 17, 1962.
2,700,000	543,697	2,156,303	40,500	2,115,803	40,178	2.75	Do.
6,100,000	3,126,209	2,973,791	30,500	2,943,291	33,770	1.25	59 semiannual beginning June 7, 1963.
11,640,000	4,972,712	6,667,288	93,600	6,573,688	91,144		
3,500,000	3,400,000	100,000	10,000	90,000	1,898	2.75	22 annual beginning Aug. 3, 1963.
[3] 5,200,000	5,200,000	----------	----------	----------	----------	1.25	27 annual beginning Oct. 1, 1963.
100,000	98,563	1,437	----------	1,437	9		
[3] 2,500,000	2,500,000	----------	----------	----------	----------	1.25	49 semiannual beginning Oct. 4, 1964.
11,300,000	11,198,563	101,437	10,000	91,437	1,907		
2,500,000	1,782,241	716,759	6,250	710,509	3,674	1.25	40 semiannual beginning Nov. 30, 1963.
1,000,000	1,000,000	----------	----------	----------	----------	1.25	54 semiannual beginning May 7, 1964.
2,150,000	2,150,000	----------	----------	----------	----------	2.75	49 semiannual beginning Apr. 8, 1964.
[3] 1,585,000	1,585,000	----------	----------	----------	----------	1.25	39 semiannual beginning 12 months after date of contract.
7,235,000	6,518,241	716,759	6,250	710,509	3,674		
9,200,000	8,678,200	521,800	----------	521,800	3,452	2.75	4 annual and 32 semiannual beginning June 15, 1964.
1,000,000	900,000	100,000	----------	100,000	400	1.25	4 annual and 32 semiannual beginning June 15, 1964.

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
MEXICO—continued				
Instituto Mexicano de Investigaciones Tecnológicas, A.G. (Nacional Financiera, S.A.), public entity.	33	To acquire technological equipment for experimentation and laboratory equipment of an estimated cost of $400,000.	Apr. 19, 1962 (Aug. 30, 1962)	U.S. dollars
Nacional Financiera, S.A. (United States of Mexico), public entity.	53	Financing the improved use of land in the Lerma-Chapala-Santiago Valley of an estimated cost of $6,000,000.	Dec. 29, 1962 (June 6, 1963)	U.S. dollars (local costs, $458,000).
Nacional Financiera, S.A. (Government of Mexico), public entity.	63	Financing the colonization and improved land use of the El Limón zone of Tabasco of an estimated cost of $10,229,507.	June 20, 1963[1] (Sept. 19, 1963)	U.S. dollars (local costs, $4,700,000).
Nacional Financiera, S.A. (Government of Mexico), public entity.	65	Housing for low-income families of an estimated cost of $60,000,000.	Aug. 27, 1963	U.S. dollars (local costs, $10,000,000).
Nacional Financiera, S.A. (Government of Mexico), public entity.	70	Financing a national agricultural center in Chapingo of an estimated cost of $9,426,000.	Dec. 31, 1963	U.S. dollars (local costs, $1,550,000).
Total loans to Mexico.				U.S. dollars
NICARAGUA				
Instituto Nicaraguense de la Vivienda, public entity.	28	Construction of housing for families of low-income of an estimated cost of $7,789,000.	Mar. 19, 1962 (Aug. 2, 1962)	U.S. dollars (local costs, $4,400,000).
Banco Nacional de Nicaragua, public entity.	36	Rural credit for farmers of low income of an estimated cost of $4,033,000.	June 14, 1962 (Sept. 20, 1962)	U.S. dollars (local costs, $2,120,000).
Republic of Nicaragua, Public entity.	64	Financing studies of the sewerage system of the city of Managua of an estimated cost of $235,000.	June 28, 1963 (Sept. 27, 1963)	U.S. dollars
Total loans to Nicaragua.				do
PANAMA				
Instituto de Vivienda y Urbanismo (Republic of Panama), public entity.	1	Financing housing for persons of low income of an estimated cost of $10,444,917.	Aug. 3, 1961 (Aug. 22, 1961)	U.S. dollars (local costs, $6,400,000).
Instituto de Acueductos y Alcantarillados Nacionales (Republic of Panama), public entity.	35	Financing of water supply systems for 7 cities of an estimated cost of $3,835,000.	May 31, 1962 (June 14, 1962)	U.S. dollars (local costs, $729,000).
Total loans to Panama.				U.S. dollars
PARAGUAY				
Banco Nacional de Fomento (Republic of Paraguay), public entity.	49	Financing agricultural credit for low-income farmers, improved land use and development of agricultural marketing facilities of an estimated cost of $4,338,000.	Dec. 20, 1962 (Feb. 1, 1963)	U.S. dollars (local costs, $255,000) (total).
PERU				
Republic of Peru, public entity.	7	Financing housing for persons of low income of an estimated cost of $48,700,000.	Oct. 19, 1961 (Nov. 24, 1961)	U.S. dollars (local costs, $15,700,000).
Cooperativa de Crédito Central del Perú (Government of Peru), private entity.	8	Small loans to finance housing, improved land use, and potable water and sanitation of an estimated cost of $2,000,000.	Oct. 19, 1961 (Oct. 27, 1961)	U.S. dollars (local costs, $1,000,000).

See footnotes at end of table, p. 148.

loans, Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$400,000	$317,583	$82,417	$15,000	$67,417	$388	1.25	29 semiannual beginning Aug. 31, 1963.
3,000,000	3,000,000	----------	----------	----------	----------	1.25	39 semiannual beginning June 6, 1964.
[3] 5,000,000	5,000,000	----------	----------	----------	----------	1.25	49 semiannual beginning Sept. 19, 1964.
[3] 10,000,000	10,000,000	----------	----------	----------	----------	1.25	59 semiannual beginning 12 months after date of contract.
[3] 2,100,000	2,100,000	----------	----------	----------	----------	1.25	39 semiannual beginning 12 months after date of contract.
30,700,000	29,995,783	704,217	15,000	689,217	4,240		
5,200,000	2,136,800	3,063,200	26,000	3,03,,200	12,076	1.25	25 annual beginning Aug. 2, 1963.
2,500,000	2,250,000	250,000	10,000	240,000	3,302	1.25	20 annual beginning Sept. 20, 1963.
[3] 185,000	185,000	----------	----------	----------	----------	2.75	13 semiannual beginning Sept. 27, 1964.
7,885,000	4,571,800	3,313,200	36,000	3,277,200	15,378		
7,600,000	1,562,831	6,037,169	76,000	5,961,169	83,690	1.25	27 annual beginning Sept. 1, 1962.
2,762,000	1,975,732	786,268	13,810	772,458	12,944	2.75	27 annual beginning June 14, 1963.
10,362,000	3,538,563	6,823,437	89,810	6,733,627	96,634		
2,900,000	2,800,000	100,000	----------	100,000	----------	1.25	40 semiannual beginning Feb. 1, 1964.
22,800,000	13,933,550	8,866,450	228,000	8,638,450	147,475	1.25	20 annual beginning Nov. 23, 1962.
1,000,000	200,000	800,000	50,000	750,000	14,957	1.25	21 annual beginning Oct. 27, 1962.

Statement of approved

Country and obligor (guarantor in parentheses)	Loan No.	Purpose	Date approved and (contract signed)	Currencies
PERU—continued				
Asociación Mutual de Crédito para la Vivienda "El Pueblo" (Government of Peru), private entity.	25	Construction of housing for families of low income of an estimated cost of $2,069,200.	Mar. 15, 1962 (May 1, 1962)	U.S. dollars (local costs, $800,000).
Universidad Nacional Mayor de San Marcos (Republic of Peru), public entity.	46	Financing the installation of a Department for Basic Sciences of an estimated cost of $3,002,000.	Nov. 15, 1962 (Dec. 17, 1962)	U.S. dollars
Total loans to Peru				do
URUGUAY				
Gobierno del Departamento de Montevideo, public entity.	15	Financing of sanitation works of an estimated cost of $12,000,000.	Dec. 7, 1961	U.S. dollars (local costs, $2,325,000).
Republic of Uruguay, public entity.	43	Construction of housing for low income families of an estimated cost of $15,301,125.	Sept. 20, 1962 (May 21, 1963)	U.S. dollars (local costs $7,600,000).
Total loans to Uruguay.				U.S. dollars
VENEZUELA				
Banco Obrero de Venezuela (Government of Venezuela), public entity.	2	Financing of rural housing for persons of low income through self-help system of an estimated cost of $45,950,000.	Aug. 3, 1961 (Nov. 15, 1961)	U.S. dollars (local costs $12,000,000).
Republic of Venezuela, public entity.	14	Financing of potable water systems for 330 towns of an estimated cost of $20,000,000.	Dec. 7, 1961 (May 3, 1962)	U.S. dollars (local costs $2,000,000).
Instituto Nacional de Obras Sanitarias (Government of Venezuela), public entity.	16	Financing of potable water system for 55 towns of an estimated cost of $21,000,000.	Dec. 14, 1961 (May 3, 1962)	U.S. dollars
Banco Obrero de Venezuela (Government of Venezuela), public entity.	29	Construction of housing for families of low income of an estimated cost of $14,025,000.	Mar. 29, 1962 (June 8, 1962)	U.S. dollars (local costs, $9,500,000).
Instituto Agrario Nacional (Government of Venezuela), public entity.	44	Financing a program of consolidation of rural settlements of an estimated cost of $80,078,580.	Nov. 8, 1962 (Dec. 19, 1962)	U.S. dollars (local costs, $9,900,000).
Universidad de Oriente de Venezuela (Corporación Venezolana de Fomento), public entity.	62	Financing the development of basic science and technology of an estimated cost of $2,400,000.	Apr. 18, 1963 (Oct. 17, 1963)	U.S. dollars
Total loans to Venezuela.				U.S. dollars
CENTRAL AMERICAN COUNTRIES				
Universities of Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua (Govenrments of Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua), public entity.	50	Financing a program of development of basic sciences of an estimated cost of $10,833,000.	Dec. 20, 1962 (June 17, 1963)	U.S. dollars (local costs, $407,000) (total).
Grand total				U.S. dollars

[1] In addition to the interest rate shown, all loans have a service charge of 0.75 percent per annum.
[2] Not eligible for disbursement.

loans, Dec. 31, 1963—Continued

Amount approved	Undisbursed balance	Status of loans			Income collected	Interest rate [1]	Repayment terms, principal instalments [2]
		Disbursed	Repaid	Outstanding			
$1,000,000	$263,662	$736,338	$12,500	$723,838	$7,656	1.25	21 annual beginning May 1, 1963.
[3] 1,500,000	1,500,000	----------	----------	----------	----------	1.25	29 semiannual beginning Dec. 17, 1963.
26,300,000	15,897,212	10,402,788	290,500	10,112,288	170,088		
[3] 2,500,000	2,500,000	----------	----------	----------	----------	2.75	41 semiannual beginning 12 months after date of contract.
[3] 8,000,000	8,000,000	----------	----------	----------	----------	1.25	51 semiannual beginning May 18, 1964.
10,500,000	10,500,000	----------	----------	----------	----------		
12,000,000	5,514,112	6,485,888	400,000	6,085,888	65,730	1.25	40 semiannual beginning May 15, 1962.
10,000,000	4,418,555	5,581,445	80,000	5,501,445	86,342	2.75	39 semiannual beginning Apr. 30, 1963.
10,000,000	2,437,894	7,562,106	80,000	7,482,106	96,192	2.75	20 annual beginning Apr. 30, 1963.
10,000,000	9,000,000	1,000,000	50,000	950,000	15,146	1.25	22 annual beginning June 8, 1963.
10,000,000	9,701,438	298,562	--------	298,562	----------	1.25	39 semiannual beginning Dec. 19, 1963.
[3] 1,000,000	1,000,000	----------	----------	----------	----------	1.25	29 semiannual beginning Oct. 17, 1964.
53,000,000	32,071,999	20,928,001	610,000	20,318,001	263,410		
[3] 2,925,000	2,925,000	----------	----------	----------	----------	1.25	35 semiannual beginning June 18, 1964.
367,632,000	278,984,379	88,647,621	1,692,141	86,955,480	1,078,845		

[3] Of the undisbursed balance of loans held by the Bank, the Bank has entered into irrevocable commitments to disburse $5,810,313.

Mr. RHODES. Would you yield at that point?
Mr. PASSMAN. Yes.

NATURE OF CURRENCY SUBSCRIPTIONS

Mr. RHODES. Were all of the subscriptions paid in convertible currencies?

Mr. KILLEFER. It varies, Mr. Rhodes. In the Bank's ordinary sources they paid half in national currencies and half in gold or dollars.

Mr. RHODES. What about the special fund?

Mr. KILLEFER. The special fund is also half in national currencies and half in gold or dollars.

LOCAL CURRENCY LOANS

Mr. RHODES. Are you having any difficulty using the half that is in local currencies?

Mr. KILLEFER. No, we have not. And if you like, for the record, I will include in this, because it is part of the same table, the amounts of local currencies which have been loaned.

Mr. RHODES. That would be very helpful.

Mr. KILLEFER. Yes. Actually I have that here, if you would like to scan it.

Mr. RHODES. Why don't you put it in the record?

(The information supplied follows:)

Latin American currencies received, committed, and at Mar. 6, 1964, available ordinary capital resources

[In thousand-dollar equivalents]

Country	Original subscription	Committed	Available at Mar. 6, 1964
Argentina	$25,785	$11,252	$14,533
Bolivia	2,070	----------	2,070
Brazil	25,785	4,607	21,178
Chile	7,080	5,344	1,736
Colombia	7,075	6,517	558
Costa Rica	1,035	902	133
Dominican Republic	1,380	1,100	280
Ecuador	1,380	717	663
El Salvador	1,035	800	235
Guatemala	1,380	1,350	30
Haiti	1,035	----------	1,035
Honduras	1,035	----------	1,035
Mexico	16,575	16,112	463
Nicaragua	1,035	----------	1,035
Panama	1,035	----------	1,035
Paraguay	1,035	220	815
Peru	3,455	3,047	408
Uruguay	2,765	2,750	15
Venezuela	13,815	2,678	11,137

Latin American currencies received, committed, and at Mar. 6, 1964, available fund for special operations

[In thousand-dollar equivalents]

Country	Original subscription	Committed	Available at Mar. 6, 1964
Argentina	$5,157	$3,032	$2,125
Bolivia	414	400	14
Brazil	5,157	4,265	892
Chile	1,416	825	591
Colombia	1,415	1,328	87
Costa Rica	207	----------	207
Dominican Republic	276	----------	276
Ecuador	276	276	----------
El Salvador	207	59	148
Guatemala	276	----------	276
Haiti	207	190	17
Honduras	207	----------	207
Mexico	3,315	3,200	115
Nicaragua	207	----------	207
Panama	207	186	21
Paraguay	207	----------	207
Peru	691	----------	691
Uruguay	553	190	363
Venezuela	2,763	2,700	63

CONVERSION OF LOCAL CURRENCY TO HARD MONEY

Mr. PASSMAN. All currencies of all nations are convertible at some rate; are they not?

Mr. KILLEFER. Yes; they are. Some are worth more than others.

Mr. PASSMAN. Do we actually arrive at the time when some of these currencies may be considered convertible according to contract and turn them into hard money?

Mr. ROSENSON. If I may, sir, certain countries have what we call exchange controls; that is, they control their currency: where it may be transferred, who may receive it, what it may be paid out for, and so forth.

To the extent that a currency is not freely usable without restriction, it is not convertible.

Mr. PASSMAN. When all restrictions have been removed, then it would become what we would think of as freely convertible currency?

Mr. ROSENSON. That is correct, sir.

VARIATIONS IN CONVERSION RATES

Mr. PASSMAN. It is a strange thing, but you go into some countries and there may be three different rates on currency. Even our country, there may be one rate at the hotel, and another rate at the money changers, and another rate at the shopping place.

Certainly there are not restrictions on our currency. Are you talking about major restrictions by agreement?

Mr. ROSENSON. The restrictions are on the other end. That is what will establish the value of their currency in terms of ours. They will say, for example, that people—like tourists—who wish to change dollars into, say, cruzeiros, can use a certain market rate, which they will say is the free market.

Well, in the free market a certain rate will apply. On the other hand, they will say that coffee exporters who have obtained dollars for the sale of coffee can turn them into cruzeiros only by surrendering

them to a certain institution like the Banco do Brasil, and they will get only a certain number of cruzeiros per dollar.

Mr. PASSMAN. Certain nations may peg their currency at, say, 10 to 1, whereas outside in the world market the exchange rate may be 20 to 1?

Mr. ROSENSON. Exactly, sir.

DELINQUENCIES AND DEFAULTS

Mr. PASSMAN. Mr. Director, are any of the borrowers delinquent on their loans at this time?

Mr. KILLEFER. No, sir, and none are in default.

BASES FOR APPROPRIATIONS—FISCAL YEARS 1965 AND 1966

Mr. PASSMAN. This estimate of $205,880,000, as well as a similar estimate to be submitted next year in the fiscal year 1966 budget, was authorized by Public Law 82.259 and approved January 22, 1964; is that correct?

Mr. KILLEFER. Yes, sir.

Mr. PASSMAN. As I understand it, the Bank does not really need this appropriation after it got the $911,760,000. Why would you need an additional appropriation at this time?

CONTINGENT GUARANTEE FUND

Mr. KILLEFER. The purpose of this appropriation is to act as a contingent guarantee of the Government indicating its agreement to back up the Bank in the case—and it is a highly unlikely one—that the Bank is unable to meet its obligations on its outstanding securities.

And with this contingent guarantee behind it the Bank will then be able to go to the private capital markets in Europe and in New York and perhaps other places and place its own bonds.

Negotiations at the present time are underway in several countries, and we would expect that before the end of this year we would have bond issues already placed in one or more of these countries.

Mr. PASSMAN. If we issued a guarantee in the amount of $400 million, would it not have the same effect as if we appropriate $400 million and have it available in the event we need it?

Mr. KILLEFER. This is appealing to quite a different market, Mr. Chairman, because, as has been said earlier, these bonds and the World Bank bonds are bought by institutional investors, pension trusts, insurance companies, and some individuals.

Mr. PASSMAN. But they don't buy ours?

Mr. KILLEFER. But nobody ever does anything with this appropriation. It just sits here, as a law having been passed.

IDB GUARANTEES CONTRASTED WITH EXPORT-IMPORT BANK INVESTMENT GUARANTEES

Mr PASSMAN. If you could get these people to accept it in the same light as the investment guarantees, it would be just about the same thing; would it not?

Mr. KILLEFER. Normally, as I understand the investment guarantee program, ts purpose is to insure the credit of a manufacturer of capital goods or whatever.

Mr. PASSMAN. The Export-Import Bank guarantees certain lines of credit. Maybe shipments are exported out to country X, and the Export-Import Bank for five-eighths of 1 percent will guarantee that loan.

And I think they debit, of course, possibly their capital account of 25 percent. I guess it would require an appropriation.

Mr. KILLEFER. It seems to me that it is a different kind of market. One case is that of the fellow who is in doubt whether he should risk his investment in a country, and the other is a person who wants to buy a fixed-income security of an international institution.

Mr. RHODES. I think the main difference, however, is that in one case you are dealing with a direct obligation of the U.S. Government, and in the next case you have an international organization in a middle position between the two.

Mr. PASSMAN. I suppose it would have to be that way, as we are only 1 out of 20 in the organization.

Mr. RHODES. That is right.

LOAN-ELIGIBLE COUNTRIES

Mr. PASSMAN. All Latin American countries are eligible for loans from the Inter-American Development Bank?

Mr. KILLEFER. They have all contributed, except Cuba.

Mr. PASSMAN. But no nations other than Latin American countries?

Mr. KILLEFER. The qualifying feature is membership in the Organization of American States, just member countries of the OAS.

RESTRICTIONS ON CURRENCY ACQUIRED

Mr. RHODES. When you sell bonds, say, in lira, is there any restriction on the use of that particular currency? Are the proceeds supposed to be used primarily in the country of issue?

Mr. KILLEFER. Absolutely no such restrictions. These were freely convertible lire; they have since all been committed for loans in Latin America. There is no restriction to purchase only in Italy.

Mr. PASSMAN. You deal only in convertible currencies with respect to the sale of your stock, do you not?

Mr. KILLEFER. Yes. We do.

EXPENDITURES IN UNITED STATES

Mr. PASSMAN. And there is no "Buy America" clause in this transaction?

Mr. KILLEFER. Not to these funds. Of course, there are to the Social Progress Trust Fund.

Mr. PASSMAN. I am talking specifically about the Bank's operations.

Mr. KILLEFER. No.

Mr. PASSMAN. The money is either spent in Latin America or North America to a large extent.

Mr. KILLEFER. It is. I think approximately 47 percent to date on the average of the imports bought with the proceeds of the loans have gone to the United States.

Mr. PASSMAN. What percentage of the capital would that be?

Mr. KILLEFER. Well, of these funds, approximately 41.82 percent.

CALLABLE CAPITAL ON HAND

Mr. PASSMAN. What is the total amount of callable capital in the bank as of this time?

Mr. KILLEFER. Roughly $100 million are still available—I say roughly, Mr. Chairman, because the two bond issues have been $75 million and $24 million plus.

Mr. PASSMAN. However, it is $200 million.

Mr. KILLEFER. We have already used $100 million, you see.

PROJECTED CAPITAL POSITION OF THE IDB

Mr. PASSMAN. Do you think that this increase in resources will put the bank in a self-supporting position?

Mr. KILLEFER. It will enable the bank to continue its present lending rate, which is just about $12 million a month, roughly $145 to $150 million a year.

Now, in order to determine when the bank in the future will be able, Mr. Chairman, to have enough repayment of interest and loans to continue at this rate, it would be necessary to prepare cash flows over a period of years. This isn't the situation where you have a very long period of grace. Normally, in the bank, grace periods are 1 year, possibly 2 or a little more, to allow payments only of interest during the period of construction.

But then as soon as the project goes on stream, repayments of principal as well as interest are required.

Now, when the point will come in time that the bank will have enough funds to continue to increase at this rate, I would not be able to say now.

But, if you wish, we will provide you with some sort of a cash flow—and these figures can be determined—that may be of assistance to the committee.

Mr. PASSMAN. I think it would be helpful if you would do so.

(The information follows:)

Schedule of amortizations due by calendar years 1964 through 1970 on authorization at Dec. 31, 1963

	Ordinary capital		Fund for special operations	
	U.S. dollars	Other currencies equivalent in U.S. dollars	U.S. dollars	Other currencies equivalent in U.S. dollars
1964	3,012,726	945,800	228,786	747,613
1965	7,263,617	2,591,256	1,399,529	1,873,150
1966	17,008,977	4,415,879	3,201,606	3,036,580
1967	24,975,414	6,258,825	3,739,749	3,665,508
1968	27,664,686	6,915,503	4,015,219	4,023,188
1969	27,044,641	6,947,571	4,726,406	3,768,048
1970	26,302,416	6,867,983	5,510,411	3,419,609

Mr. PASSMAN. Now, reading from your statements, on page 6:

The proposed additional subscription by the United States should provide the bank with sufficient borrowing capacity to enable it to cover additional commitments at the projected rate through 1966.

Is that calendar 1966 or fiscal 1966?

Mr. KILLEFER. That is calendar. The Banks' fiscal year is the calendar year.

Mr. PASSMAN. You contemplate coming back for additional capital, then?

Mr. KILLEFER. I kon't know what the situation will be in 1966, but I think so.

Mr. RHODES. Is that additional callable capital?

Mr. KILLEFER. There is no provision for additional paid in capital. And I beleive that at the end of that period, unless there is some enormous event that we cannot foresee, that the Bank will seek additional callable capital from all of the member countries in the same proportions as it received from them before.

Mr. RHODES. What proportion do you have to have of callable capital to your borrowed capital?

In other words, as your borrowed capital increases, I take it becomes necessary to have additional callable capital to back it up.

Mr. KILLEFER. There isn't any requirement except that—it is determined by what the investment bankers think the market requirements are, Mr. Rhodes.

Mr. RHODES. So there is no way we could project into the future the capital requirements and interpolate from that?

Mr. KILLEFER. I can't even foresee what the pace of the Bank's lending operations would be.

It may be that the countries will not be able to absorb as much lending as has been done in the past, or it may increase, which is the more likely because——

TECHNICAL ASSISTANCE

Mr. PASSMAN. Mr. Director, I notice in the House Banking and Currency Committee report that—

> The Bank has provided extensive technical assistance to its member countries to obtain loans for development from other institutions.

Would you comment on that statement?

Mr. KILLEFER. Yes. The Bank has made available substantial sums for technical assistance both from its own resources as well as from the Social Progress Trust Fund.

For instance, in the 3 years from the time it began operations in October 1960 until October 1963, from its own funds, the Bank made technical assistance grants of $3.9 million. And it extended technical assistance on a reimbursable basis for $12.1 million.

Now, in the approximately two and a half years since the Social Progress Trust Fund was established, the corresponding figures from the Trust Fund are $2.8 million in grants and $2.7 million of reimbursable technical assistance.

This type of assistance is extended for two purposes: First, to insure that the projects have efficient execution, by providing technical personnel to strengthen the institution to which the loan is made. Also, in some cases, technical assistance is made available for preinvestment and feasibility studies to determine, for instance, where a plant should be located, or whether a particular market will justify the building of a factory that is proposed.

SEGREGATION OF FUNDS

Mr. PASSMAN. Out of what income or revenue do you disburse or grant aid?

Mr. KILLEFER. That depends from which fund the loan is made. The Bank is required by its charter, and is very careful to do so, to account for the funds separately so that no funds are mingled.

The Social Progress Trust Fund loans, those technical assistance grants made from that Fund, are accounted for to that Fund and not to the other one. The technical assistance grants that come from the Bank's Fund for Special Operations come out of those funds, that is——

Mr. PASSMAN. You have two different windows——

Mr. KILLEFER (continuing). Out of the income from that Fund.

Mr. PASSMAN. You pay dividends to the purchasers of stock in this Bank?

Mr. KILLEFER. These are bonds, now, Mr. Chairman. And it is an interest rate that is paid rather than a dividend; it is just a difference in form.

Mr. PASSMAN. If you are actually distributing grant aid, as such, technical aid, how do you limit that and still have money to pay for the bonds?

Mr. KILLEFER. But we are talking about two different windows of the Bank. We don't make any technical assistance grants out of the window we use for the bonds.

Mr. RHODES. Would you yield at that point?

Mr. PASSMAN. Surely.

TECHNICAL INVESTIGATIONS PERSONNEL

Mr. RHODES. Do you make your technical investigations with in-house personnel, or do you hire it done by consultant firms?

Mr. KILLEFER. It is done both ways, Mr. Rhodes. Normally, when an application is presented to the Bank, it is reviewed precursorily, and if it looks like a project that the Bank would be interested in, then a project committee is formed of four people, one a loan officer, an engineer in the particular field—suppose it is chemical engineering—another is a lawyer, and a fourth one is an area economist, who specializes both in the field and in the country, to know whether or not this is the type of project that ought to be getting priority.

Now, when there are particular market studies to be done, for instance, feasibility of a new project for producing pulp and paper, then the Bank is apt to retain, on a consulting basis or a contract basis, outside technical assistance.

Mr. PASSMAN. Under the technical assistance program, would that have to do with training these people in the field of financing so that they may then be able to apply to the development loan fund or the AID program?

Mr. KILLEFER. Let me put it this way, Mr. Chairman: One of the most important places for technical assistance is in helping those people learn how to run a development bank or a savings and loan institution, where in some countries they have never had them before.

Now, if you send people who have been trained at any of our banking institutions here down there for 6 months or a year, to work

with them while they get the development banking institution underway, after that, the thought is that they will be able to manage their own development bank themselves.

This is the kind of thing—I think I am answering your question; yes.

Mr. PASSMAN. I thought you would answer it that way. They get wise almost overnight.

SOURCE OF TECHNICAL ASSISTANCE FUNDS

I also noted in the Senate Foreign Relations Committee report that the Bank had been instrumental in the creation or improvement of such institutions, as banks, housing institutes, saving and loan associations, career and credit organizations. Are those loans out of window one, two, or three?

Mr. KILLEFER. Normally loans for those purposes that you have just read would come out of the Bank's funds for special operations or from the Social Progress Trust Fund.

SPECIAL OPERATIONS FUND STUDY

Mr. PASSMAN. Last year, I believe, a study was underway with reference to the needs for the continued existence of these special operations funds. Could you comment on the status of the study at this time?

Mr. KILLEFER. Yes. I understand that this study has been underway for some time in the executive branch, and that the U.S. position will be arrived at within a few days. The reason I say a few days is because by April 13 it is expected that the Board of Governors of the Bank will meet to determine what should be done about these funds in the future, and the United States will be expected to have a position on this.

MAINTENANCE OF CURRENCY VALUES

Mr. PASSMAN. With regard to the nations repaying loans in their own currency, do you accept the world commercial rate of their currency, or do you accept it according to the way they peg it in in their own country?

Mr. KILLEFER. We have a maintenance of value clause with respect to the amount of local currency they subscribed to the Bank—that provides, in short, that the amount of local currency they subscribed will always be worth the same in terms of dollars, however their currency might fluctuate at home.

Secondly, with respect to our loan contracts, we always have a maintenance of value clause. So that, when they repay to us local currencies we have loaned to them, they pay us back enough of that unit of currency to be worth the same amount of dollars that that currency would have been worth on the day the loan was made.

Mr. PASSMAN. That is on the world market? You can go into some of these countries, and there is one exchange rate in the country, and another exchange rate out of the country.

Mr. KILLEFER. I believe the way the Bank's present loan contracts read "at the free rate."

Mr. PASSMAN. What I referred to is at the world rate.

MEMBER COUNTRY RESTRICTIONS ON CURRENCY CONTRIBUTIONS TO THE BANK

How many members have placed restrictions on their contributions to the Bank's funds?

Mr. KILLEFER. The United States has, in its Social Progress Trust Fund. Mexico is the only other one.

Mr. PASSMAN. What kind of restrictions did Mexico place on its contributions?

Mr. KILLEFER. That the funds be used for purchases of goods manufactured in Mexico.

Mr. ROSENSON. That is correct, sir. Under the charter, they make their capital subscriptions half in gold or dollars and half in their own currency.

Now, under the charter, again, they are not permitted to place any restrictions on that part of their capital which they pay in gold or dollars.

They are allowed to place a restriction on that part which they contribute in their own local currency, the restriction being that the currency shall be expendable only in that country.

Mr. PASSMAN. If 50 percent of the contribution is made in their own currency, they can expect that total amount will be spent in their country?

Mr. ROSENSON. Yes, the 50 percent.

Mr. PASSMAN. That kind of situation is not true of the United States. Our contribution is made freely and spent where they find it has the best price?

Mr. ROSENSON. Or all the other countries except Mexico.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Now, sir, how much did the Bank spend for administrative expenses in 1963?

Mr. KILLEFER. The 1963 budgeted amount, Mr. Chairman, was $9,341,945. The actual expense for 1963 was $8,637,390.

Mr. PASSMAN. Please insert that table in the record.

Mr. KILLEFER. Yes, sir.

(The table follows:)

Social Progress Trust Fund, administrative expense

Category of expense	1963 budget	1963 actual expense
I. Board of Governors	$222,000	$193,971
II. Board of Executive Directors	512,500	457,269
III. Staff	6,076,600	5,588,173
A. Salaries	4,159,000	3,887,313
B. Other compensation and benefits	1,289,600	1,236,809
C. Travel	628,000	464,051
IV. Other administrative expense	1,759,750	1,802,208
A. Communications	245,000	196,825
B. Office occupancy	676,000	685,981
C. Publications and printing	235,250	247,665
D. Supplies and equipment	238,500	207,190
E. Contractual services	269,000	346,241
F. Miscellaneous	96,000	118,306
V. Field offices	587,920	595,769
VI. Contingencies	183,175	----------
Total	9,341,945	8,637,390

Mr. PASSMAN. What is the budgeted program for administrative expenses for fiscal 1964?

Mr. KILLEFER. For fiscal 1964 the budget is $10,745,700.

Mr. PASSMAN. Sir, I will be——

Mr. KILLEFER. I should have added that this figure includes the portion of administrative expenses attributable to the Social Progress Trust Fund which is reimbursed to the Bank by the United States.

Mr. PASSMAN. I am reading here from page 58 of the committee report, dealing with the Inter-American Development Bank, special report of expenses, 1963, inclusive, Board of Governors.

Are you a member of that Board?

Mr. KILLEFER. No; I am not, Mr. Chairman.

EXPENSES OF THE BOARD OF GOVERNORS

The Governors are normally the Ministers of Finance or the Secretaries of the Treasury. Mr. Dillon is the Governor representing the United States.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. I think the first week's meeting they had cost $143,358. The "representation" part of it was $17,745.

Well, they raised the cost up to $207,501 in 1962 and they dropped the representation allowance to $10,899. Then, in 1963 they lowered the total cost of the meeting to $201,624, but the "representation" bill went back up to $15,617. They said, in effect, I think, that they were going to try to bury the whisky bill for 1963 in some other item where we could not find it.

Mr. KILLEFER. Who said that, Mr. Chairman?

Mr. PASSMAN. I don't know the individual, but that was the substance of information which came to me.

Mr. KILLEFER. I am sure I didn't say it.

Mr. PASSMAN. Do you have your 1964 meeting expense account?

Mr. KILLEFER. The 1964 meeting has not yet been held, Mr. Chairman.

Mr. PASSMAN. What amount do you have budgeted for it?

Mr. KILLEFER. The 1964 item for representation——

Mr. PASSMAN. I am talking about the total for the meeting.

Mr. KILLEFER. I thought you were interested in the representation.

Mr. PASSMAN. What is the total?

Mr. KILLEFER. $186,000, which, as you will note, is a rather substantial decrease—I beg your pardon—it is $195,000.

Mr. PASSMAN. How much do you have, then, for representation allowance?

Mr. KILLEFER. $15,970.

Mr. PASSMAN. What is your understanding of representation allowance?

Mr. KILLEFER. Normally, Mr. Chairman, it is not a hidden kind of an amount, it is a very forthright thing to do.

Mr. PASSMAN. It is one of the tools of the trade, they say.

Mr. KILLEFER. No, representation includes primarily reciprocation of entertainment such as giving lunches for central bankers in other countries.

Mr. PASSMAN. It is also whisky, wine, anything which falls in that kind of entertainment category?

Mr. KILLEFER. Primarily food, and the hiring of the hall to hold the lunch or dinner for these finance ministers, and for private bankers as well.

Mr. PASSMAN. But the other is included in there, the whisky and gin, or whatever it takes to make it a complete show?

Mr. KILLEFER. Liquor is served at these functions.

Mr. PASSMAN. That answer is good enough.

Mr. KILLEFER. I wouldn't want you to get the idea that that was primarily——

Mr. PASSMAN. I am quite familiar with what representation allowance means.

Mr. KILLEFER. I thought you asked me what was included.

Mr. PASSMAN. You gave an explanation. The delegates don't bring their own whisky, do they?

Mr. KILLEFER. I have never asked—I have never examined that.

Mr. PASSMAN. I wouldn't go into it, because it would be a waste of time. Anyway, we were talking to the Export-Import Bank yesterday, and they have an operation which is considerably larger than yours, and their total expense for the year was only $9,000. They operate in a hundred nations in the world, all types of commodity lines.

Mr. KILLEFER. I am afraid you are going to be getting me to start agreeing with you, Mr. Chairman. I think they are an excellent institution.

Mr. RHODES. Do you want the record to show your former association with the Export-Import Bank?

Mr. KILLEFER. Thank you, Mr. Rhodes,

EXPENSES FOR ANNUAL MEETING OF THE BOARD OF GOVERNORS

Mr. PASSMAN. You will, please provide us a breakdown as to what this meeting will cost for 1964. They usually last about a week, is that correct?

Mr. KILLEFER. Normally—it will be this year from the 13th of April through the 16th. That is 4 to 5 days.

(Information supplied follows·)

Estimated expenses for Board of Governors' annual meeting, fiscal 1964

	1964 budget
Travel expense	$93,740
Representation	15,970
Local personnel	47,204
Publications and printing	3,000
Supplies and equipment	9,800
Hotel deposits	1,000
Freight	5,000
Miscellaneous	2,150
Contingencies	8,136
Total	186,000
Organizational expenses for next meeting	9,000
Total	195,000

OBJECTIVES OF MEETING

Mr. PASSMAN. Do you think that meeting is going to help you disburse this money any quicker?

Mr. KILLEFER. That isn't the objective of the annual meeting.

Mr. PASSMAN. What is the objective?

Mr. KILLEFER. Mr. Chairman, you and I have gone over this same point over the years, and actually the annual meeting serves a very useful purpose.

There are there in attendance, not only the Finance Ministers and other officials of the Governments, and the central bankers of these countries, but also commercial bankers from countries all over the world and financial people of scope and knowledge who sit down in seminars and at round tables and discuss very serious points of economic development in Latin America—what the mistakes have been in the past and how the programs should be bettered and what the priority should be so that these countries can do a good job and get on their feet, so that they will no longer need foreign aid in the amounts that they have in the past.

Mr. PASSMAN. I still think it is somewhat ridiculous to poop away all that money on a 4- or 5-day meeting. So far as I know, the Inter-American Development Bank kind of stands alone to the extent of this kind of extravagance. If you know of any other comparable institution that can submit an expense account that will compare to this one, let us have it for the record, and we shall put it in there and let the people who read the hearings judge for themselves if this matter is overdone.

Thank you very much, gentlemen.

WEDNESDAY, MARCH 18, 1964.

RYUKYU ISLANDS, ARMY

ADMINISTRATION

WITNESSES

HARRY C. McPHERSON, JR., DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS
LT. GEN. PAUL W. CARAWAY, HIGH COMMISSIONER OF THE RYUKYU ISLANDS
EDWARD W. O'FLAHERTY, CHIEF, ECONOMIC AFFAIRS DIVISION, CIVIL AFFAIRS DIRECTORATE
EDWARD J. McLAUGHLIN, CIVIL AFFAIRS DIRECTORATE
WILLIAM SEEFELDT, CIVIL AFFAIRS DIRECTORATE
STUART H. D. FREED, OFFICE, DIRECTOR OF ARMY BUDGET

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
11	Personnel compensation:			
	Permanent positions	1,509	1,575	1,752
	Positions other than permanent	10	10	10
	Other personnel compensation	9	21	18
	Total personnel compensation	1,528	1,606	1,780
12	Personnel benefits	137	143	174
21	Travel and transportation of persons	155	172	287
22	Transportation of things	39	68	47
23	Rent, communications, and utilities	29	35	37
24	Printing and reproduction	14	19	26
25	Other services	368	573	1,060
26	Supplies and materials	50	58	87
31	Equipment	61	38	33
32	Lands and structures		33	
41	Grants, subsidies, and contributions	6,564	7,255	10,910
	Total obligations	8,945	10,000	14,441

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	428	434	434
Full-time equivalent of other positions	2	1	1
Average number of all employees	407	417	429
Employees in permanent positions, end of year	413	421	434
Employees in other positions, end of year	0	0	0
Average GS grade	9.2	9.1	9.1
Average GS salary	$8,420	$8,780	$8,876
Average salary of ungraded positions (local rates)	$1,107	$1,306	$1,321

Program and financing

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
Program by activities:			
1. Administration	2,002	2,140	2,441
2. Aid to the Ryukyuan economy	6,943	7,860	12,000
Total obligations	8,945	10,000	14,441
Financing:			
Advances and reimbursements from other accounts	−1		
Unobligated balance lapsing	10		
New obligational authority (appropriation)	8,954	10,000	14,441

SUMMARY OF OBLIGATIONS

Mr. PASSMAN. We shall insert in the record at this point page 3 of the justifications and indicate that the estimate for fiscal 1965 amounts to $14,441,000 as compared to an appropriation of $10 million for fiscal 1964, or an increase of $4,441,000 over the amount appropriated by the Congress.

(The document referred to follows:)

Comparative summary of obligations by projects

Project No.	Purpose of projects	Actual obligations, fiscal year 1963	Estimated obligations, fiscal year 1964	Estimated, fiscal year 1965	Fiscal year 1965 over fiscal year 1964, increase (+) or decrease (−)
8710	Administrative activities	$2,001,627	$2,140,000	$2,441,000	+$301,000
8711	Pay of civilian employees	1,664,940	1,749,000	1,954,000	+205,000
8712	Travel of civilian employees	82,335	125,000	150,000	+25,000
8713	Information materials and services	100,626	100,000	150,000	+50,000
8714	Operating expenses	153,726	166,000	187,000	+21,000
8730	Aid to Ryukyuan economy	6,943,055	7,860,000	12,000,000	+4,140,000
8731	Reimbursement for Government services.	945,000	1,050,000	1,200,000	+150,000
8732	Contribution to Government projects	5,619,203	4,205,000	5,710,000	+1,505,000
8733	Transportation of commodities	3,418	5,000	5,000	
8734	Technical education and training	262,413	400,000	735,000	+335,000
8735	Technical cooperation	113,021	200,000	350,000	+150,000
8736	Construction of water system		2,000,000	4,000,000	+2,000,000
	Total	8,944,682	10,000,000	14,441,000	+4,441,000
	Unobligated balance	9,468			
	Total appropriation	8,954,150	10,000,000	14,441,000	+4,441,000

Mr. PASSMAN. I believe our first witness will be the Under Secretary. Mr. Secretary, we shall be pleased to hear from you at this time.

GENERAL STATEMENT OF MR. HARRY C. MCPHERSON, JR.

Mr. MCPHERSON. Thank you, Mr. Chairman. It is a pleasure to be here today, in support of the budget request for the administration of the Ryukyu Islands for fiscal year 1965. This is my first appearance before you. I am at present the Deputy Under Secretary of the Army for International Affairs, a position which carries with it the responsibility for monitoring the administration of the Ryukyus for the Secretary of the Army.

Since I have held this position for only about 6 months, I cannot pose as an expert. Daily since last October, however, I have been giving study and thought to the Ryukyus, and I had an opportunity to spend some time in the islands last November.

In this regard, we were very pleased, Mr. Passman, that you were able to go out there earlier this month.

Mr. PASSMAN. Thank you.

Mr. MCPHERSON. The more I have learned about the Ryukyus, the more impressed I have been by the strategic importance of these islands, especially of Okinawa, and by the necessity for the United States to do the best possible job of discharging its responsibilities in administering the islands.

This situation is unique. By the Treaty of Peace with Japan, as you know, the Ryukyus are, for an indefinite period, under the control of the U.S. Government. The United States has important military bases there and has ultimate authority over the islands until such future time as the United States may decide that conditions warrant the return of administrative control to Japan. Wth this U.S. authority goes responsibility.

STATUS OF PROGRAMS

Under the circumstances, our programs for the Ryukyus are not a one-shot operation. They have been going on for some time, and they will continue in the future. The United States has stated repeatedly that we are going to be in the Ryukyus so long as conditions of threat and tension require our presence there.

Since we are going to be there for some time, the responsibility is all the greater on us to work for the economic and social betterment of the Ryukyuan people. We are not there because they asked us to come—indeed they understandably would prefer to revert to Japanese administration when conditions permit. We are there by necessity.

The combination of a large foreign (that is, U.S.) military establishment, a basically poor country and one of the highest population densities in the world could have been ready made for trouble. It is to the great credit of the United States and also to the Ryukyuan people that instead of chaos we have had a generally favorable situation of mutual forbearance and mutual benefit—in which the Ryukyuan people have benefited economically and socially from our presence and in which, we in turn, have enjoyed their reasonable acquiescence in our bases and administration.

It is extremely important that these favorable circumstances be continued so long as we are there—and they can be so continued if

we proceed soundly. The Ryukyus are a small country, with a population of only about 908,000 inhabitants—and the people are literate, likable, capable, and responsive to fair treatment.

Under the circumstances, the islands can, and should, reflect American fairness and progress under American administration.

Given these conditions, I am especially glad to say that I believe the U.S. programs in the Ryukyus are going well. There is no room for complacency and much remains to be done.

But tremendous progress has been made in the Ryukyus, and it is there for all to see. My observation in the islands was that the money which has been appropriated for the Ryukyus has been spent wisely, efficiently and effectively.

I share in the belief that the money we are spending there is a good investment, and that it is being well administered.

My observations in the islands also indicated that the United States has the respect of the great majority of Ryukyuan people. The U.S. administration of the Ryukyus is fair and efficient—and it is now generally recognized by most Ryukyuans, we believe, as effectively promoting their welfare and well-being.

Further, better United States-Ryukyuan relations have resulted from such measures as the U.S. forces' highly successful people-to-people program, which touches virtually every town and village in the islands and creates a broad base of good will.

I was also impressed by the evidence that the Ryukyuans are not sitting back waiting for us to do everything for them. Far from it. They are hard-working people, used to toil. Their conditions are improving but standards of living are still quite low.

Much needs to be done to help them in their own efforts to progress in their economic development. U.S. aid is needed as an indispensable ingredient, but the Ryukyuans are doing most of it themselves.

Looking at the whole picture—the great military base, the needs of the situation, and the progress being made—I consider that the United States and the Ryukyuan people are deriving great benefits from our program, and that an even higher level of assistance is desirable, for the purposes set forth in our budget. I believe that the budget request for fiscal year 1965 deserves your favorable consideration.

Rather than proceeding further, I am sure you will want to hear from General Caraway, the High Commissioner of the Ryukyu Islands, who has come all the way from Okinawa to be with you today. General Caraway has done a truly remarkable job for us in the Ryukyus, and it is a pleasure to introduce him.

Thank you, Mr. Chairman.

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

RYUKYUAN ATTITUDES TOWARD U.S. ADMINISTRATION

On page 2 of your statement you say:

> We are not there because they asked us to come, indeed, they understandably would prefer to revert to Japanese administration when conditions permit.

I respect your views, but I found no indication and I do not think there is any record that would positively indicate they would rather be under Japanese control than American.

We shall be happy to hear now from Lieutenant General Caraway, U.S. Army High Commissioner of the Ryukyu Islands.

General Statement of Lt. Gen. Paul W. Caraway

General Caraway. Mr. Chairman and gentlemen, I am Lieutenant General Caraway of the U.S. Army, the High Commissioner of the Ryukyu Islands. I am glad to have this opportunity again to appear before the committee to report on the present situation in the Ryukyu Islands as it relates to the interests of the United States, and to present my views on the U.S. economic assistance to the Ryukyu Islands I believe to be needed to better the welfare and well-being of the Ryukyuan people and thus to serve our country's security interests in the western Pacific area.

Since you are already familiar with the situation in the Ryukyu Islands, I shall be brief in my description of conditions there. Your chairman, Mr. Passman, was in the Ryukyu Islands a short time ago and had an opportunity to see on the ground how the funds provided by your committee have been spent, and to gain further knowledge of continuing needs.

U.S. RESPONSIBILITIES IN THE RYUKYUS

It is U.S. national policy to maintain military forces in the Ryukyu Islands and to retain the administration of the islands for so long as conditions of threat and tension exist in the free world.

In my view, this policy is still valid and I thoroughly agree with it. The United States cannot determine how long the tensions will last because they are not of America's making. The U.S. tenure in the Ryukyu Islands, therefore, is indefinite and our country must be prepared to maintain the security base for as long as may be necessary. Under article 3 of the Treaty of Peace with Japan, the United States has the right to exercise any and all powers of administration, legislation, and jurisdiction over the Ryukyu Islands, the people, and the territorial waters.

The Congress gave its full support to this arrangement when the Senate ratified the treaty. In addition, the Congress explicitly placed a requirement on the High Commissioner in its enactment of Public Law 86–629, when it directed that—

> Every effort will be made to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and to promote their economic and cultural advancement during such time as the United States continues to retain authority over the Ryukyu Islands.

The Executive Order 10713, dated June 5, 1957, as amended by Executive Order 11010, dated March 19, 1962, is the basis for the authority of the High Commissioner. Among other things, it assigns three missions to the High Commissioner. These are: (1) To promote an effective, responsible government, (2) to develop a viable economy; (3) to promote the standard of living of the Ryukyuan people.

If the United States is to fulfill its obligations to the Ryukyuan people, it must assist in promoting a reasonable improvement in economic conditions, reflected in a rising standard of living.

Of necessity, action to meet this obligation is done in yearly increments. For this reason, I did not come here armed with an impressive looking 5- or 10-year plan for economic development. In my opinion, such plans cannot be related to the immediate situation and are often outdated before they are printed.

The High Commissioner and his staff have long-range goals. These provide the direction for each year's increment of projects. Therefore the programs I submit today are not haphazardly chosen.

They all attempt to move the economy, the society, and the political system forward in such a way as to complement each other, to advance the islands in an orderly fashion and at a rate consistent with that in adjacent areas of free Asia.

ECONOMIC POSITION

Basically, the Ryukyu Islands are a deficit area. The islands have no metals and no fuels of commercial value. Their resources are limited to a small amount of poor land, the products of the seas surrounding the islands, and the skills of the people, developed and potential.

The U.S. military base is the major asset in sustaining the economy of the Islands. Additional funds provided by the Congress are required to advance that economy. In my judgment, the islands will remain a deficit area; and, as long as the United States retains the administrative responsibility for the islands this country must provide the necessary assistance. This is not a matter of spending money lavishly to impress the world; or, to enhance the image of the United States, although we get both of these favorable side effects. It is a matter of acting in America's own enlightened self-interest.

FINANCING ECONOMIC PROGRAMS

Commencing with Japanese fiscal year 1962, the Government of Japan was invited to participate in the U.S. economic assistance program. During the Japanese fiscal year 1964, the Government of Japan was asked to provide $5.2 million in assistance and agreed to do so. The following are pertinent to the question of U.S. assistance to the Ryukyu Islands:

(*a*) The principal cost of economic and social programs in the Ryukyu Islands is paid by the Ryukyuan people themselves. The revenues and expenditures of the government of the Ryukyu Islands for fiscal year 1963 amounted to $40 million, this total including United States and Government of Japan aid. Rates of taxation are fair when related to the income of the area;

(*b*) The maximum revenues available to government of the Ryukyu Islands from its local resources are not sufficient to meet the minimum economic and social needs of the islands. The government of the Ryukyu Islands cannot finance needed major capital investment, such as electric power and potable water systems for the main island, Okinawa, let alone the growing demands from the other two main archipelagoes; sewage systems for the growing urban complexes; or all of the necessary facilities including teaching equipment, for the schools;

(c) United States aid to the Ryukyu Islands must satisfy both United States and Ryukyuan interests. The area continues to be politically stable, engendering a climate favorable to continued optimum use of the security base complex.

ECONOMIC PROGRESS AND PROSPECTS

The economy has continued to move upward and the standard of living has continued to rise at an acceptable rate, both due to U.S. efforts and demonstrated interest. The U.S. administration has enjoyed, and continues to enjoy the cooperation of the majority of the Ryukyuan people. The maintenance of this atmosphere is dependent upon America's continuing to demonstrate its interest in and support of a growing economy; a continued rise in the standard of living at a reasonable rate; continued American attention to and concern for education of the children; and a developing program of social insurance;

(d) The Ryukyuan people frequently make comparisons of their own progress with that of Japan as a whole. During the past decade, Japan has had an unprecedented growth due in part to American assistance to that country and to the security provided by the U.S. military presence in the Ryukyu Islands.

The continuing U.S. interest in the Ryukyus, and the support of your committee, enable the Ryukyuan people presently to enjoy a standard of living higher than existed prior to April 1945. In all fairness their standard of living prior to 1945 would not qualify as acceptable by any present-day standards.

I will repeat a statement I made last year and that is that the Ryukyus are not and can never be a rich country and the Ryukyuans, as a whole, are not and cannot be a rich people. The tillable land is scarce and of poor quality. The islands are densely populated. The average farmer cultivates approximately 1 acre. His year's income is barely $270. The farmer's situation could theoretically be improved by consolidating numerous, often widely separated small plots owned by one man or several members of the same family into larger farms lending themselves to the use of machinery and modern techniques. This has proved to be difficult since the landholding pattern in the Ryukyus is that of many small landowners who frequently refuse to trade their scattered holdings for a consolidated larger plot in another location.

(e) A cursory glance at the highways and the main streets of the cities shows indeed a gratifying standard but gives a false impression when compared to the areas outside the major urban centers, or the numerous slums, one block off the main street. Thousands of people live in poor, grossly overcrowded accommodations without even the minimum necessities which the average American would expect had been provided long since to any areas under U.S. administration

(f) The Ryukyu Islands are not now and never will be an economic asset to the United States. American military installations in the islands are necessary for the free world security in the Western Pacific. U.S. economic assistance to the islands is one of the costs it must pay in meeting its responsibilities as the leader of the free world.

(*g*) The program I am proposing is based on my appraisal of what needs to be done in terms of the interests of the United States as they relate to those of the Ryukyus. I am not a philanthropist, nor am I interested in using the taxpayers' money for hypothetical or problematical psychological advantages.

These programs are recognizable by all Ryukyuans, and by all visitors to the islands, friendly, neutral, or anti-American; they are known to be carefully administered, closely controlled, properly developed, and properly constructed. They are without question beneficial to the entire Ryukyuan people. In addition, and I am again repeating what I said last year: The projects supplement; they do not replace projects the Ryukyuans can do for themselves;

(*h*) I have asked in the past and I am asking this year, for U.S. assistance to the Ryukyu Islands partly to overcome the arrears of the middle 1950's, that are not yet made up. At that time, over a period of a few years, assistance dropped from a peak of about $50 million in 1950 to a point where the yearly average during the period 1954 to 1958 was $1.6 million. It was during those years that the United States accumulated a backlog of unmet requirements.

ECONOMIC ASSISTANCE REQUEST FOR FISCAL YEAR 1965

In the following paragraphs of this statement I propose to emphasize the programs of major importance and not attempt to catalog each individual project. The High Commissioner is again requesting $12 million in appropriated economic assistance funds for fiscal year 1965.

WATER SYSTEM ON OKINAWA

The largest single item in the requested assistance funds is $4 million for continuing development of water resources and distribution facilities of the water system on Okinawa. This utility is under the control of the High Commissioner and integrates the U.S. military and civilian water systems in Okinawa. This integration of the systems is the only insurance that there is a real program of control and conservation of a very scarce commodity, that is water, essential to the very life of every man, woman, and child on Okinawa. This project is now underway (and none too soon) using the $2 million in appropriated funds granted by the Congress in fiscal year 1964 and $2½ million from the High Commissioner's general fund. The $4 million requested for fiscal year 1965 is to be augmented by $3 million from the general fund.

The total cost of this phase of the development of the Okinawa water system will be about $17 million. The development when complete will utilize every proven water resource on the island and provide the necessary distribution and treatment facilities.

It will impound the excess water in northern Okinawa, bring it to central and southern Okinawa and distribute it to the people. This $4 million appropriation from Congress and the planned expenditure from the general fund would bring the total for this project for the 2 years to $11½ million. The development plan is based upon a survey by Metcalf & Eddy, of Boston, a reputable and competent water engineering firm.

SEWAGE DISPOSAL SYSTEM

The next request is for $500,000 to continue work on the development of a sewage system for the area bordered on the south by the southern limits of Naha City, and on the north by Kadena and Koza. This system encompasses the major concentration of the Ryukyuan and American population and forms a single sanitary district.

The time is past when any primitive solution to the problem of sewage disposal will suffice. Koza, Naha, and the smaller population centers, such as Ginowan, Futenma, Urasoe, and others, are in close proximity to major military installations. There is no modern or even decent sewage system anywhere in the area.

Koza lies along the eastern side of major Air Force and Army installations. It is the hub of offbase recreation for troops of all the services. At the present time in Koza the water is highly polluted. The chlorine requirement at the water treatment plant is very high indeed. The Koza sector of the project is expected to take 3 years to complete at a total cost of $1,200,000. Plans for fiscal year 1964 included installation of mains, a pumping station, and a part of the treatment plant for the center of Koza.

Naha is a similar problem. Its storm and sanitary sewage flows through three principal open canals. The system for Naha, a 5-year project, will cost $2,500,000.

A beginning was made in 1964 but both projects were curtailed because of the reduction of funds to $250,000 in the programing necessitated by the reduced fiscal year 1964 appropriation.

The sewage projects are tied in with the development of the island water system and must be developed at the same time to be most effective.

For example, it is possible that a pilot project under the direction of the U.S. Health, Education, and Welfare Department will show that a portion of the sewage runoff can be treated for return to the water system.

The Naha and Koza systems must be integrated with each other and with those of the U.S. military installations to insure that there are no blank spaces in handling the sewage of the area and that the systems will be able to handle a steadily increasing urban population through the years of American tenure.

EDUCATION PROGRAMS

In the field of education, I am recommending a departure from the past practice of only joint projects with the Government of the Ryukyu Islands in the construction of classrooms. While continuing to assist the Government of the Ryukyu Islands in the amount of $305,000 in the regular junior and senior high school classroom construction program, I am asking for funds to construct two complete schools to meet requirements in areas untouched by the present education programs of the Government of the Ryukyu Islands.

PROPOSED TRADE SCHOOL

One, is a trade school costing $340,000. The present senior high schools in the Government of the Ryukyu Islands system place primary emphasis on academic training designed to qualify students for

university entrance. The vocational training they provide, while extremely important, is of a generalized nature and is comparable to what is called industrial arts in U.S. education. It does not provide those graduates who do not go to a university with the training necessary for them to hold jobs requiring specific skills. Further, there is presently no place for the large number of junior high school graduates who do not enter senior high school to acquire these specific skills required by the economy and for successful job placement in the trades. This new school will offer no academic training but will offer courses in such trades as masonry, painting, auto-body repair and other sheet metal work, welding, appliance repair, construction, electric wiring, television and radio repair, carpentry, printing, commercial food service, and hotel operations. These are the trades needed in the Ryukyu Islands. The school has been designed to train 1,350 students a year.

COMMERCIAL ENGLISH SCHOOL

The other school, a commercial English school costing $155,000 is designed to meet the rising demand for qualified bilingual secretaries, stenographers, administrative clerks, bookkeepers, office managers, and others needed in business and commerce. The kind of training required for these jobs is not now provided in the senior high schools, and it can be more effectively and economically provided in a specialized school. Like the trade school, it would not offer academic training, but would concentrate exclusively on inculcating skills needed in the economy. It would provide opportunities for junior high school graduates who now compete for the dwindling number of unskilled jobs, and for students from the existing senior high schools who at some point decide they wish to try for a skilled occupation rather than for university training; or who under the existing selection system cannot go to a university. Such jobs now go to non-Ryukyuans. The commercial English high school would offer a 2-year curriculum for 400 day, and 200 evening students.

SCHOOL EQUIPMENT

This year's program contains an item of $460,000 for school equipment. During past years the United States has invested heavily in classroom construction. This program is well along but too many of the schools are still without adequate furniture and teaching equipment. Serious deficiencies remain in provision of science equipment, audiovisual teaching equipment, and classroom furniture. The program to provide school furniture began in fiscal year 1963, while provision of science equipment was instituted in fiscal year 1964. These programs need to be continued and procurement of audiovisual equipment inaugurated.

OTHER PROPOSED INCREASES FOR EDUCATIONAL PROGRAMS

Other items in the field of education are for the continuing annual augmentation of teachers' salaries ($1 million); the operation of the new English language center ($30,000); the provision of supplementary English language training ($100,000); and the continuance of guidance to the University of the Ryukyus ($140,000). This is by

the Michigan State University Advisory Group. The English language center, just completed, is a distinctive U.S. project. It is under U.S. administration and control. It is expected to remain in that situation until it is firmly established and has been in operation long enough to be able to maintain its momentum under the control and guidance of the University of the Ryukyus.

Teachers of English in Ryukyuan schools will benefit from being trained at the English Language Center. The $100,000 item for supplementary English language training will go largely for the purchase of recently developed textbooks and supplementary teaching materials to effect gradual replacement of texts and materials which, from a textual and interest content, vocabularly level, and general design, are obsolete.

The $140,000 for the University of the Ryukyus guidance continues the work of the team from Michigan State University. The presence of this group will continue to be necessary for a long time to come to insure that the University of the Ryukyus progressively moves in a direction compatible with the maximum development of the Ryukyuan society and economy.

EQUIPMENT FOR OKINAWA CENTRAL HOSPITAL

Funds in the amount of $250,000 are needed to equip the New Okinawa Central Hospital in Gushikawa. This hospital is presently being constructed with funds provided by the Congress in fiscal year 1963. This hospital will be a pacesetter for all medical institutions in the Ryukyu Islands; be a center for training of interns, nurses, and doctors; and will serve as a model for hospitals in the Western Pacific areas outside the Ryukyus.

DISEASE CONTROL PROGRAMS

In the area of disease control, I am asking for $480,000. This is $180,000 over the amount provided in fiscal year 1964. It is $40,000 more than the amount initially requested for this program in fiscal year 1964.

This is primarily a continuation and acceleration of programs already instituted. It serves the health of the American soldiers, sailors, marines, airmen, and their dependents equally with the Ryukyuans. Emphasis has been and will continue to be placed on reduction in incidence of diseases which pose a threat to U.S. military forces. This can be done without detracting from the benefit accruing to the Ryukyuan people. The diseases in the program include tuberculosis, poliomyelitis, encephalitis, trachoma, and veneral disease. A new project is planned for sanitation measures and treatment to reduce the incidence of such parasitic diseases as hookworm, roundworm, pinworm, and filaria. Further, funds in this request are to be used for improvement of surgical capabilities, physiotherapy, occupational therapy, and rehabilitation of victims of Hansen's disease. The director of the Okinawa Leprosarium is presently receiving Administration, Ryukyu Islands, Army sponsored training at the Carville Leprosarium in the United States. The knowledge gained by this Ryukyuan doctor will continue to advance the program. No specific construction plans for the leprosaria are included in this year's request.

FUNDS REQUESTED FOR EDUCATIONAL EXCHANGE PROGRAMS

Funds are requested for the educational exchange program in the amount of $735,000. This includes $87,700 to send 24 young men and women who are potential leaders, to the United States to observe and to study, and I might add here, principally to study; $16,000 for training physicians in the United States and at the U.S. Army hospital in Okinawa; $485,500 for sending new students to the continental United States and Hawaii, and to extend the training of those presently in these locations; $8,000 for sending farm youths to Hawaii for training in diversified farming; $3,500 as the High Commissioner's share in the AID-sponsored program of third country training in Taiwan; $9,700 for training of policemen, firemen, and prison officials in the continental United States and Hawaii; $45,000 to send 27 Ryukyuan trade-school teachers and advisers to the United States for technical training; $4,600 for programs of training at the East-West Center in Honolulu; $75,000 for apprentice training, I believe that these programs have justified themselves many times over in terms of the results. Returned students have brought new ideas and new techniques into the Ryukyu Islands and will continue to do so.

NEW APPRENTICE TRAINING PROGRAM

The only new item in this program is the $75,000 for apprentice training. Under this program Ryukyuan young people are placed in U.S. military installations to learn trades and to acquire skills which could not be taught anywhere else in the Ryukyu Islands without expensive duplication of equipment already owned by the military services. This program follows that developed in the United States and approved by the Department of Labor. The U.S. Army, Ryukyu Islands has been conducting this training in the past from its own budget. Reduction of personnel spaces and other economies directed by the Department of the Army will force this program to be drastically curtailed or eliminated unless assistance is provided. It is the only recognized apprenticeship program in the Western Pacific; it is a model for other countries; it has now passed its infancy and requires funding by the High Commissioner to continue and to develop. It is an important program with immediate as well as long-term benefits to the economy of the Ryukyu Islands.

FUND REQUESTED FOR PUBLIC WORKS

The remaining significant item in the proposed budget is $1,775,000 for public works, excluding the water and sewage systems which I have already mentioned. This contains $800,000 for roads and bridges; $200,000 for seawalls; $300,000 for piers and harbors; $125,000 for municipal housing to assist the city of Naha in its municipal housing program; and $350,000 for agricultural irrigation systems. These are continuations of long-range programs designed to build the structure necessary for economic development; and each program, I believe, has justified itself in the past.

INCREASED REIMBURSEMENT FOR MUNICIPAL SERVICES

This committee has concurred in the reimbursement by the United States of the government of the Ryukyu Islands for police, public health, sanitation, and other services performed on behalf of and because of the presence of the U.S. military forces in the Ryukyu Islands. The cost for fiscal year 1965 will be $1,200,000, an increase of $150,000.

This concludes my prepared statement to this committee. I shall be glad to provide any further detail desired by the committee and will attempt to answer questions on any of the projects contained in my request to Congress.

TOTAL U.S. INVESTMENT IN THE RYUKYU ISLANDS

Mr. PASSMAN. Thank you, General Caraway. Could you supply the committee an estimate of our total investment in the Ryukyu Islands?

General CARAWAY. Yes, sir.

The closest estimate we have as to how much of the U.S. Government's funds are invested in the Ryukyu Islands in terms of construction facilities, and so on, is that they amount to about $1,050 million. This is exclusive of goods and services that the civil administration has provided over the years to the benefit of the Ryukyuans, and of resettlement funds.

Mr. PASSMAN. That would include, of course, our military equipment that is on the bases in the Ryukyus?

General CARAWAY. Yes, sir. Why I say, "about," Mr. Chairman, is that the Navy and the Marines have a different way of accounting for their equipment and, therefore, they were unwilling to make a firm estimate as to what their stock actually was.

Mr. PASSMAN. That equipment would be included in the estimate that you have given, though?

General CARAWAY. I think my estimate will come pretty close to hitting it at about $1,050 million. If you take what we have done in addition—that is, funds that have gone into the goods and services—it comes to better than $1,184 million.

Mr. PASSMAN. I suppose that is about the largest investment we have on any offshore island; is it not?

General CARAWAY. I do not know; that is a big one all right.

SALVAGEABLE U.S. INVESTMENT IN EVENT OF WITHDRAWAL

Mr. PASSMAN. I know that in the legislative draft of the bill the conclusion shows financial condition on page 73, net worth U.S. Civil Administration, $77,350,000. I should like to ask this question, General: What part, if any, of the assets listed here would be left on the Ryukyus in the event we should pull out some day. Or putting it another way, what would be salvaged out of this investment?

General CARAWAY. Well, Mr. Chairman, I cannot answer this apodictically, because I do not know what the policy would be at that distant future.

Mr. PASSMAN. We are carrying it, net worth, U.S. Civil Administration.

CAPITAL IN RYUKYU DEVELOPMENT LOAN CORPORATION

General CARAWAY. Yes, sir. A certain amount of this, as you know, are funds. For example, there are $26 million of Garioa funds which provided the basic capital for the Ryukyu Development Loan Corp. which today now is worth about $35 million.

Mr. PASSMAN. I believe it is worth about $39,749,000.

General CARAWAY. Yes, sir.

Mr. PASSMAN. At the end of 1964, $37,777,000. So that Corporation has grown rapidly and most, if not all of the money is being reinvested on the island, is it not?

BANK STOCK

General CARAWAY. All of it is. Second, there may be other movables that will be worth some money. We also, as you know, own 51 percent of the bank stock of the Bank of Ryukyus, which could be sold and recovered, and that amounts to several million dollars in value now.

Mr. PASSMAN. If you could find a buyer.

General CARAWAY. I think you could find a buyer, because that is a good bank.

INVESTMENT IN RYUKYU ELECTRIC POWER CORP.

Mr. PASSMAN. For the Ryukyu Electric Power Corp., an investment is shown at the end of 1964 of $16,121,000. Now, you could only realize out of that investment by finding a buyer.

General CARAWAY. That is right, sir, and again it would depend on whatever negotiations took place when we leave the islands.

Mr. PASSMAN. Is that obligation incurred directly by the Ryukyuans, or is it the obligation of the Ryukyu Development Corp.?

General CARAWAY. It is the Ryukyu Electric Power Corp., sir, they have to pay it all.

Mr. PASSMAN. So, that investment is not actually included in the assets here as of the end of 1964?

General CARAWAY. To the end of fiscal year 1964, of course the plant will only be partially completed. It comes on the line commencing October and runs through to January, 1965.

AID ASSISTANCE TO RYUKYUAN IMMIGRANTS TO LATIN AMERICA

Mr. PASSMAN. I note here, sir, on page 73, $800,000 was also made available in 1963 from the Agency for International Development to assist the program of Ryukyu emigration to South American countries. Was that just a onetime request?

General CARAWAY. So far as I know, sir, that is all there is to this particular program at the present time. As you know these moneys have been paid into the South American colonies by AID with small amounts being allocated for transportation of prospective colonists.

Mr. PASSMAN. But it is to benefit the immigrants to Latin America?

General CARAWAY. Yes, sir.

Mr. PASSMAN. How is it working out?

General CARAWAY. Very well, they are turning out to be extremely good citizens of Bolivia, Peru, Colombia.

Mr. PASSMAN. General Caraway, I believe I speak for the members of the committee when I say that we were tremendously impressed during our recent visit to Okinawa with your administration and the improvements that were clearly evident there.

OKINAWA CENTRAL HOSPITAL

During the visit we observed the progress of construction of a new hospital. What size hospital is that to be, General?

General CARAWAY. This hospital will be a 400-bed chassis. Now, this is a jargon I am not sure of, but anyway the base facilities will be able in the long run to handle 400 beds. At the present time, when it is completed it will have half that number available.

Mr. PASSMAN. Is that a teaching hospital or is it a combination teaching and patient hospital?

General CARAWAY. It will be a combination teaching and patient hospital because the out-patinet clinic when it is finished will give doctor teaching and intern training. There will be a nurses' school in connection with it.

TOTAL COST

Mr. PASSMAN. What will the total cost be of the installation, buildings and facilities and equipment, at the time of completion? You may insert the information in the record, General.

General CARAWAY. Yes, sir, I will have it.

Mr. PASSMAN. We would like to have an estimate of the cost for the acquisition of the land.

General CARAWAY. The land was provided free of charge, sir.

Mr. PASSMAN. And the building and, of course, the equipment if you can give us the total.

General CARAWAY. Equipment is what we are asking for now, sir, and I think that is $250,000 in fiscal year 1965.

Mr. PASSMAN. You can insert the amount in the record.

General CARAWAY. They will look it up and get it for me in just a second.

(The following information was subsequently supplied:)

OKINAWA CENTRAL HOSPITAL

Estimated total cost of the new Okinawa Central Hospital at Gushikawa is $1,997,500. The United States will fund $1,432,500 of this amount and the Government of the Ryukyu Islands (GRI) $565,000. The cost of construction and facilities is estimated at $1,637,500 of which it is proposed that Administration Ryukyu Islands, Army (ARIA) will eventually finance $1,132,500 and the GRI $505,000. The equipment cost of $300,000 is to be financed by ARIA. The land, which was donated to the GRI by Gushikawa-son, is valued at $60,000.

JAPANESE GOVERNMENT ASSISTANCE TO THE RYUKYUS

Mr. PASSMAN. How much money is Japan contributing to the islands in fiscal 1964?

General CARAWAY. For their fiscal year 1964 they are prepared to give $5.2 million.

Mr. PASSMAN. What projects will be financed, or are being financed, by the $5.2 million, General?

General CARAWAY. Well, they are broad programs that we have invited them in to help finance. They consist of a number of things.

They have a technical assistance program to support Ryukyuans whom they bring up to Japan to help educate. They have a certain number of doctors and dentists who come from Japan both in touring companies as it were, in teams, and also doctors that come for 6 months or a year to serve in what is known as doctorless areas of Okinawa, where there are no doctors present.

They augment, for example, the other doctors. They have a model farm and they are supplying about $25,000 operational funds. They have a scholarship program—of course, this money never comes to the Ryukyus as such, but the money provides scholarships for a number of Ryukyu students in Japanese universities. They dispatch lecturers on teaching under the aegis of the Ministry of Education principally to deal with upgrading and maintaining the proficiency of teachers, and also they give short courses in the Ryukyuan University. They have a teacher's training program, for example.

Now, to get on to other things though. They are providing funds in this program for retaining wall construction and maintenance, that includes farm retaining walls for agricultural land and also for seawalls.

Our programs complement each other there. They are putting a little money into navigational aids. This is for high-level atmospheric observation. They do this under an international agreement, which assigns them the responsibility for this entire area, so that all of the navigational aids and weather stations will follow a uniform pattern.

Mr. PASSMAN. Do you have a breakdown of the data?

General CARAWAY. Yes, sir.

Mr. PASSMAN. You might insert the entire sheet in the record, General.

(The information follows:)

Government of Japan economic and technical assistance to the Ryukyu Islands

	Proposed JFY 1964 [1]
1. Technical assistance	$81, 889
2. Doctors and dentists from Japan	245, 716
3. Model farm	25, 725
4. Japan national scholarship program	129, 875
5. Scholarship fund	90, 089
6. Retaining wall construction and maintenance	412, 450
7. Agricultural land development	256, 903
8. Navigational aids	18, 615
9. High altitude weather station supplies and equipment	244, 792
10. Roads and bridges, construction and maintenance	312, 783
11. Land and boundary surveys	300, 000
12. Central Bank, agriculture, forestry, and fisheries	833, 333
13. Hospitalization of TB patients in Japan	316, 177
14. Agricultural, livestock, and fishery research	58, 483
15. Consolidation of fishing port facilities	183, 380
16. Forestry development	137, 436
17. Livestock breeding, cold storage plant	135, 583
18. Mountain conservation and river control	176, 540
19. Urban development	121, 600
20. Piers and harbors projects, construction and maintenance	205, 000
21. Child welfare facilities	119, 194
22. Travel expenses TB patients	15, 003
23. Medical supplies and equipment	100, 497
24. Public housing	125, 000
25. Public school vocational equipment	20, 000
26. Free textbooks for elementary school	177, 061
27. Educational training in Japan	24, 361
28. Educational guidance	65, 203
29. Welfare of physically handicapped	40, 000
30. Medical facilities	75, 000
31. Medical insurance training	8, 789
32. Control of "filariasis"	10, 058
33. Assistance to bereaved family students (NDEK) [2]	675
34. Treatment of leprosy (Hansen's Disease) (NDEK) [2]	7, 000
35. Welfare for mother and child families (NDEK) [2]	20, 000
36. Distribution of textbooks (NDEK) [2]	42, 533
37. Contribution school supplies (NDEK) [2]	70, 989
Total	5, 207, 732

[1] This program remains subject to mutually acceptable resolution of specific projects.
[2] NDEK—Aid programs executed by the GOJ through the Nampo Dobo Engo Kai.

SUGAR PRODUCTION

Mr. PASSMAN. What is the main agricultural crop in the Ryukyus?

General CARAWAY. Sugar.

Mr. PASSMAN. I believe all that sugar is exported to Japan; is it not?

General CARAWAY. Yes, sir; all of it goes to Japan.

Mr. PASSMAN. It is my understanding that the Japanese pay a substantial premium to the Ryukyuans in order to get the sugar?

General CARAWAY. Yes, sir.

Mr. PASSMAN. The fact is that the Japanese get no real benefit out of the island of Okinawa, do they, other than that they are privileged to buy their sugar at a premium?

General CARAWAY. No.

Mr. PASSMAN. In turn, however, that fact gives the Japanese a market in Okinawa: does it not?

General CARAWAY. Yes, sir.

JAPANESE ASSISTANCE TO THE RYUKYUS IN FISCAL YEAR 1965

Mr. PASSMAN. Do you know at this time, General, the amount of the Japanese contribution contemplated for fiscal 1965?

General CARAWAY. Not as yet, Mr. Chairman, because you see their fiscal years overlap ours. Their fiscal year 1964 started in April and will end March 31, 1965. This is their third year as part of this program.

PER CAPITA INCOME

Mr. PASSMAN. What is the per capita income of the islands?

General CARAWAY. Well, as of the first of this month, the per capita income stood at $314.

For the last year, which was the last full year, it was $292.

Mr. PASSMAN. Now, in comparing the per capita income of the islands with income elsewhere you would have to take into account what you could purchase with that $314. It is what you can buy with the income which counts; is it not?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Yes, it is a question what you can buy with the income. We are, for example, frequently pointing to our great gross national product, but we have not had a corresponding increase in unit production as in the overall figure.

Inflation runs the figure up; it looks big, but it does not mean much, really, unless you relate it to the unit production. Is that point clear?

General CARAWAY. Yes, sir.

OKINAWA WATER SYSTEM

Mr. PASSMAN. General, when will the Okinawa water system project be completed?

General CARAWAY. We are shooting for the end of 5 years, sir, from this year.

Mr. PASSMAN. What will the total cost be?

General CARAWAY. $17 million, plus.

Mr. PASSMAN. What will be the amount of our contribution?

General CARAWAY. Ours will be $11 million from the Ryukyu Domestic Water Corp., and if we are provided the request this year, $6 million appropriated funds. This is the last request for appropriations.

Mr. GARY. Where does the water come from? General, what kind of a system is the water system that you have there?

General CARAWAY. Our water is entirely dependent upon rainfall. That is the only source of water. We impound the bulk of it, and we do have two proven aquifers, that is two proven underground reservoirs, one is at Kadena, one at Tengan, which is one of the developments that is taking place now.

However, these aquifers also have shown themselves to be completely dependent upon rainfall, because during the drought of last year, actually it lasted 10 months, the capacity of the Kadena well fields dropped 45 percent and it got to the point where we were sure we would have to stop pumping.

Mr. ANDREWS. What is the average rainfall?

General CARAWAY. On the island itself, per year, is 84 inches. Last year we had about 11 inches.

Mr. GARY. Do you have a purification plant in connection with the water supply?

General CARAWAY. Yes, sir; we have a purification plant for both the water we pump out of Kadena and also the water we get from the runoff from the rivers.

SEWAGE DISPOSAL

Mr. GARY. What about your sewage?

General CARAWAY. There is no system. The sewage is just dumped raw into the oceans or the streams. That is one of our problems. We have pictures which I will leave with you of the Bishigawa area where one of our main plants is located. The city dump of Koza and the city dumps of the other areas, you will be able to see, are within 600 yards of the pumping plant.

Until we can get a sewage system we are just living on the ragged edge of having a severe epidemic one of these days.

Mr. GARY. You need a disposal, sewage disposal plant?

General CARAWAY. Yes, sir; but we need an integrated one which will tie the military and the civilian plants together.

Mr. RHODES. Mr. Chairman?

Mr. PASSMAN. Yes, I yield.

WATER CATCHMENT BASINS

Mr. RHODES. General, do you have mountains in Okinawa?

General CARAWAY. In the northern part, sir. The highest peak is about 3,000 feet, I guess.

Mr. RHODES. Is the rainfall heavy up there?

General CARAWAY. The rainfall is steadier up there; you are likely to get rainfall there if you get any at all. However, the rainfall averages 84 inches over the entire island.

Mr. RHODES. Do you use catchment basins for the rainwater?

General CARAWAY. Yes, sir.

Mr. RHODES. How do you construct the basins?

General CARAWAY. We build a series of earth dams, the biggest one will hold about 700 million gallons. It is now after a very fortuitous series of rains, the heaviest of which was 2.7 inches, less than three-quarters full. We were down to 90 million gallons as our total reserve before it started raining again.

Mr. RHODES. Are your aquifers being fed from the underground flow from those catchment basins?

General CARAWAY. They are not sure where the flow for the aquifers comes from, because of the peculiarities of the coral formation. However, we do know that there is very little leakage out of the catchments. Places that would hold water were selected for this purpose.

Actually there are not too many that hold water. Some time in the past a catchment was contructed without proper survey and it is the finest sieve you can find.

Mr. RHODES. One way, of course, to get a lot of water from rain is just to pave the side of a mountain. If you do, no water goes into the underground, which causes a lot of people concern if they depend on

underground water. However, in a place like Okinawa where you do not depend on underground water you might consider the idea of paving one of those mountains.

General CARAWAY. So far, we do not have to, because the slopes are steep enough. As this system progresses we will go to the northern part of Okinawa and dam up an entire estuary, in effect it amounts to that; and those steep slopes will feed the water into the catchments. We have almost used your ideas in Kadena, the big air base there. The runways are in effect catchments; in other words, the runoff hits the runways, it runs down into the ditches; the ditches then carry it to a basin from which it is pumped right into the Bishigawa pumping station.

NUCLEAR DESALINIZATION STUDIES

Mr. PASSMAN. Have you ever given consideration to using a nuclear plant to provide needed power to the islands and, at the same time, provide for desalinization of seawater to provide needed water for the islands?

General CARAWAY. Yes, we have, Mr. Chairman. There is a project under consideration by the Army, of having a nuclear power plant, a plant with the power provided by a reactor, which will use the excess heat for desalinization of water.

Mr. PASSMAN. That item will come out of the Defense budget, will it not?

General CARAWAY. Well, that is the way it is presently being examined. I do not think a decision has been made yet.

METCALF-EDDY WATER SYSTEM STUDY

Mr. PASSMAN. What is the total cost of the Metcalf-Eddy study?

General CARAWAY. I think it was $23,000 or $25,000, sir. That was made two years ago.

Mr. PASSMAN. And that survey related to the water system, did it not?

General CARAWAY. That was a survey of the water situation on Okinawa with recommendations for the water system that we are now implementing.

Mr. PASSMAN. When we asked the question of total cost of the water system in our contribution, I believe you said $17 million?

General CARAWAY. Yes, sir.

Mr. PASSMAN. But I believe this study continues on to the year 2000, does it not?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Do you have a contract that far in advance?

General CARAWAY. No, sir. This is a 5-year contract that we are working on now, sir.

Mr. PASSMAN. Why would consideration be given to a study that would continue to the year 2000?

General CARAWAY. To be perfectly frank with you, Mr. Chairman, I have not given any consideration to a system that would go to 2000, and I will show you why.

When Metcalf & Eddy made this study they really went, as the saying goes, "far out," when they said that the Ryukyuan people on Okinawa would, by about 1975, I believe, be using 40 gallons of

water per person per day. As a matter of fact, according to current trends, it is clear that they are going to be using 80 gallons a day. Part of this increased usage will be due to the fact that they will have a sewage system which we hope will be at least reasonably modern, and the fact that they are now getting to the point where they appreciate water.

As I was saying at lunch, there is no way in many of the areas for them to go out to the nearest brook and wash their clothes in a creek. They now have to wash their clothes in the house or someplace where they have to draw water.

ADEQUACY OF THE OKINAWA WATER SYSTEM

Mr. PASSMAN. In planning the present water system for which our contribution will be $17 million, do you contemplate that this system can suffice to 1975, or when will you have to enlarge the system? Do you have any projections on it?

General CARAWAY. I do not have any firm projections. In my personal opinion, sir, we are going to have to study further this matter of getting some additional water. I would say that we have to get water out of the sea rather than trying to depend on getting it from the rainfall on the islands.

Mr. PASSMAN. The amount you can get from rainfall is limited, so only time will tell whether or not that supply will be adequate to take care of our men as well as the population of the islands?

General CARAWAY. Yes, sir. So, we are going to have to plan on desalinization of water as quickly as a firm proposal can be made and financed.

Mr. PASSMAN. Have you ever tried any tube wells on the islands? What kind of water do they get if they simply dig wells?

General CARAWAY. Yes, sir. Many people have individual wells.

Mr. PASSMAN. They can get fresh water from wells?

General CARAWAY. Yes, and there are many of them that are highly polluted, of course. They also run dry just as soon as they have, say, 30 days without rain.

Mr. PASSMAN. The underground reservoir capacity is very limited?

General CARAWAY. Absolutely, it just disappears as quickly as it stops raining.

PILOT SEWAGE DISPOSAL PROJECT

Mr. PASSMAN. General, where is the pilot project of the U.S. Department of Health, Education, and Welfare being conducted? This is in connection with the sewer system.

General CARAWAY. It would be put, probably at the Machinato, or somewhere in the Naha area.

Mr. PASSMAN. The location has not yet been determined?

General CARAWAY. No, sir.

Mr. PASSMAN. What will the total cost be?

General CARAWAY. I do not know; we have not gotten that far on it.

U.S. CONSTRIBUTIONS FOR CLASSROOM CONSTRUCTION

Mr. PASSMAN. How much money has the United States contributed to date for classroom construction, since we occupied the islands?

General CARAWAY. We have contributed a good deal.

Mr. ANDREWS. $8,748,000?

General CARAWAY. Yes, sir; from 1954 through 1963, that is about right. It is about $8 million-plus, sir,

Mr. PASSMAN. Would you state the number of elementary school classrooms; the number of junior high school classrooms; the number of senior high school classrooms, used entirely for the Ryukyuans? And if you could project this school construction program completion, give us an estimate, if you can.

General CARAWAY. As of April 1963, there has been a total of 6,593 classrooms. Elementary schools, 3,891; junior high schools, 1,722; senior high schools and vocational high schools, 939; and schools for the handicapped, 41,

Actually everybody has put their money toward these classrooms, not only ourselves.

This is the GRI and the others.

Mr. PASSMAN. Are those schools and classrooms in that total Mr Andrews mentioned, the U.S. contribution of $8,800,000?

General CARAWAY. Yes, sir. That would be the United States.

Mr. PASSMAN. Do you have a target date for completion of this school system, and the projected total cost?

General CARAWAY. We have finished with elementary schools, Mr. Chairman, and we are not building any more elementary schools. The bulge in the population of the school age is still moving forward. As a result, I would be less than fair if I tried to give an estimate as to the exact needs too far into the future.

Mr. PASSMAN. You are building only junior and senior classrooms, at the present time?

General CARAWAY. Yes, sir.

I would like to go one step further here at the moment, because the time has come, as far as the Ryukyu Islands are concerned, where they can no longer just build classrooms and keep adding to existing schools—which is what they have been doing.

In the first place you begin to get yourself killed by your administrative overhead by taking care of a bunch of isolated schools. The population pattern is changing fast. People are becoming more urbanized, moving into an area where they can make money and get jobs.

RYUKYU GOVERNMENT SURVEY OF SCHOOL PLANT REQUIREMENTS

We, therefore, have asked the Ryukyuan Government to prepare a plan for at least 5 years ahead which will show what they want to do with their schools.

When they complete the plan it should show what schools should be turned into consolidated-type schools, and serve a large community by bus, and which ones should have junior, senior, and elementary schools together, thus minimizing the construction costs and the overhead due to administrative personnel.

When that plan is completed we should be able to answer your question directly and correctly.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

NEW RYUKYUAN EDUCATION PROGRAMS

Mr. PASSMAN. General, I see that you propose to inauguarate an audiovisual equipment program costing $125,000. That is a new program you are inaugurating, is it not?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Where will that program be used?

General CARAWAY. This will be started with the senior high schools and the selected junior high schools.

Mr. PASSMAN. You also propose to construct a trade school at a cost of $340,000. That is a new program?

General CARAWAY. That is a new program. It will be under U.S. operation until we get it going. This will be an American-type school.

Mr. ANDREWS. May I question, Mr. Chairman?

Mr. PASSMAN. Yes, of course.

SCHOOLS FOR U.S. SERVICE PERSONNEL

Mr. ANDREW. When we are talking about schools, do they include any schools that we might have built out there for our service personnel?

General CARAWAY. No, sir. These are Ryukyuan schools. The schools for service personnel were built out of military construction funds. We are building a new high school for military personnel now.

Mr. ANDREWS. Give us a rough estimate of how many schools the service people have out there now.

General CARAWAY. We have four elementary schools. We have one senior high school, and that is all.

Mr. ANDREWS. Do you have any trouble recruiting schoolteachers for the service schools?

General CARAWAY. Nothing serious.

Mr. ANDREWS. Does that come under your jurisdiction?

General CARAWAY. Yes, sir; the Department of the Army has overall responsibility at the present time.

COMPLAINTS FROM TEACHERS

Mr. ANDREWS. I serve on that Defense Subcommittee of the Appropriations Committee, and we get quite a few complaints from teachers that they are not paid enough.

General CARAWAY. Yes, sir.

Mr. ANDREWS. And the record shows every year, however, that there are about 5 or 10 applicants for each job they have to fill.

General CARAWAY. Yes, sir.

Mr. ANDREWS. You do not hear any complaint out there among your teachers about being underpaid; do you?

General CAROWAY. I have not heard any, sir. What happens out there, sir, is that a number of teachers come back every year. In other words, they like to teach there.

There are others who come and stay for a year or 2 years. Many of those are young people, men and women, and they take this opportunity to see the Far East on the school vacations. They go to Tokyo; they go to Bangkok; they go to Manila and everywhere else they can.

Mr. ANDREWS. That is considered very choice duty. That is the reason you have about 10 applicants for each job.

TEACHERS' SALARY SCALES

Mr. GARY. What is your scale of pay there?

General CARAWAY. I could get it for you.

Mr. GARY. I would want the pay scale, as compared with Washington, for example, or some of the other cities in the United States.

Mr. ANDREWS. I think about 20 percent more, roughly. And then they get a lot of fringe benefits, transportation and commissary privileges. Is that not right, General?

General CARAWAY. Yes, sir. They are taken care of all right. They are furnished quarters.

INCREASES REQUESTED FOR DISEASE CONTROL PROJECTS

Mr. PASSMAN. General, I note that you are increasing the disease control project by $180,000 in fiscal 1965.

General CARAWAY. Yes, sir.

Mr. PASSMAN. What would the 1965 cost be for the overall program?

General CARAWAY. For disease control it would be $480,000. This is an increase of $180,000 over last year, sir. We requested in 1964, $440,000, and at the end of the year we programed $300,000.

PART-TIME ENGLISH INSTRUCTORS

Mr. PASSMAN. With reference to the budget proposal of $20,000 for 50 instructors for part time, is that for English-language training instructors?

General CARAWAY. Under the English language center this will all be English instructors, but that is only a director and six full time.

Mr. PASSMAN. I am talking about the part-time instructors. Do you recruit these part-time instructors from our own personnel on the base?

General CARAWAY. Many of them come from what they call the American Dependent Volunteer Teachers Association, which is nothing in the world but an organization of volunteer, American dependents, some young soldiers and officers, and so on.

Mr. PASSMAN. Does that activity give them a supplement to their own income?

General CARAWAY. The ones I am talking about do not get any pay.

Mr. PASSMAN. But you are asking for $20,000.

General CARAWAY. That group—the ones that get paid—will in general be Ryukyuans who have been trained in the United States in teaching English as a second language, "Golden Gaters," as they are called.

Mr. PASSMAN. That would amount to an average of approximately $400 per year for each instructor, would it not?

General CARAWAY. Yes, sir.

Mr. PASSMAN. How many hours per week would they work?

General CARAWAY. Two hours a night for 5 nights a week.

Mr. PASSMAN. And they get about $400 per year for this activity as compared to a per capita income of $314?

General CARAWAY. Sir, the per capita income of $314 is against the whole 900,000-plus people.

Mr. PASSMAN. Of course.

General CARAWAY. When you take the working force, the per capita income is something over $600 or $700. This is supplementary pay, sir.

Mr. PASSMAN. This is for only 10 hours a week, though.

General CARAWAY. Yes, sir.

Mr. PASSMAN. That would be the equivalent of $1,600 at 8 hours a day.

General CARAWAY. I suppose it would be.

OKINAWA CENTRAL HOSPITAL NURSES' SCHOOL

Mr. PASSMAN. I note that you are requesting $90,000 or approximately one-half the total cost for nurses' school and dormitories as an adjunct to the central hospital, which was financed by this appropriation in fiscal 1963; is that correct?

General CARAWAY. Yes, sir. And the government of the Ryukyuan Islands will provide the other.

CONSTRUCTION OF IMMIGRATION BUREAU BUILDING

Mr. PASSMAN. Will you comment briefly on your request for $90,000 for construction of a building for the immigration bureau?

General CARAWAY. Yes, sir.

The immigration bureau is one of the few things that I can say without hesitation is 100 percent a U.S. requirement.

They are presently using the first floor of the police headquarters.

Mr. PASSMAN. Will this $90,000 complete the building? Is it just a one-time proposition?

General CARAWAY. As I understand it, sir, the immigration station will provide us with 10,700 square feet of a reenforced concrete building, three stories high.

Mr. PASSMAN. It will be a one-time cost?

General CARAWAY. Yes, sir.

Mr. ANDREWS. May I question?

Mr. PASSMAN. Yes.

Mr. ANDREWS. You say it will be a three-story building?

General CARAWAY. Yes, sir.

Mr. ANDREWS. Will it be occupied solely by the immigration people?

General CARAWAY. That is the present plan.

Mr. ANDREWS. Thank you.

Mr. PASSMAN. It is for the benefit of the United States?

General CARAWAY. Yes, sir. It is our requirement that they have to have immigration checks.

CONSTRUCTION OF NAHA CHILD WELFARE CENTER

Mr. PASSMAN. I note that you are requesting $65,000 for construction of a child welfare center in Naha.

General CARAWAY. Yes, sir,

Mr. PASSMAN. Will you give us some information on what you mean by "child welfare center"? Will it be a building or is it equipment for a building we presently control, or own?

General CARAWAY. It will be a Ryukyuan organization. It will take care of about 40 children. It will be a 9,800-square-foot reenforced concrete building, or home, as they put it.

It will include three dormitories, a central children's kitchen, bath, you know how they build a bath there, laundry room, workshop, recreation room, sick ward, office and staff quarters, and a walled play yard.

Mr. PASSMAN. Is this a joint project by the Ryukyuans and the United States?

General CARAWAY. I do not think the Ryukyuans are putting anything into this, sir.

Mr. PASSMAN. Strictly U.S. cost?

General CARAWAY. Yes, sir.

NAHA MUNICIPAL HOUSING PROJECT

Mr. PASSMAN. In connection with the municipal housing project in Naha for which you are requesting $125,000, does the city have a master development plan generally?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Will this housing replace any of the present inadequate housing?

General CARAWAY. It will to a certain extent and it will help house the 15,000 people that do not have any houses.

RETENTION OF DOCTORS BENEFITING FROM U.S. TRAINING PROGRAMS

Mr. PASSMAN. Now, do the doctors receiving training under this program have any obligation to serve the Ryukyuan government for a specific period of time?

General CARAWAY. They are supposed to, Mr. Chairman. Sometimes it is difficult to make somebody live up to his obligations, but as long as we are helping to do the training and as long as we have the training either in the United States or in the Ryukyus under our aegis, the doctors usually end up serving the Ryukyuan people.

Mr. PASSMAN. Is there any obligation on the part of other participants?

General CARAWAY. You mean in other subjects?

Mr. PASSMAN. Yes.

General CARAWAY. Perhaps you know that many participants are employees of the government of the Ryukyu Islands, or hope to be. Yes, they will serve. We have a very small portion of people that we train that do not come back to serve the Ryukyuans. Sometimes they go into private practice or go into private business. But they are serving the Ryukyuan economy.

EXPANSION OF ARIA SCHOLARSHIP PROGRAM

Mr. PASSMAN. General, will you give us a little information as to why you are expanding the ARIA scholarship program so rapidly? It would appear that you are going from $280,000 in 1964 to $485,000 in fiscal 1965.

General CARAWAY. Yes, sir.

My reasons are quite simple: First, I see our stay in the Ryukyus as a long-term proposition, for as long as threats and tensions exist. The people with whom we must deal over the years will be the young ones coming forward.

The second thing is the Ryukyus are so short in the various professions and skills that we are trying to get taught. I finally have become something of a young man in a hurry, and I want to develop these skills and professions as fast as I can.

I am proposing to expand this program partly also upon the advice of my advisers in the Golden Gate Club, the young returned American-trained students, who have pointed out certain areas where we should try to get larger numbers of the Ryukyuans, Ryukyuans trained in the United States.

Mr. PASSMAN. We are going to take a brief recess.

(A brief recess was taken.)

Mr. PASSMAN. The committee will come to order.

General, I believe that you are requesting $25,200 under the apprenticeship program to employ 21 graduate engineers.

CONSULTANTS FOR THE MICHIGAN STATE UNIVERSITY GROUP

Why are you increasing the Michigan State University contract by $15,000, sir?

General CARAWAY. What we are doing here, Mr. Chairman, is adding to the three normal members of the permanent staff for this year, we are adding two people they call consultants, one for business administration and one for engineering.

This is to enable us on the engineering side to insure that the new engineering buildings and equipment in the university are properly organized and put to use. The other member is needed to strengthen the business administration section of the university.

These men will not only be consultants but they also will teach courses during their tenure.

Mr. PASSMAN. Is that item in addition to the $15,000 for the medical surveys and advisory services and the investigative program to control parasitic diseases?

General CARAWAY. This is for the Michigan State University Group.

As you see, we have $30,000 to operate the English-language center, $15,000 for medical survey and advisory services. This is to update what little information we have on parasitical and other diseases in the Ryukyuans. We expect to bring a competent man to conduct a survey throughout the islands.

FUNDS REQUESTED FOR DISEASE CONTROL

Mr. PASSMAN. What portion of the estimate of $480,000 is for disease control? It would appear that for the parasitic diseases you have $15,000 and also that a part of the $480,000 is for the same purpose.

General CARAWAY. No, sir. One is for the actual control, sir. That is the hiring of the necessary people to go out and spray the grass and the canals and provide the medicines, and so forth.

Mr. PASSMAN. Does that activity come under the $480,000?

General CARAWAY. Yes, sir. That covers all of the diseases we have in that area. The other is purely a one-time study which will be made by a qualified specialist who will look into these certain parasitical diseases; one of which will be filariasis, hookworm and others, which are very prevalent now and which are increasing.

It may be of interest to know that some Ryukyuans are using it as a chance to try to show that if we really cared anything about them we would get rid of filariasis in about 15 minutes.

RECLAMATION FEASIBILITY SURVEY

Mr. PASSMAN. In connection with the same project you have land reclamation cost, $100,000; is that correct?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Is that for acquisition or reclamation of land?

General CARAWAY. Actually, the aim of the project is to get additional land by reclaiming it from the sea.

Mr. PASSMAN. Do you have to purchase it from the Ryukyuan government, then reclaim it, or——

General CARAWAY. No. This is a request for funds for a survey which will allow us to determine where we next want to start a reclamation program.

Mr. PASSMAN. This is nothing more than a survey. This is not a land reclamation project?

General CARAWAY. No, sir.

Mr. PASSMAN. It is only a survey?

General CARAWAY. Yes, sir. This survey will be done by U.S. Army district engineer, Okinawa district. He, of course, like all engineers, has no funds and you have to pay him for the work he does.

Mr. PASSMAN. You reimburse the Army for the work?

General CARAWAY. That is right.

Mr. PASSMAN. The government operations survey, $65,000?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Is that item paid for by the Army?

General CARAWAY. This is paid for by the High Commissioner.

Mr. PASSMAN. So is the $100,000, is it not?

General CARAWAY. The High Commissioner will reimburse the Army for it. This is under the ARIA budget.

Mr. PASSMAN. To whom do you pay the money?

General CARAWAY. Whoever gets the contracts, sir, to go through the government.

Mr. PASSMAN. Is this one and the same thing, the land reclamation survey is $165,000, but $100,000 of it——

General CARAWAY. No; they are different.

One, sir, is to actually find areas where we are going to then establish projects for sea walls and for dredging and dumping, and so on, to fill in the land.

The other is to survey the government structure itself to ascertain whether they have too many people, whether the people are improperly employed or improperly classified; whether they need more or fewer. And whether the government—this is the government of the Ryukyu Islands—has any areas that are left uncovered while duplications exist in other areas.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

OVERESTIMATION FOR ADMINISTRATIVE ACTIVITIES IN FISCAL YEAR 1964

Mr. PASSMAN. Last year you requested, I believe, $2,366,000 for administrative activities?

General CARAWAY. Yes, sir.

Mr. PASSMAN. And the Congress approved $2,300,000 for fiscal 1964. What is your best estimate as to what your 1964 program will actually be?

General CARAWAY. We asked for $2,366,000 in 1964.

(Discussion off the record.)

General CARAWAY. However, in 1964 I have programed only $2,140,000.

Mr. PASSMAN. Then you have an unobligated balance there?

GENERAL CARAWAY. I reprogramed the balance into aid for the Ryukyu Islands projects.

Mr. PASSMAN. I suppose I should ask whether you have the same amount of excess in your 1965 administrative request you will use it for aid to the Ryukyuans

General CARAWAY. I don't think I will have that much leeway 2 years in a row.

Mr. PASSMAN. You would not make the committee apologize for giving you too much last year.

General CARAWAY. You did not give me too much last year, sir. The point is, and I know this sounds like I am trying to be too darn apodictic or something, when the final program came out last year I found that I had to make certain judgments, and the first one was what programs or projects would I leave out, because I received less than the $12 million requested. Second, what could I do that was the most important for us?

In my judgment, and in view of the fact that certain of the people for the USCAR staff would not be on board, that we could stop recruiting or that we would not be able to let as many people have home leave as they thought they should have and finally that the budget was approved fairly late in the year, I simply told everybody to pull their belts as tight as they could, so that we could do with less administrative funds in order to give more to the Ryukyuan economy.

As a result we were able to put as much as possible into projects that we had already set up for the welfare and well-being of the Ryukyuan people.

I repeat, I did this, then, at the expense of my own administration. Now, that is how I did it.

PERMANENT POSITIONS AUTHORIZED IN FISCAL YEAR 1964

Mr. PASSMAN. What is the number of permanent positions authorized for fiscal 1964, General Caraway?

General CARAWAY. The authorized for fiscal 1964, 434.

Mr. PASSMAN. And what was the number of employees on the payroll as of the last accounting period, February 29, 1964?

General CARAWAY. 410 as of February 29; 421 will end up at the end of 1964. At the beginning of 1964 we had 413.

SEPARATION ALLOWANCES FOR RYUKYUAN PERSONNEL

Mr. PASSMAN. You are requesting $4,800 for separation allowances for Ryukyuan personnel?

General CARAWAY. Yes, sir. As you know, a separation allowance program was established which is a preliminary step to setting up a retirement system. This separation program consists of a lump-sum payment of 1 month's pay for every year of continuous service that a Ryukyuan has had, that goes back as far as 1952.

Mr. PASSMAN. Is that action the result of some law the Congress passed, making that program retroactive?

General CARAWAY. That is a determination that was made by the joint services. This is the current way the Ryukyuans would be retired. They have no retirement system; the Ryukyuan U.S. employees have no retirement system now. So, now, we are setting it up——

Mr. PASSMAN. You refer to the Ryukyuans employed by the United States?

General CARAWAY. That is right; they had no retirement system. This is one of our main problems. We established this interim system which went into effect this fiscal year.

The costs for this fiscal year only amounted to $2,500. Next year, when the program will have a year to run, our estimate is that we will need $4,800 to pay the separation allowances for the Ryukyuans employed by the civil administration who are retiring.

Mr. PASSMAN. Anybody who works for 5 years would have 5 months' pay due?

General CARAWAY. Yes, sir.

Mr. PASSMAN. You give him that separation pay in lieu of other retirement benefits?

General Caraway. Yes, sir. That is his retirement.

Mr. PASSMAN. But you pay it to the individual in a lump sum?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Do you contemplate working out a retirement plan for the Ryukyuans?

General CARAWAY. We have worked out a retirement plan and recommended it several times but it will take sometime to establish. The separation plan will be used for the time being.

Mr. PASSMAN. Do they get a vacation in addition to the separation pay?

General CARAWAY. You mean paid vacation after they retire?

Mr. PASSMAN. Yes, sir.

General CARAWAY. No, sir.

Mr. PASSMAN. With regard to the Ryukyuan working a year, does he get a paid vacation during that year?

General CARAWAY. Yes, sir.

Mr. PASSMAN. How many days?

General CARAWAY. I think he gets 2 weeks.

Mr. PASSMAN. Then, in addition to that vacation, does he get the 30 days' pay as a bonus in lieu of retirement benefits?

General CARAWAY. No. When he works for the Government he gets certain holidays; there are eight a year. The High Commissioner makes a determination every year as to what holidays will be paid holidays.

They are usually the GRI holidays and also certain of the U.S. holidays. They amounted to eight last year. An employee also gets 2 weeks vacation.

If an employee who earns $100 a month works for us for 5 years and then he retires at the end of the fifth year he is handed $500 which is his entire———

Mr. PASSMAN. Which is given to him in lieu of a retirement?

General CARAWAY. That is right.

Mr. PASSMAN. Here we have a similarity to our own civil service system?

General CARAWAY. That is right.

Mr. PASSMAN. And when they finally are separated, if they have the required length of time they receive a separation allowance rather than other retirement payments?

General CARAWAY. That is right, rather than an annuity.

Mr. PASSMAN. How about the Ryukyuan who works only 2 years? Do you have a starting point?

General CARAWAY. There is a starting point and I think it is 5 years before you get a full month's pay for every year you work. Up to that time you get 80 percent.

Mr. PASSMAN. If you would, submit for the record a description of your separation pay plan.

(Information supplied follows:)

Provisions pertaining to separation allowances for Ryukyuan employees (appropriated fund) of the U.S. forces in Okinawa which become effective in July 1964, are as follows:

(*a*) Allowance will be paid to Ryukyuans who have 5 or more years of continuous employment with the U.S. forces and who leave the service for any reason other than removal for grave misconduct or abandonment of positions.

(*b*) The allowance is a lump-sum payment of 1 month's pay for each year of continuous service subsequent to April 1952.

(*c*) Employees with less than 5 years of service but more than 6 months, who are separated by a reduction in force, are eligible to receive separation allowances in the amount equal to 80 percent of 1 months's pay for each year of continuous service.

Pending the entering into force of the provisions outlined above, a transition allowance provision to authorize the payment of separation allowances before July 1, 1964, is effective, as follows:

Ryukyuans employed by the U.S. forces, age 60 or over who have been continuously employed for 5 or more years and who have been found to be significantly less than fully productive will upon separation (either voluntary or by reduction in force) be eligible to receive separation allowance benefits, based on the criteria outlined above.

QUARTERS ALLOWANCE

Mr. PASSMAN. Why is the quarters allowance being increased by $21,865?

General CARAWAY. There is an increase in the number of individuals who will live out of quarters this year.

Mr. PASSMAN. You refer to American personnel?

General CARAWAY. Those are Americans and their families who will be living in private rental housing off the post.

REEMPLOYMENT LEAVE, FISCAL YEAR 1964

Mr. PASSMAN. How many employees have received employment leave through February 29 of the current fiscal year?

General CARAWAY. I do not have that figure for you, sir, we will get it for you.

Mr. PASSMAN. Please insert it in the record.

General CARAWAY. The best we can estimate, sir, is that by the end of this year there will be 175 trips.

Mr. PASSMAN. If you could, insert the information in the record.

General CARAWAY. We will get it, sir.

Mr. PASSMAN. Through February 29 only.

General CARAWAY. All right.

(Information supplied follows:)

Reemployment leave taken in fiscal year 1964 (through Feb. 29, 1964)

	One way		Round trips		Total	
	Persons	Trips	Persons	Trips	Persons	Trips
Sponsors	5	5	13	26	18	31
Dependents	22	22	13	26	35	48
Total	27	27	26	52	53	79

INCREASE REQUESTED FOR INFORMATION SERVICE

Mr. PASSMAN. It would appear that you are increasing the information service activity by $50,000 in fiscal 1965.

General CARAWAY. Yes, sir.

Mr. PASSMAN. Could you give us some reason why you are asking for this large increase?

General CARAWAY. The greatest increase that we are asking for falls within the press and publications side. We want to be able to keep up with the news developments adequately and, second, we want to move further into the broadcasting fields, both TV and radio.

In addition to that, we want to increase the publication of this local magazine; Konnichi-No-Ryukyu. This means Ryukyus Today. This magazine, as you know, is a Japanese-language publication, which reaches about 18,000 people now. We want to move circulation to about 22,000.

Mr. PASSMAN. What amount are you presently spending on that program?

General CARAWAY. We spent $13,000 on it in fiscal year 1964. We asked for $20,000, but we only had $13,000. We are again asking for $20,000.

Mr. PASSMAN. You had $13,000, but you are asking for $63,000 for fiscal 1965.

General CARAWAY. But that total figure of $63,000 covers more than just the magazine.

EDUCATIONAL AUDIO AND TV PROGRAMS

Mr. PASSMAN. In that connection, what will be the annual cost of the educational audio and the TV programs for the schools? Is that all part of the same program?

General CARAWAY. No, sir; it is not.

Mr. PASSMAN. What will be encompassed in this activity?

General CARAWAY. This activity goes for the entire population, not just the schoolchildren. It benefits the working people, the teachers themselves, the general public, plus a few people in Japan who like this magazine.

Mr. PASSMAN. What will be the annual cost of the educational radio and TV programs to the school system, General?

General CARAWAY. We don't have that set up for that. The audio-visual is the equipment that is to be used in the schools.

Mr. PASSMAN. Referring to this educational radio and TV program for the schools, I believe you estimate the first-year cost will be $8,500. Is that a new program?

General CARAWAY. Yes, that is the one that will provide equipment to be put in the schools. This is tape recorders, motion pictures, and slide machines and the equipment that you use with it.

Mr. PASSMAN. In what type of schools will this equipment be placed?

General CARAWAY. High schools and certain junior high schools.

Mr. PASSMAN. It is a new program?

General CARAWAY. It is a new program. And it is a logical extension of the program you have been carrying forward.

RENOVATION OF CIVIL ADMINISTRATION OFFICE

Mr. PASSMAN. Would you comment briefly on your request for $13,200 to renovate the civil administration main office? Is that the building we visited and inspected the judges' chambers?

General CARAWAY. No. That is the building next to it, which is the GRI building.

Mr. PASSMAN. That is generally Ryukyu administration?

General CARAWAY. Government of the Ryukyuan Islands.

In fiscal year 1965, sir, we want, if possible to renovate the basement and the third and fourth floors.

REPAIRS FOR THE JUDICIARY BUILDING

We are also asking for some money for the judiciary building; actually $3,400 to repair certain parts of the roof of the judiciary building which have developed leaks.

This includes painting, of course; and then we also have repair of the air conditioning, and adding to it.

Mr. GARY. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. GARY. Isn't that judicial building a fairly new building?

General CARAWAY. About 2 years old.

Mr. GARY. What is the construction of the roof that is developing leaks?

General CARAWAY. Well, it is a flat-roofed building, cement construction, with a waterproofing compound, it looks like asphalt to me; but I don't know the exact composition. It has some leaks in it.

Mr. ANDREWS. Gravel on top of it?

General CARAWAY. Yes. It requires reworking.

Mr. PASSMAN. That cost is a minor part of the total, is it not?

General CARAWAY. Yes, $3,400.

FINANCING THE KIN POWER PROJECT

Mr. PASSMAN. If I remember correctly, General, when we visited the Kin powerplant, we were told that it was about 42 percent completed, and it was running about one period ahead of schedule.

That is about a $17 million project, is it not?

General CARAWAY. Yes, $14 million-plus.

Mr. PASSMAN. I believe originally they estimated it would cost $17 million.

General CARAWAY. Yes. They gave us $17 million. It is costing us $14,712,000.

Mr. PASSMAN. So there will be some $2 million, then, that will not be used?

General CARAWAY. We had an $18 million loan. It is taking $14 million, of which the U.S. loan drawdown is $10,220,000. The REPC must furnish $4 million——

Mr. PASSMAN. Give the name of that abbreviation.

General CARAWAY. The Ryukyu Electrical Power Corp., must, under the terms of the apportionment and before we are allowed to build it, provide $4.5 million. That sum will have to be provided before we draw down on the Treasury loan.

CANCELLATION OF PREVIOUSLY AUTHORIZED U.S. LOAN AUTHORITY

That sum has already been spent, so that there will actually be almost $9 million turned back to the Treasury from the original authorized loan.

Mr. PASSMAN. The money will not be turned back, because it has never been withdrawn; it will be just that much authority which will be canceled?

General CARAWAY. That is right.

LEPROSARIUMS

Mr. PASSMAN. I was very much interested in the leprosarium. Do you have any future plans for that institution?

General CARAWAY. Yes. We do.

Mr. PASSMAN. Will you tell us how much we have spent on the leprosarium? You have two there, and we visited one on the island of Okinawa.

General CARAWAY. One in Miyako, and the other one on the main island of Okinawa.

Mr. PASSMAN. Will you state the patient population of the one which we visited?

General CARAWAY. The one we visited has about 900 people in it.

Mr. PASSMAN. And the other one?

General CARAWAY. The other one has about 350 or 400.

Mr. PASSMAN. What sum have we spent on those institutions, to date?

Mr. GARY. What areas do they serve?

General CARAWAY. They serve the entire Ryukyuan Islands.

Mr. GARY. And the Ryukyuan Islands alone?

General CARAWAY. Yes, sir.

Mr. GARY. You have approximately 1,200 lepers just off of the islands there?

General CARAWAY. There are about 4,000 estimated, all told, but we have about 1,200 of them in the 2 colonies.

Mr. ANDREWS. Could I ask a question?

Mr. PASSMAN. Certainly.

Mr. ANDREWS. What is the trend? Is it up or down? You say you have about 4,000 cases.

General CARAWAY. That is what they estimate.

Mr. ANDREWS. Out of what population?

General CARAWAY. Out of 900,000 plus.

Mr. ANDREWS. Let me ask you this question: Isn't it very contagious?

General CARAWAY. No. It is contagious for a short period of time, or for a given period of time. The rest of the time it is arrested or cured. It is not contagious at all. You don't get it from drinking water or from breathing air.

Mr. ANDREWS. You say you have 4,000 active cases out there?

General CARAWAY. We have 4,000 cases all told. Some of them, I suppose, are identifiable cases, but they haven't reached a critical point. As soon as they can diagnose the cases and find that they are contagious or infectious they assign them to a colony.

Mr. ANDREWS. What safety measures are you taking in regard to our troops out there?

General CARAWAY. Well, we take the safety measures we take everywhere else. If the person has a case of leprosy, or Hansen's disease, and nobody knows it, and a trooper thinks that he or she are very nice people and they are good friends, he could contact it. There isn't any way to keep from it.

But it is very rare that you see that happen.

Mr. ANDREWS. What about our troops?

General CARAWAY. We haven't seen any cases.

HANSEN'S DISEASE

Mr. PASSMAN. Hansen's disease is a badly misunderstood disease. I have no fear whatsoever of associating with its victims.

The communicable point of Hansen's disease is probably the lowest of any disease in existence.

It is to be deeply regretted that many people still attach a stigma to Hansen's disease.

Mr. GARY. Which is it, contagious or infetcious?

Mr. PASSMAN. The incubation period is very long.

Mr. ANDREWS. I don't know anything about it, and I don't want to argue with you.

Mr. PASSMAN. I am not arguing.

Mr. ANDREWS. Let's keep this off the record.

(Discussion off the record.)

Mr. PASSMAN. Down in the State of Louisiana we have a Public Health Service hospital for the tretment of Hansen's disease. There are people today who will go there and be treated, and they arrest the disease and later they are rehabilitated and go back to their families.

I am very much in sympathy with these people because of knowledge gained as a result of and association with the patients at this institution in my own State. I go down and visit with them regularly. I am very pleased to know that I have been instrumental in helping unfortunate people in many instances.

General, it is a fact, is it not, that doctors for the leprosarium out in Okinawa are presently being trained at the U.S. Public Health Service hospital down in the State of Louisiana?

General CARAWAY. That is right.

Mr. PASSMAN. With regard to the Ryukyuan leprosariums, what consideration have we given to them?

General CARAWAY. We supplied $137,000, between 1962 and now. This provided a couple of wards, electricity, water supply, a simple kitchen, improvement of facilities, and the addition of a clinic.

Mr. PASSMAN. I personally do not know of any area where you could spend money that would do any more good than by treating and taking care of these unfortunate people with Hansen's disease.

I yield to Mr. Conte.

FILARIASIS

Mr. CONTE. Gentlemen, you talked about filariasis earlier, and you say it is very prevalent on the island.

General CARAWAY. Yes.

Mr. CONTE. Does it get into the elephantiasis stage?

General CARAWAY. Yes.

Mr. CONTE. A swelling of the arms and the legs?

General CARAWAY. Yes.

Mr. CONTE. And we do have a team out there studying this?

General CARAWAY. It has been studied, and there was one examination made of it some years back. What we want is an expert who can go out to make another survey of this and the other parasitical diseases to find out where we stand at the present time.

Mr. CONTE. Have you looked into the services, some of the other branches, whether they themselves have made a study? I am quite familiar with this, because I have had filariasis. I was discharged from the service because of it. I think about 800 in my battalion got it, and some more, during the war.

And I know that the Navy has done a very extensive study on it, and they never came up with any cure during my days in the service.

General CARAWAY. In this particular case, sir, this study is really to try to determine the incidence and the areas in which the disease is concentrated, if any. We get rumors that it is most prevalent in Miyako and Yaeyama. But we don't know; there has been no detailed study of all the islands to find out where we are today with this disease.

That is what this money is to do. We may well get a public health expert or we may get a native expert, but in either case we have to pay for it.

Mr. CONTE. The public health should know quite a bit about this.

General CARAWAY. They know a lot about it, but nobody has made a survey of these islands recently.

Mr. CONTE. It is caused by a mosquito bite, isn't it?

General CARAWAY. There is also a virus in the water, you get the little larvae and so on that live in the water that will affect you.

Mr. CONTE. I just throw that out as a suggestion, because we have Samoa, which is American territory, and I think you have the highest percentage of elephantiasis and filariasis in Samoa than you have any place in the world.

And we must have compiled a lot of records on this.

General CARAWAY. This is not so much to find out what to do about it as to try to find out what we have and what we must do.

HEARINGS ON AUTHORIZING LEGISLATION

Mr. CONTE. I was just down on the floor answering a vote, and someone asked me what we were hearing, and I told him the budget of the Ryukyu Islands. This member was on the Foreign Affairs Committee and he stated that they hadn't begun hearings as yet.

It just dawned on me as I was walking up here, will you have to fly back here for hearings before the Foreign Affairs Committee?

General CARAWAY. I may. It is according to the timing of the committee.

Mr. CONTE. You will have to appear before them?

General CARAWAY. Not necessarily. They are not prepared to call me back; they are prepared to have Mr. McPherson and others take that hearing.

Colonel SITTERSON. We have a standing authorization for this appropriation and there should be no other hearings by the House. There also will be a hearing before the Appropriations Committee of the Senate.

Mr. CONTE. You don't appear, then, before that committee?

General CARAWAY. If they want me to come or if I feel I would be of any use, I will come.

Mr. CONTE. The point I was trying to make—this has bothered me not only in this case, but in many cases where they call witnesses in from NATO in before this committee and the Foreign Affairs Committee and the Senate Foreign Affairs Committee and the Senate Appropriations Committee, well, one, it is a great expense, and two, it takes valuable time away from the witness, when he should be in the field.

General CARAWAY. Sir, if I come back at all I would only come from the Appropriations Committee of the Senate. Two years ago when we were discussing this business of raising the appropriation, raising it from $6 to $25 million, I came back and appeared before Mr. Philbin's committee at that time.

And then I didn't come back for the appropriation that year. I have been back before this committee twice. Since our requests are covered by a permanent authorization, it hasn't been necessary.

Mr. CONTE. I just threw that out, because it troubled me, and I have thought about it many other times, that there should be some kind of a correlation here between committees in order to save time and money.

REPLACEMENT OF AUTOMOBILES

I notice, General, that you are asking for several extra automobiles this year.

General CARAWAY. Yes, sir. That is for the civil administration.

Mr. CONTE. Why do you need extra cars?

General CARAWAY. These are replacement cars, and not an increase in the fleet.

Mr. CONTE. These are replacements?

General CARAWAY. Yes, sir. We have increased the fleet over 2 years by two additional cars. That was last year. And we are just replacing four cars this year.

DESALINIZATION STUDIES

Mr. CONTE. In regard to the water system, have you experimented with the saline water system at all?

General CARAWAY. We have not as yet. We have a project under study which, if pulled together and approved, will put in a system of desalting sea water.

(Discussion off the record.)

RYUKYUAN LEGISLATURE AND PARTY COMPOSITION

Mr. CONTE. General, what is the makeup of the legislature now in the Ryukyus?

General CARAWAY. We have a single chamber legislature made up of 29 legislators.

The OLDP, that is, the Okinawa Liberal Democratic Party, has 18 of the 29 members.

Next in size is the Okinawa Socialist Masses Party.

The OSMP has seven members in the legislature.

(Discussion off the record.)

General CARAWAY. There is one member from the OPP; the Okinawa Peoples Party.

We have one OSP. The Okinawa Socialist Party is what it was called when he was elected, now they have changed the name of that party and they are the Okinawa Prefecture Branch of the Japanese Socialist Party.

This makes 27. And we have two independents.

(Discussion off the record.)

EFFORTS TO DEVELOP FISHING INDUSTRY

Mr. GARY. Now, several years ago, you were thinking about starting a fishing industry in Okinawa. As I understand it, the fish on the shores were very good, commercial fishing. Have you done anything in this respect?

General CARAWAY. Yes. We have done a lot on it. Unfortunately the close-in fishing, that is, within the local waters, hasn't improved or hasn't grown as much as we would like. And this is due to a number of things. It is due to the fact that part of the best fishing grounds have been seriously damaged by the very general practice of dynamiting fish. This doesn't help the future generations of fish.

Second, the prices were very difficult to do anything about. Third, the Japanese, often with Ryukyuans, will fish in the area of the

Ryukyus, take those fish back to Japan, process those fish, and then send those fish back to the Ryukyuans and sell them.

When you ask why they will say, "Well, the fish that the Japanese send to us for sale taste better than Ryukyuan fish." This is a hard one to figure. And I can't figure it.

But this is what we are faced with. On the other hand, the fishing has improved a great deal in some respects. For example, there has been a tie in with Van Camp, an American corporation.

And we have several long range tuna boats, particularly, that are fishing now in the South Atlantic. They are based in the Van Camp base areas, and those fish are processed and then sold to Europe, Africa, and some come to the United States.

We also now are tied in with Van Camp in the Palau and American Samoa areas. And they fish there.

And we have some fishing industry that has moved into the Mediterranean and is selling through bases in Italy and in Greece.

The inshore fishing is being picked up. Six trawlers have been built by the Government of the Ryukyan Islands and those six trawlers will be employed in providing fresh fish for the Ryukyuan market.

They will go into operation this year. Their chances of success are unknown. Those that are the proponents of this venture say that they are going to do well indeed, and those that don't support it so strongly are not sure how good it will be.

We all have high hopes that it is going to provide fresh fish from the area.

Mr. CONTE. Do we aid any construction of fishing trawlers for the Ryukyus?

General CARAWAY. Not with ARIA funds. We have supported construction of trawlers and we are supporting construction of other smaller fishing vessels by the loans from the RDLC, from the bank of the Ryukyus and from the Central Bank for Co-ops.

Now, the Central Bank for Cooperatives is a Government of the Ryukyuan Islands instrumentality—it loans money to, say, an individual family that wants to build a fishing dugout or a small fishing boat, or to a village which wants to build a larger fishing boat.

When they get into ocean-going trawlers and the big boats, then, the financing is usually done by the RDLC, or the bank of the Ryukyus.

We also have established this business of so-called fish nests where some people put concrete blocks down, and we take old automobile bodies from condemned salvaged cars that have no value, no resale value, and under the authority that we have to dispose of certain surplus property to the Government of the Ryukyus Islands without compensation, or payment, these are taken, banded together by our people and sunk in the offshore waters, where they have increased the catch a good deal by the fact that they form the nucleus for bait fishing, and also attract larger fish to feed on these small fish which are raised in the fish nests.

AUDIOVISUAL PROGRAM

Mr. CONTE. General, on page 12 you have audiovisual program, and you mentioned that radio and television broadcasts are essential

to proper presentation of U.S. policy and programs for the Ryukyuan public.

General CARAWAY. Yes.

Mr. CONTE. How many television sets do you have in the Ryukyus, and how many of those belong to Americans, and how many belong to the Ryukyuans?

General CARAWAY. I don't know how many television sets there are in the Ryukyu Islands, now, sir, but in Okinawa alone there are a very great many.

The situation that you will have there as far as the so-called mass media is concerned is that the most influential of all will probably be the radio, because that medium reaches out where the newspapers won't reach.

The second will probably be newspapers. And closely following that will be television. In the urban area and in central Okinawa there is a very high density of television sets among the Ryukyuan population.

Mr. CONTE. How can they afford to have television when the per capita income is only $290 a year?

Mr. PASSMAN. It is $314.

Mr. CONTE. $314.

General CARAWAY. Well, the people who buy the television have the money. They have an excellent freedom of choice as to how they spend their disposable income, and they buy televisions. I suppose they buy them on tick, many of them.

Second, many of the televisions are owned by a small store or something like that, like they have them in bars here, and people will go and watch them.

But there are many private televisions. As to how they finance them, I don't know.

Mr. CONTE. I don't know either, because I imagine a television set is a very expensive item, it must be more expensive than it is here.

Mr. PASSMAN. No. It is cheaper.

Mr. CONTE. They have to be transported to Okinawa.

Mr. PASSMAN. From Japan.

Mr. CONTE. From Japan. And it would seem to me that—a person wouldn't be able to feed his family properly and buy a television set.

General CARAWAY. No, sir. They are doing better than that. They buy television sets and they are buying automobiles. In the 3 years that I have been there they have moved from bicycles through scooters and motorcycles now to small automobiles.

Mr. PASSMAN. I have brought that point up 100 times since I have been chairman of this subcommittee. The per capita income must be related to what you can buy in a particular community. You can buy TV sets there 40 to 60 percent cheaper than you can in the United States.

There are people who go to Japan and bring them back because they can buy them cheaper.

It is a question of what you can buy for $314, and in Okinawa you can buy a lot for $314.

Mr. ANDREWS. If the gentleman will yield, I doubt if many of the $314 people have televisions.

Mr. PASSMAN. Yes; a lot of them do.

Mr. ANDREWS. Will the gentlemen yield?
Mr. CONTE. Yes. I would be glad to.

RADIO-TELEVISION COVERAGE

Mr. ANDREWS. How many stations are on the air, and what kind of reception do they get, General?

General CARAWAY. Well, there are two television stations belonging to the economy, that is, two Ryukyuan-owned television stations, the Okinawa TV and the Ryukyuan Broadcasting Co.

The Okinawa TV is a television station alone.

The Ryukyuan Broadcasting Co. is a radio-televsion complex.

And then they have one radio station in addition called the Okinawa Radio Station.

There is the Armed Forces Radio Network which also is a TV station, and a radio station.

And also there is a missionary station called the Far East Broadcasting Co., which is at the present time a radio station and——

Mr. ANDREWS. What kind of TV programs do they get?

General CARAWAY. They get TV programs principally from Japan. They have also bought some from ABC, about 5 percent are now brought into the RBC from ABC.

And they are very happy to get American programs. They take the American programs, strip them with Japanese sound tracks, and show them, "Captain Kangaroo," "Captain Midnight," all the famous or infamous TV programs many times are available there.

Mr. ANDREWS. "Dr. Kildare?"

General CARAWAY. I don't watch TV, sir, so I don't know. Particularly I don't watch it in Japanese. "Dr. Kildare" has been there, and he had quite a following doing his operating in Japanese; they thought it was fine.

Mr. CONTE. I have no further questions.

U.S. AID TO RYUKYUAN LEPROSARIUMS

Mr. PASSMAN. Could you tell the committee the amount of money that you have so far allocated to the leprosariums in the Ryukyus, the main one on Okinawa and the one on the off-island?

General CARAWAY. We have spent $165,000 in the last 3 years.

Mr. PASSMAN. That is the total amount for the two institutions?

General CARAWAY. That is right.

Mr. PASSMAN. What sum do you have proposed for fiscal 1965?

General CARAWAY. In fiscal 1965, sir, we don't have any program for construction—that is, of ARIA funds. There is required, however, at the present time—for the one in Okinawa, sir, a ward for the blind, which will cost about $8,000, a few recreation halls, which we always hold to the last, but I think this one can be justified more as a vocational rehabilitation as well as recreation, for $25,000.

In Miyako, we need to spend $23,000 for the central kitchen, and $25,000 for the rehabilitation of the hospital.

The GRI is prepared in 1966 to reconstruct the central kitchen in Miyako, and we will put forward in 1966 the ward for the blind.

Mr. PASSMAN. Why are you skipping fiscal 1965 for a program so important as this one is?

General CARAWAY. Well, it was a question, again, sir, of priorities.

Mr. PASSMAN. The facilities are woefully inadequate.

General CARAWAY. I know it.

Mr. PASSMAN. I do not know of any investment that would serve humanity to any greater extent than an investment in these leprosariums.

Is it a question of a lack of planning that you don't have any program for fiscal 1965 for the leprosarium?

General CARAWAY. No. It was more of a question, I think, of another judgment factor that was put forward as to whether we should try to put our money into this in this year or put it in this program next year.

Mr. PASSMAN. You have installed new kitchen facilities at the main leprosarium?

General CARAWAY. Yes. They should be finished in a few weeks, I hope.

Mr. PASSMAN. Why is it that you have not had a program for modern kitchen equipment over at the other one? With all the figures you are indicating there you only need about $65,000.

General CARAWAY. It only is a relatively small amount.

Mr. PASSMAN. From what fund would that come?

General CARAWAY. Out of the regular ARIA fund.

Mr. PASSMAN. Would it require any substantial planning to be able to do that?

General CARAWAY. No, sir.

Mr. PASSMAN. Personally, I would like to recommend that you work a program in for fiscal 1965.

General CARAWAY. All right, sir.

Mr. PASSMAN. I do not know of any better way to serve humanity than by going through with these relatively minor expenditures you mentioned a moment ago.

General CARAWAY. Yes, sir. It is a very small amount.

Mr. PASSMAN. Mr. Rhodes?

CONTINUATION OF OKINAWA BASE OPERATIONS

Mr. RHODES. I have only one question. General: There isn't any immediate plan to close any of those bases on Okinawa, is there?

General CARAWAY. No, sir. There is no plan for the immediate or the future, so far as I know, to make any change in the status or importance of the Ryukyu Islands as a base.

Mr. RHODES. Thank you.

INITIATION OF KIN POWERPLANT GENERATING OPERATIONS

Mr. GARY. General, did you say that this new electric plant will be in operation about October?

General CARAWAY. The first generator will come on the line about October.

Mr. GARY. How is the setup on that new plant. Is it exactly the same as the old one?

General CARAWAY. No. This is a very modern plant, and it has four generators; a top rating of 22,000 kilowatts per generator. We calculate that we will be able to produce, as firm production, 80,000 kilowatts out of the Kin powerplant.

Mr. GARY. Will you still need the barges?

General CARAWAY. That we have been using?

Mr. GARY. Yes.

General CARAWAY. We will need everything we will get.

Mr. GARY. You will need both plants and the barges that you have been using all the time?

General CARAWAY, We will use both plants and the two barges, the *Impedance* and the *Jacona*, plus a small very expensive powerplant which produces 5 kilowatts that we must have for peakloads. We also need the nine supplementary generators which the REPC bought and which produce about 20,000 kilowatts.

Mr. GARY. What is the ownership control setup of the new plant, is that the same as the old one?

General CARAWAY. The new plant belongs to the United States. It will be under the control of the Ryukyu Electric Power Corporation, which is a corporation belonging to the U.S. administration.

Mr. GARY. That is practically the same setup as the old plant?

General CARAWAY. Yes, sir. The only difference is that when they granted us the authority to build the plant, they said that the Army must stop being the operating authority.

The Army loses the responsibility for the generation of power, and that responsibility then rests in Ryukyu Electric Power Corporation.

I don't know why they did this. I think they were trying to get the Army out of the business. The Army, as you know, produces power on the basis of a contract with Gilbert Pacific, which is a contracting firm that produces electric power, helps build plants, supervises the production and produces the power.

The REPC will not be able to do other than that either. They will simply be the people who pay the contractor who contracts for the power being produced, instead of the Army doing it out of its budget.

Mr. GARY. Who is going to operate this new plant?

General CARAWAY. It will be operated by whoever the contractor has to operate all of the power system, because the power system is a single system.

Mr. GARY. Will that be the Japanese?

General CARAWAY. No. It will be the United States.

Mr. GARY. I mean, so far as the actual employees?

General CARAWAY. The actual employees are a very few Americans and about 100 Ryukyuan workers. Gilbert Pacific will have to furnish a few employees.

Mr. GARY. You have trained the Ryukyuans now to the point that they can help man these plants themselves?

General CARAWAY. The bulk of the personnel are Ryukyuans.

Mr. GARY. I was out there about the time the first plant was opened. And at that time they did not have any Ryukyuans that were capable of running it, and the question was whether they were going to employ Japanese or Americans to run it.

General CARAWAY. There is no question about that now. The Ryukyuans are fully capable of doing a great deal of this work.

Mr. GARY. The Americans and the Ryukyuans are actually operating this plant together?

General CARAWAY. Yes.

Mr. GARY. And the control is in the United States?

General CARAWAY. Yes.

Mr. GARY. Thank you, sir.

Mr. PASSMAN. Thank you very much, General Caraway, and gentlemen.

THURSDAY, MARCH 19, 1964.

ASSISTANCE TO REFUGEES IN THE UNITED STATES

CUBAN REFUGEE PROGRAM

WITNESSES

DR. ELLEN WINSTON, COMMISSIONER OF WELFARE
JOSEPH H. MEYERS, DEPUTY COMMISSIONER OF WELFARE
ROY L. WYNKOOP, EXECUTIVE OFFICER, WELFARE ADMINISTRATION
JOHN F. THOMAS, DIRECTOR, CUBAN REFUGEE PROGRAM
JAMES F. KELLY, DEPARTMENT BUDGET OFFICER

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
11	Personnel compensation: Permanent positions	512	595	510
12	Personnel benefits	22	25	21
21	Travel and transportation of persons	12	15	15
22	Transportation of things	3	2	2
23	Rent, communications, and utilities	202	200	200
24	Printing and reproduction	29	38	33
25	Other contractual services	110	115	112
	Services of other agencies	4,798	4,290	3,716
26	Supplies and materials	43	20	17
31	Equipment	27	15	15
33	Investments and loans	1,368	2,164	2,595
41	Grants, subsidies, and contributions	48,902	46,321	38,164
	Total obligations	56,027	53,800	45,400

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	115	115	96
Average number of all employees	97	108	90
Employees in permanent positions, end of year	108	110	91
Employees in other positions, end of year	0	0	0
Average GS grade	5.4	5.4	5.6
Average GS salary	$5,319	$5,519	$5,677

Program and financing

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
Program by activities:			
1. Direction and coordination of program including reception, registration, and classification of refugees	1,020	1,025	925
2. Welfare assistance and services	40,807	37,389	30,015
3. Resettlement and employment opportunities	3,667	2,866	2,366
4. Education	9,463	11,096	10,744
5. Health services	1,131	1,424	1,350
Total program costs, funded	56,088	53,800	45,400
Change in selected resources [1]	−61		
Total obligations	56,027	53,800	45,400
Financing: Unobligated balance lapsing	14,083		
New obligational authority	70,110	53,800	45,400
New obligational authority:			
Appropriation	70,110	39,717	45,400
Reappropriation		14,083	

[1] Selected resources as of June 30 are as follows: 1962, $183,000; 1963, $119,000; 1964, $119,000; 1965, $119,000

Mr. PASSMAN. The committee will come to order.

We shall consider, this afternoon, the appropriation requests for the Cuban refugee program.

The Congress appropriated $53,800,000 for this program in fiscal 1964. The budget request for fiscal 1965 is $45,400,000.

Dr. Winston, Commissioner of Welfare, with accompanying witnesses, will testify for the program.

Dr. Winston, do you have a statement to make to the committee?

Dr. WINSTON. If I may, sir.

SUMMARY OF BUDGET ESTIMATE

Mr. PASSMAN. Yes, sir, but, first, we shall insert in the record at this point the budget schedules, pages 8 and 9 of the justifications.

(The pages follow:)

Assistance to refugees in the United States—Summary, 1965 budget request

	1964 estimate	1965 estimate	Increase (+) or decrease (−)
1. Direction and coordination of program including reception, registration, and classification of refugees	$1,025,000	$925,000	−$100,000
2. Welfare assistance and services:			
(a) Financial assistance to needy refugees in the Miami area	22,952,000	16,023,000	−6,929,000
(b) Transitional resettlement allowances	720,000	599,000	−121,000
(c) Assistance to resettled Cuban refugees who become needy	4,000,000	5,196,000	+1,196,000
(d) Unaccompanied children	6,400,000	5,594,000	−806,000
(e) Distribution of surplus commodities	126,000	90,000	−36,000
(f) Hospitalization	1,616,000	1,071,000	−545,000
(g) State administration of assistance and hospitalization program	1,575,000	1,442,000	−133,000
Total welfare assistance and services	37,389,000	30,015,000	−7,374,000
3. Resettlement and employment opportunities	2,866,000	2,366,000	−500,000
4. Education:			
(a) Assistance to Dade County public schools	6,065,000	5,616,000	−449,000
(b) Vocational training for youth and adults	2,067,000	1,833,000	−234,000
(c) Assistance to college students	2,164,000	2,595,000	+431,000
(d) Professional training and placement	800,000	700,000	−100,000
Total, education	11,096,000	10,744,000	−352,000
5. Health services:			
(a) Refugee health clinic	687,000	606,000	−81,000
(b) Outpatient medical clinic services	270,000	246,000	−24,000
(c) Maternal and child health and school health services	226,000	226,000	0
(d) Hospitalization for long-term illness	241,000	272,000	+31,000
Total, health services	1,424,000	1,350,000	−74,000
Total, assistance to refugees in the United States	53,800,000	45,400,000	−8,400,000

Mr. PASSMAN. We shall now be pleased to hear from you, Doctor.
Dr. WINSTON. Thank you.

GENERAL STATEMENT

Dr. WINSTON. Over 170,000 Cuban refugees have registered at the Department of Health, Education, and Welfare's Cuban Refugee Center in Miami, Fla. Of these, 75,000 have been resettled to other areas where opportunities have been found for them to become self-sufficient and to build new lives for themselves and their children during their exile in the United States. Refugees have been resettled in every State and 1,800 communities.

Nearly 20,000 refugees were resettled during calendar year 1963. Of the close to 15,000 refugees who registered at the Center in 1963 it is estimated that 5,000 were refugees who had been in Miami for some time prior to 1963 and found themselves in need of assistance for the first time last year.

Slightly less than 10,000 of the new registrants were refugees who actually arrived in Miami during the year. The 20,000 resettlements in 1963, therefore, resulted in a net reduction of approximately 10,000 in the number of refugees in Miami. Since October 1962, when commercial air fligh s from Cuba were suspended at the time of the missile confrontation, it is es ima ed hat the rese tlement program has resul ed in an overall reduc ion of about 15,000 in Miami's refugee popula ion.

As a result, reductions have occurred and are anticipated in various aspects of the refugee program—such as the number of refugees requiring financial assistance in Miami, the number of refugee children enrolled in the Dade County public schools, and the clinic services required by needy refugees in Miami.

These reductions are reflected in the 1964 budget which is lower than 1963 requirements and in the 1965 budget request which is estimated to be almost $8.5 million less than 1964.

The vast majority of the Cuban refugees have arrived in the United States in a state of destitution, after having been stripped by the Castro government of all of their property, funds, and personal possessions except for a change of clothing.

In establishing the Cuban refugee program early in 1961, the President directed the Department of Health, Education, and Welfare to develop and administer a program designed both to deal with the problems of the refugees and to alleviate the burden on the Miami area created by the arrival of large numbers of destitute persons.

PROGRAM PROVISIONS

The program provides:

(*a*) Financial assistance to refugees who are in need of assistance for the essentials of life;

(*b*) Financial assistance to meet the cost of resettlement and the location of employment opportunities outside the Miami area;

(*c*) Care of Cuban refugee children who are in the United States unaccompanied by parents or close relatives;

(*d*) Health services, including medical screening, X-ray examinations, outpatient medical care for needy refugees, and long-term hospitalization costs of persons with tuberculosis and mental disorders; and

(*e*) Funds to meet part of the extra expenses which the Miami public schools have had to assume because of the large number of refugee children; funds for loans to needy Cuban college students; and funds for English and vocational training classes for refugee adults, and for retraining courses for physicians, teachers, and other selected professional persons to enable them to obtain jobs and be resettled outside the Miami area.

PROGRAM ADMINISTRATION

Administration of the program is delegated to the Commissioner of Welfare. In operating the program, extensive use has been made of the facilities of existing public and voluntary agencies.

At the Federal level, these include the Office of Education, the Public Health Service, and the Bureau of Employment Security of the Department of Labor, as well as components of the Welfare Administration.

State and local agencies are also participating in the program—especially the Florida Department of Public Welfare, the Dade County Board of Public Instruction, and the Dade County Health Department.

A number of national and local voluntary agencies are concerned with the resettlement and child-care aspects of the program.

PROGRAM EMPHASIS ON RESETTLEMENT OF REFUGEES

The major objective of our program in fiscal year 1965 will continue to be the resettlement of refugees from Miami to other parts of the Nation where they will be able to become self-supporting and contributing members of our society rather than our dependents.

Resettlement is also a primary means of reducing the refugee population in Miami and the social and economic impact on the community. Resettlement must be carefully planned if the refugees are to be successful following their relocation.

The resettlement program is really an American people's program. A resettlement occurs when a local sponsoring group, most often a church, invites an individual refugee or a refugee family to live in their community.

VOLUNTARY RESETTLEMENT AGENCIES

The local group works through one of the four national voluntary agencies—Catholic, Protestant, Jewish, and nonsectarian—which carry out the resettlement program in cooperation with the Federal Government.

The voluntary agencies interview the refugees in Miami, try to determine which refugees best fit particular resettlement opportunities and encourage the refugees to accept resettlement.

The local sponsoring group makes the final decision about sponsoring a particular refugee and has the responsibility of arranging for a job for the refugee, for at least temporary housing, and for all of the other aspects of helping the newcomer and his family to become adjusted to the new community.

As in any refugee program, resettlement becomes increasingly complex as the program proceeds. This is so for several reasons: First, refugees become more acclimated to their initial point of settlement—in this case, Miami—and more reluctant to pull up stakes and move again.

Second, when large numbers of new refugees were arriving, the desire of the newcomers to be united with relatives who had already been resettled constituted a strong pull to other communities; with few new refugees arriving, we have now resettled the vast majority of relatives who were so motivated.

Third, as the size of the remaining caseload decreases, the resettlement agencies inevitably find themselves left more and more with refugees who fall into the hard-to-resettle category—persons who can benefit from resettlement but who suffer from a broad range of occupational, medical, social, and other problems which require special attention if we are to be successful in helping them to become self-sufficient.

Fourth, as time goes on, increased efforts are required to secure sponsorships throughout the country for the refugees.

During fiscal year 1964, we have been concentrating on more extensive and more systematic efforts to stimulate continued resettlements.

These efforts include increased work with public and voluntary agencies to encourage sponsorship of refugees; increased orientation of Cuban refugees in Miami toward the necessity for and advantages of resettlement, through counseling and information programs in Spanish; and intensified educational programs to prepare refugees to

become self-supporting through resettlement, including English and vocational training in Miami and special professional retraining courses both in Miami and in other communities. These efforts are proving helpful and will be continued during 1965.

A major project, being carried out during the present fiscal year, is a compilation of data on each registered refugee case still in Miami. This information is being recorded on punch cards for automatic data processing and will provide an immediately accessible file on the resettlement potential of the remaining caseload.

It will permit the rapid identification of families ready for resettlement, the occupation background of the refugees, and the problems which stand in the way of resettlement.

This central file of information is expected to be of great value in analyzing the sizable task that remains and in enabling the Government and the resettlement agencies to deal effectively, efficiently, and systematically with the refugees remaining in Miami.

BUDGET REQUEST AND EXPLANATION OF REQUIREMENTS

For fiscal year 1964, $39,717,137 was appropriated for assistance to Cuban refugees, together with the unobligated balance of the appropriation under this head for the fiscal year 1963.

Taking into account this unobligated balance of $14,082,863, the total funds available to the program for fiscal year 1964 are $53,800,000.

It will be recalled that the original budget estimate for 1964 was reduced by almost $3 million during the 1964 congressional budget process in order to reflect the reduction being made in the Cuban population in Miami.

The detailed budget estimate for fiscal year 1965 is based on the assumption that regular commercial flights from Cuba to Miami will not resume and that the number of new refugees reaching Miami will be limited to the small numbers currently arriving by small boat and through other countries.

The budget request contemplates that registrations at the Cuban Refugee Center will be approximately 125 persons a week and that an average of 350 persons a week will be resettled from the Miami area.

Based on these assumptions, it is estimated that $45,400,000 will be required in fiscal year 1965 for the implementation of the Cuban refugee program. This is $8,400,000 below the 1964 funds available.

The budget request is presented under five activity headings: (1) direction and coordination of the program, including 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:

DIRECTION AND COORDINATION OF PROGRAM

From the beginning of the Cuban refugee program, a federally operated Cuban Refugee Center in Miami has served as a focal point for refugee registration and resettlement activities, and has coordinated the local aspects of the Federal Government's program of assistance and service to Cuban refugees.

REGISTRATION AND REFERRAL ACTIVITIES

Refugees register at the center where they are interviewed and classified as to job skills and where a record of the family is established and maintained.

The refugees are then referred to appropriate agencies within the program for a medical examination, for counseling and assistance in resettlement, and if necessary, for financial assistance.

To date, 170,900 refugees have registered at the center. Before commercial flights from Cuba to Miami ceased, about 1,700 persons were registering weekly. As previously described, registrations are now well below this number and it is estimated that they will average 125 a week during fiscal year 1965.

EMPLOYMENT

The 1963 appropriation provided funds for a staff of 132 persons for the operation of the center and for the national direction of the program. Because of the decrease in new registrations, it is estimated that only 115 positions will be required in 1964, and that this figure can be reduced to 96 in 1965.

During 1965 the center will continue to register refugees and to provide referral and counseling services on an accelerated basis. Emphasis will also continue to be placed on improving job placement and resettlement opportunities for the refugees; on stimulating national and community organizations to sponsor refugees for resettlement; and on encouraging the refugees in Miami to resettle to other parts of the country.

During fiscal year 1965, $925,000 will be required for direction and coordination of the Cuban refugee program, including the reception, registration, and classification of refugees as described above. This is $100,000 less than the $1,025,000 contemplated for 1964.

WELFARE ASSISTANCE AND SERVICES

Most of the refugees entering this country have virtually no possessions except the clothes they are wearing and have no funds or resources for providing even the essentials of life.

Many of them cannot speak English. Many children have arrived in this country unaccompanied by relatives or friends. To cope with the problems this situation creates, the Federal Government, with the cooperation of State and local governments and private agencies is carrying out a welfare and assistance program which is estimated to require $30,015,000 during fiscal year 1965. This is $7,374,000 less than will be expended in 1964. A description of each phase of this program follows.

FINANCIAL ASSISTANCE TO NEEDY REFUGEES IN THE MIAMI AREA

The Federal Government, through the Florida Department of Public Welfare, provides financial assistance to Cuban refugees in the Miama area who are in need of assistance for the essentials of life.

The standards of assistance are the same as those applied in the Federal-State program of assistance for Florida residents. It is

estimated that for fiscal year 1964, the average monthly caseload of refugees receiving financial assistance in the Miami area will be 23,900 and that this caseload will drop to 16,700 for fiscal year 1965.

A case may consist of a family unit or of a single individual who is not part of a family unit. The maximum amount of assistance for which a needy family may be eligible is $100 a month; the maximum for a single individual is $60 a month.

The average monthly payment per case is $80—about $94 for a family unit and about $55 for a single person. Based on this average, $16,023,000 will be required for financial assistance payments in 1965. This will be $6,929,000 less than the estimated 1964 requirement of $22,952,000.

TRANSITIONAL RESETTLEMENT ALLOWANCES

Each refugee person or family on assistance in Miami receives an extra month's check upon relocation to another State. The purpose of this transitional resettlement allowance is to facilitate resettlement by:

(1) Assuring that refugees will have some funds on which to live when they first arrive at a new location, thus increasing their willingness to resettle from Miami; and (2) increasing the willingness and ability of sponsors at the place of resettlement to take on the task of helping refugees find jobs and living quarters.

For fiscal year 1964, it is estimated that 8,500 family units or single persons will receive resettlement allowances at an estimated cost of $720,000 and for 1965, 7,000 resettlement allowances will be granted at at estimated cost of $599,000.

ASSISTANCE TO RESETTLED CUBAN REFUGEES WHO BECOME NEEDY

As refugees leave Miami and resettle in other parts of the country, it is inevitable that some will not realize or sustain their employment expectations, and will at some time be in need of temporary cash assistance.

In such cases, they are eligible for assistance from the Federal Government through public welfare agencies. The standards for assistance to refugees in States other than Florida are the same as those applied in Federal-State assistance programs for local residents.

For fiscal years 1964 and 1965, it is estimated that each month a little more than 5 out of each 100 cases which have been resettled will require assistance. In 1964, an estimated 26,367 payments will be made, totaling $4 million, and in 1965, an estimated 34,184 payments will be made, totaling $5,196,000.

CARE OF UNACCOMPANIED CHILDREN

Nearly 8,000 unaccompanied children have received institutional or foster-home care for varying periods of time through the Cuban refugee program. Many of these children have been reunited with their parents or close relatives, but there are still almost 3,000 children in care under the Cuban refugee program.

The 1965 budget estimate assumes that, with the exception of those reaching adulthood, most of the children currently in care will remain

in the program throughout the fiscal year, and that the number of children receiving care at the end of fiscal year 1965 will be about 2,450.

The cost of care for these children, in foster homes and institutions, is estimated at $5,594,000 in 1965. This is $806,000 less than estimated requirements of $6,400,000 for fiscal year 1964.

Looking toward the renegotiation of the contracts with the child-care agencies for fiscal year 1965, we have initiated a review of the operations of the agencies in relation to the basis of reimbursement.

The investigation which is still underway indicates that the Catholic Welfare Bureau, which is caring for about 88 percent of the children, lost about $150,000 last year under their contract with us.

Some of their expenditures, however, were for nonrecurring improvements and purchases of equipment which will not be required on a repetitive basis. Thus, we must complete our detailed analysis before attempting to renegotiate the contract for next year.

The present budget estimate is, therefore, based on present contract provisions. Any savings consistent with the provision of adequate care for these children who are separated from their parents will be be reflected in the new contracts as directed by this committee.

DISTRIBUTION OF SURPLUS COMMODITIES

About 60 percent of the cases who receive financial assistance also receive surplus agricultural products each month. Costs of receiving, storing, packaging, and distributing these commodities are borne by the Cuban refugee program.

It is estimated that the cost of administering this program in 1964 will be $126,000 and in 1965 will be about $90,000.

HOSPITALIZATION

Hospitalization is provided to needy Cuban refugees in the Miami area for acute conditions. For 1964, an average of 375 cases a month will require hospitalization for total expenditures of $1,616,000. For fiscal year 1965, it is estimated that an average of 235 cases a month will require hospitalization for a total cost of $1,071,000. This is a reduction of $545,000 for 1965.

STATE ADMINISTRATION OF ASSISTANCE AND HOSPITALIZATION PROGRAM

Costs of the Florida State Welfare Department in administering the financial assistance and hospitalization program are estimated at $1,575,000 in 1964 and $1,442,000 during fiscal year 1965, a decrease of $133,000.

Included in the estimated costs of administering the program are funds to continue in fiscal years 1964 and 1965 sufficient staff to conduct regular home visits to refugees receiving assistance in order to assure that assistance is given only to bona fide cases.

Caseworkers will also continue to encourage refugees to resettle from Miami to other parts of the country. The staff allowance provides for 1 caseworker for each 165 cases receiving assistance under the program.

This is a substantially larger workload per worker than that associated with the domestic general assistance programs.

RESETTLEMENT AND EMPLOYMENT OPPORTUNITIES

A basic objective of the Cuban refugee program is the resettlement and employment of refugees in areas other than Miami. Such resettlement is essential if the refugees are to become self-supporting, productive, and taxpaying members of our society and if the burden on the Miami area is to be lessened.

CONTRACTOR RESETTLEMENT AGENCIES

Four private nonprofit agencies are under contract with the Federal Government to resettle Cuban refugees. These are: (1) Church World Service (Protestant), (2) National Catholic Welfare Conference, (3) United HIAS Service (Jewish), and (4) the International Rescue Committee (nonsectarian). These agencies have a long history of service in the refugee field.

The major steps that will be taken during fiscal year 1965 to promote resettlements have already been described. As indicated earlier, we expect that resettlements will become increasingly difficult since we will be working almost entirely with refugees who have become established in the Cuban community in Miami.

Factors such as a colder climate in other parts of the country and language problems will continue to be a barrier to resettlement.

ESTIMATED NUMBER OF REFUGEES TO BE RESETTLED IN 1964

Based on these considerations, and after giving due regard to increased resettlement emphasis, we estimate that we will be able to resettle 22,050 Cuban refugees in 1964, an average of 424 per week, and 18,200 in 1965, an average of 350 a week. It is estimated that costs for resettlement will be $2,866,000 in 1964 and $2,366,000 in 1965, a reduction of $500,000.

EDUCATION

The presence of some 100,000 Cuban refugees in the Miami area has created serious educational problems. For example, the Dade County public school system has had to provide facilities for many thousand Cuban children in elementary and secondary schools.

Many Cuban refugees do not speak English. A majority of the adults require language orientation, and many require vocational training or professional retraining before thay can be resettled and obtain jobs.

The total cost of the educational program is estimated at $11,096,000 for 1964 and $10,744,000 for 1965, a reduction of $352,000. A brief description of each part of the educational program and the basis for the budget estimate follows:

ASSISTANCE TO DADE COUNTY PUBLIC SCHOOLS

The Dade County public school system has been provided $5,616,000 in the 1965 estimate for aid. The largest single item is $5,055,000 for—this is to cover one-half of the operating costs of educating Cuban refugee children in the elementary and secondary schools.

For 1965, it is estimated there will be 15,500 Cuban refugee children in average daily attendance in the Dade County schools. The total cost per child for the 1965 school year—both American and Cuban children—is estimated to be $546. Because of the special problems posed by the Cuban children, it costs about 20 percent more to educate a Cuban child than it does a non-Cuban child.

The Federal share per Cuban refugee child has been based upon 50 percent of the estimated cost of educating a Cuban child, or $328 a child for fiscal year 1965.

For fiscal year 1964, it is estimated that $6,065,000 will be required for assistance to the Dade County public schools, $5,504,000 of which will be required for slightly over 17,000 children in average daily attendance, at a cost to the Federal Government of $321 per child.

The estimated reduction in fiscal year 1965 is 1,625 children in average daily attendance and $449,000.

VOCATIONAL TRAINING FOR YOUTH AND ADULTS

In the 1965 estimate, $1,833,000 is provided for English language and vocational training of Cuban adults in Miami to prepare the refugees for life in the American community and to increase their chances for employment outside the Miami area.

Many refugees have a skill which would provide them with employment if they had a workable knowledge of English. Others have no such skills but with vocational training can develop a skill.

ENGLISH TRAINING

The 1965 estimate provides for 275,000 hours of English training per month at a cost of 48 cents an hour and 34,000 hours of vocational and shop training per month at a cost of 60 cents an hour.

This compares with 310,000 hours of English training a month and 37,000 hours of vocational training a month in fiscal year 1964 at an estimated cost of $2,067,000.

ASSISTANCE TO COLLEGE STUDENTS

In fiscal year 1965, $2,595,000 is provided in the estimate for loans to approximately 3,000 Cuban refugee college students. Criteria for granting loans in this program are similar to those for U.S. students.

The maximum loan to a student is $1,000 per academic year. For fiscal year 1964, it is estimated that $2,164,000 will be required for loans to approximately 2,500 students.

PROFESSIONAL TRAINING AND PLACEMENT

In the estimate for professional retraining and placement, $700,000 is included. Many Cuban refugees have been trained in professional fields in Cuba. With current shortages of trained persons in teaching and other professions, it is important to American interests as well as to the Cubans to provide for the retraining and placement of such Cuban professional persons.

For fiscal year 1964, $800,000 was provided for retraining physicians, lawyers, teachers, and other professionals, and $700,000 is requested for this purpose in 1965.

HEALTH SERVICES

Federal participation in the financing of health services for Cuban refugees in the Miami area is necessary not only to protect the health of the Cuban refugees but also the health of the community. For fiscal year 1964, the total estimate for health services is $1,424,000. For 1965, it is estimated that $1,350,000 will be required.

REFUGEE HEALTH CLINIC AND OUTPATIENT MEDICAL SERVICES

For a federally financed clinic operated in the Cuban Refugee Center by the Dade County Health Department, $606,000 is provided. At the clinic, each newly registered refugee is given a general health screening, including chest X-ray and immunizations, and refugees without resources may obtain certain types of medical care for which they would otherwise have to be referred to hospital outpatient clinics.

Emergency dental care as well as dental care for children and expectant mothers is also provided at the clinic. For those needy refugees requiring medical care not available at the refugee clinic, $246,000 has been provided in the 1965 budget estimate for outpatient clinical services at local hospitals.

For 1964, it is estimated that $687,000 will be required for operation of the center health clinic and $270,000 for hospital outpatient clinical services.

MATERNAL AND CHILD HEALTH AND SCHOOL HEALTH SERVICES

In the estimate to provide maternal and child health and school health clinical services to the Cuban refugee population, $226,000 is included.

HOSPITALIZATION FOR LONG-TERM ILLNESS

In the 1965 estimate to finance hospitalization costs for an average caseload of about 81 patients with active tuberculosis or acute psychosis $272,000 is included. This compares with $241,000 estimated for 1964 for an average of 73 patients.

Mr. Chairman, that concludes my statement. If you have any questions, I shall be very pleased to try to answer them.

Mr. PASSMAN. Thank you, Dr. Winston.

STUDY OF COST ALLOCATIONS TO CHILD CARE AGENCIES

What action have you taken, in line with the recommendations of the committee last year, that contracts with volunteer agencies for the care of unaccompanied children be reviewed in connection with 50 cents per day per child administrative cost?

Dr. WINSTON. We have secured the services of an expert in the field of cost allocation. He has been working very hard on this extremely complicated matter.

We already have preliminary data from him, but the study, at this point, is not yet complete. What the overall study does indicate is that there has been a gap of about $150,000 overall in what we paid the agencies for the care of children, and what their costs were. The costs exceeded receipts by about $150,000.

As I indicated in the testimony, once that study is fully completed, we will be renogotiating our contracts, and we will certainly take into full account whatever this objective evaluation reveals.

Mr. PASSMAN. Why should such an investigation be so complicated?

Dr. WINSTON. This business of cost allocation in child caring agencies is quite a complicated procedure, for a good many reasons. You have so many different types of care that are being provided. You have different ways in which the staff services become available.

We have not had, in the past, always, a detailed bookkeeping by the smaller institutions and agencies particularly, so that sometimes you really have to go in and help them set up proper accounting methods.

We think this is a very fine thing to do, and that the impetus your questions have given around this program are helpful in terms of our total child-care program, because we need more of this very careful sort of thing.

We have also worked closely with the Child Welfare League of America, which has developed some of the standardized methods along with our Children's Bureau, in cost accounting or child-care programs.

Mr. PASSMAN. When do you anticipate having the report completed?

Mr. WYNKOOP. Before we have to negotiate a new contract for next fiscal year, Mr. Chairman.

COST OF REPORT ON FINANCING OF CHILD CARE

Mr. PASSMAN. What is the report going to cost?

Mr. WYNKOOP. The report is largely financed by the Child Welfare League. We have had this consultant to us, who has been evaluating the work that they have done in providing leadership.

Now, I don't think our total payments to him will exceed hardly $500.

Mr. PASSMAN. What will the total cost be, though, as coming out of some other Federal appropriation?

Mr. WYNKOOP. This is not to be for the most part a Federal expenditure. This is to be financed by the Child Welfare League, which is a group made up of 250 child-care agencies.

Mr. PASSMAN. You do anticipate having the final report in before you enter into new contracts?

Mr. WYNKOOP. Yes sir. We certainly do.

Dr. WINSTON. Yes, sir. That is right.

Mr. WYNKOOP. I might add, sir, that another thing that makes this complicated is that there are 165 agencies involved in this child-care program, in some 41 States.

Mr. PASSMAN. We were told last year, if I remember correctly, that the 50 cents per day per child went only to four agencies down in Miami. Is that correct?

Mr. WYNKOOP. Yes, sir. This is absolutely correct.

Mr. PASSMAN. Let us stick to the 4 agencies, then, rather than get into 165.

Mr. WYNKOOP. Let me deal with just the four, then, sir.

OPERATIONS OF CONTRACTOR CHILD-CARE AGENCIES IN THE MIAMI AREA

Well, the four agencies in Miami are under the Catholic Welfare Bureau, where they are actually rendering child care. Now, the Catholic Welfare Bureau takes care of 88 percent of the Cuban children throughout the country.

Now, the study that has been completed up to this point, Mr. Passman, indicates that the actual cost of care for these children has exceeded by $323,000 what we have paid for care.

They do show an unobligated balance in the 50 cents a day that we have paid them of $171,000.

Mr. PASSMAN. That would indicate a surplus, then? A turnback?

Mr. WYNKOOP. It indicates a surplus in the 50 cents that they have put aside to cover this.

Now, this surplus is then applied against the overobligation for services which still leaves them in the red by $150,000.

Mr. PASSMAN. Do you have a separate contract for what you referred to as "other services"?

Mr. WYNKOOP. No, sir. We have one contract, and we would deal with this on a total basis. We would not separate the costs.

PROGRAM OBLIGATIONS, 1964

Mr. PASSMAN. What is the present estimate of your unobligated balance as of June 30 out of the fiscal 1964 appropriation?

Mr. WYNKOOP. That is a very difficult thing to answer.

Mr. PASSMAN. Maybe you can give it to us through December 31?

Mr. WYNKOOP. I can give you our obligations through January 31.

Mr. PASSMAN. All right.

Mr. WYNKOOP. Our obligations through January 31 are $28,683,784.

Mr. PASSMAN. Running how much per month?

Mr. WYNKOOP. Well, you can divide this by seven. It is roughly $4 million, but you have to take into account, sir, as you well know, that we give Miami schools, for example, all of their money at the beginning of the semester.

Now, as of January 31, we had not received an accounting for the first semester's money, so we had not given them money for the second semester.

Mr. PASSMAN. You had experience with this matter last year, did you not, so you know approximately how much per child?

Mr. WYNKOOP. Oh, yes, sir. We know this precisely.

Mr. PASSMAN. You will have some unobligated funds?

Mr. WYNKOOP. I would say, sir, that we will have some unobligated funds. This is right off the top of my head. We know, now, that we are at the peak of the employment situation, or have been, in Miami.

Consequently, we have had some reductions in the financial assistance roles.

Mr. PASSMAN. What is the estimate you are going to give us?

Mr. WYNKOOP. My estimate would be that we would have a million-plus dollars possibly unobligated at the end of the year. That would be my best judgment.

MIAMI REFUGEE CENTER REGISTRATIONS

Mr. PASSMAN. How many Cuban refugees have been registered at the refugee center in Miami since inception of this program?

Dr. WINSTON. 170,000.

Mr. THOMAS. 170,000, plus 800.

RESETTLEMENT OF REFUGEES

Mr. PASSMAN. How many refugees have been resettled in areas away from Miami?

Dr. WINSTON. Over 75,000.

Mr. PASSMAN. That leaves almost half of them still in the Miami area, then?

Mr. THOMAS. About 45 percent, sir.

STATUS OF EMPLOYMENT AMONG REFUGEES IN THE MIAMI AREA

Mr. PASSMAN. What percentage of the 45 percent are employed in the Miami area?

Mr. THOMAS. Well, of the remaining group in there, if you subtract the 75,000 that we have settled from the 170,000, you will find that the group that we work closely with on a daily basis is the public assistance caseload, which runs about 45,000.

The remainder are presumably employed, because they do not come to us for assistance.

Dr. WINSTON. So, it is slightly less than half that are getting public assistance. Over half are not getting financial assistance.

DETECTION OF NONELIGIBLE RECIPIENTS OF PUBLIC ASSISTANCE

Mr. PASSMAN. If I remember correctly, we were told last year that many of them are actually employed, but are also getting their welfare checks, and assistance, and you were trying to set up some type of system whereby you could detect these people.

We had suggested a system that you might use for this purpose. Did you give any thought to our recommendation?

Mr. WYNKOOP. Yes, sir. We gave a great deal of thought to it. As a matter of fact, we are partially following your recommendation at the moment.

Mr. PASSMAN. To what extent?

Mr. WYNKOOP. Well, let me just start at the beginning. On the ID card, we found that every Cuban covered by our program either had a passport, with his picture in the passport, and identifying information, or he had a special card with his picture on it which had been issued by the Immigration and Naturalization Service.

So, we did not feel that there would be any useful purpose served by issuing another card, since we already, in addition to the immigration card and the passport, issue a card which indicates that the person meets the definition of a Cuban refugee under our program.

Now, our office is in downtown Miami, Mr. Passman. It is in this tall, old newspaper building which you have probably seen.

If we brought 45,000 Cubans—and sir, when they come downtown, they don't come by themselves, but they bring their families with them and children—we would have chaos down there.

Mr. PASSMAN. They would not all come on the same date, would they?

Mr. WYNKOOP. No, sir. There could be some staggering of this, and we gave some thought to it, but it presents some problems if you run your financial rolls more than once. We have a total balancing operation which is done through our punchcard system, and it would mean running the cards several times; but, sir, let me get back to your point.

We think that your suggestion has real merit, and we are bringing in a few hundred Cubans each month to pick up their own checks so that we can interview them at the time we give them their checks. In this way, while we don't get them all in a month, over a period of time, we will be accomplishing, really, what you had in mind.

Mr. PASSMAN. Thank you.

DURATION OF REFUGEE PROGRAM

Dr. Winston, do you foresee any date when this program may be terminated?

Dr. WINSTON. Well, I think, sir, that is outside our jurisdiction. We are given the responsibility to provide the types of services authorized in the basic law.

Mr. PASSMAN. What agency would be able to answer that question?

Dr. WINSTON. Well, the Department of State, I would think, would be in the best position to do that.

Mr. PASSMAN. You are processing these cases, are you not?

Mr. WYNKOOP. Yes, sir. We are.

Mr. PASSMAN. And resettling them.

Dr. WINSTON. At this point, we are committed to taking care of these people, until someone tells us differently.

Mr. PASSMAN. Yes, I know. But, based upon the number coming in, and the number being resettled, the decreasing refugee population in Miami, would you not be able to give us some kind of a projection on that question?

Mr. THOMAS. May I speak to that, please, sir?

Mr. PASSMAN. Please do.

Mr. THOMAS. I am on the resettlement side of it, and we have several factors involved in this situation. First, we have a very large population imposed on the Miami community. Therefore, on the basis of an impacted area, we are trying to lessen that impact and as to how rapidly we can lessen that, has a lot to do with how long the program would go on.

Then we have the question of the status of the individuals. You know that 90 percent of these people are on a waiver status. There isn't any legal permanent residence, and so forth, and, therefore, they will remain in a refugee situation, even though they are resettled into other States.

Mr. PASSMAN. Of course, but we are thinking about the costs. When you resettle them, you say that about 95 percent of them become self-sufficient, and I should think that you would take it——

Mr. THOMAS. We are handling the job on that basis. Yes, sir.

Mr. WYNKOOP. Sir, can I just give you an indication? In 1963, there were more than 100,000 Cubans, Cuban refugees, in Miami.

This has been reduced by some 15,000 this year, and we anticipate that we will reduce it by a corresponding figure next year.

REFUGEE RESETTLEMENTS COMPARED TO ARRIVALS IN MIAMI

Mr. PASSMAN. How does that figure compare to the number coming in, new refugees?

Mr. WYNKOOP. We are resettling substantially more than are coming in. That accounts for the reduction in the population, but still, sir, when you figure that there are at the present time roughly 85,000 Cubans or in excess of 10 percent of their population, in Miami, are Cuban refugees. Over 10 percent of the children in the schools, the elementary and secondary schools, Miami still needs Federal support, sir.

Mr. PASSMAN. Yes, but what we are trying to do is to get some idea as to about when this program might be phased out.

Mr. WYNKOOP. Dr. Winston indicated that we are doing a comprehensive study of the makeup of the Cuban population in Miami.

SCREENING OF CUBAN REFUGEES

Mr. PASSMAN. What kind of screening processes do you employ? Is that handled by——

Dr. WINSTON. Sir, I believe——

Mr. WYNKOOP. This is handled by the Immigration and Nationalization Service and the State Department.

Mr. PASSMAN. Where are they turned back? At the U.S. station or the Cuban?

Mr. THOMAS. Well, most of those persons that came in during the big wave were turned back at the Florida station. But on exchange of prisoners, on the Red Cross ships, they were screened in Cuba.

Mr. PASSMAN. What percentage of them do you turn back?

Mr. THOMAS. The Immigration and Nationalization Service handles that phase of it.

Mr. PASSMAN. Would you not think it would help you to know? If you have no information, will you please supply it for the record?

Mr. THOMAS. We will get that information form the Immigration and Nationalization Service, sir.

(Information supplied follows:)

The Immigration and Naturalization Service was queried with respect to the committee's request for information on the number of refugees turned back who arrive in this country from Cuba.

Since the inception of the Cuban refugee program the Immigration Service has located and had depart from the United States a total of 41 Cuban refugees whose presence here was not considered to be in the best interest of the United States. Of this number 16 were crew members of air and sea craft defecting to the United States who did not seek asylum along with the other members of the crews.

The Immigration Service would be pleased to furnish any additional information required on this aspect of the Cuban refugee program.

DIRECTION AND COORDINATION

Mr. PASSMAN. For direction and coordination, including reception, registration, and classification of refugees, the request is $925,000, a reduction of $100,000 below the 1964 estimate. Is that correct?

Mr. WYNKOOP. Yes, sir. This is correct.

EMPLOYMENT

Mr. PASSMAN. How many of the 96 positions in fiscal 1965 would be assigned to the Miami Refugee Center?

Mr. WYNKOOP. I have that right here. There will be 71, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I yield to Mr. Conte.

REFUGEE RESETTLEMENTS COMPARED TO ARRIVALS IN MIAMI AREA

Mr. CONTE. Would you give the figures of how many refugees you have in the Miami area?

Mr. WYNKOOP. Yes, sir. Approximately 85,000.

Mr. CONTE. 85,000. And you are replacing those at the rate of how many a day?

Dr. WINSTON. Well, what is happening, we do our figures on a weekly basis, and we estimate for the new budget we will be getting new registrants at the rate of 125 a week, and we will be resettling at the rate of 350.

Mr. WYNKOOP. 350 a week.

Dr. WINSTON. 350 a week. Yes, sir.

Mr. WYNKOOP. So, there is a net reduction each week of approximately 225 refugees in the area, Mr. Conte.

Mr. CONTE. And that is a week?

Mr. WYNKOOP. Yes, sir. That would run approximately 1,000 reduction a month, or 12,000 a year.

Mr. CONTE. 12,000 a year?

Mr. WYNKOOP. Yes, sir.

Mr. CONTE. At that rate, it would take about 8 years before you could have them all resettled somewhere.

Dr. WINSTON. Well, I don't think it is quite that simple.

Mr. CONTE. We hope the Cuban situation will be straightened out by then.

HARD CORE OF DIFFICULT RESETTLEMENT CASES

Dr. WINSTON. Because you get a harder core, you know, you get down to an irreducible minimum at some point.

Mr. CONTE. That was my next question. You get down to this hard core group, do you think you could still maintain that average of about 350 a week?

Dr. WINSTON. We will bring a new estimate next year on this, because actually, the numbers being resettled have changed with the changing characteristics of the population.

Mr. WYNKOOP. We are forecasting, sir, a slight reduction in 1965 below 1964.

As Dr. Winston pointed out, when these people were newly arriving in this country, they had no ties with the community in Miami and it was much easier to move new people out.

After they have become a part of the Miami community; they make friendships; they are in a Spanish-speaking community and it becomes more difficult.

Now, we do have a policy that if we locate a suitable resettlement for a person who is receiving financial assistance, and they refuse that resettlement, that we will remove them from financial assistance.

Mr. CONTE. Immediately?

Mr. WYNKOOP. Yes, sir.

Mr. THOMAS. I was going to add because this is a very interesting question you open, that we consider every refugee on our roles as being resettleable.

Some cases take more time than others. For some you have to tailormake a sponsorship. You have to have an individual church ask for a type of case, for example, where there is an old grandmother involved in the case, or someone sick or handicapped in the case.

That takes a little longer, but we feel that everyone who wants to resettle, we will be able to give an opportunity to do so.

REFUGEES DOMICILED IN MIAMI

Mr. CONTE. My next question would have been, of this 85,000, do you have a breakdown how long they have been in the Miami area?

Mr. THOMAS. I don't think we have that.

Dr. WINSTON. We are getting very detailed information now on our new data processing equipment. I expect we could, over a period of time, get that.

Mr. THOMAS. Yes. We could certainly. We have just set up, after some time, a data-processing machine, in which we have now recorded all the cases on IBM with the various characteristics: The age, the ability to speak English, the number of dependents concerned, the health condition, and we should also have the length of time the person has been in Miami. We can run that out and add it to the record, sir.

Mr. WYNKOOP. I can give you some figures that I think might be helpful to you.

At the end of 1961, there were 30,000 Cubans registered at the Center. At the end of 1962, there were 122,000 registered at the Center. At the end of 1963, 165,000; at the end of 1964, 173,000 is estimated for this year; and 180,000 at the end of 1965.

Now, these are, of course, cumulative registrations. And, of the 170-odd thousand that have been registered thus far, we estimate that 85,000 still remain in Miami.

Mr. CONTE. But there in that core of 85,000, there may be some who registered in 1961?

Mr. WYNKOOP. Yes, sir.

Mr. CONTE. That is the point I would like to make.

Mr. WYNKOOP. Yes, sir. We can't handle that question at the moment, but we will see what we can get for you.

Mr. CONTE. Fine. Fine.

(The information supplied follows:)

The following table shows the percentage of the approximately 85,000 refugees in the Miami area by year of entry into the United States:

Year of entry into United States:	*Percentage in Miami*
1959	3.9
1960	17.5
1961	33.8
1962 [1]	37.5
1963	7.3

[1] Regularly scheduled flights from Cuba stopped October 1962.

INDIVIDUAL EARNINGS VERSUS ELIGIBILITY FOR PUBLIC ASSISTANCE

Now, do you have any minimum financial requirements, assuming that I am a refugee in Miami, and I have a job, working as a domestic helper of some kind? Do you have any close tabs on their financial earning, and do you have any maximum that they can earn and still qualify for financial assistance under this act?

Dr. WINSTON. We handle that, sir, just as we do for the natives of Florida themselves. Under our public assistance laws, you have to take into account all resources and, in addition, only certain types of cases are eligible for financial assistance, and we treat these people just as we do the regular applicants from Florida.

Now, for instance, we would assist a women who had several children who has a husband who has not been able to get out of Cuba, or if she is a widow.

She might have a part-time job; well, then, what would happen that her earnings are counted over against the minimum budget which is made up for her and the financial assistance she receives would be decreased by the amount of earnings. So it is possible to have earnings and still receive assistance; and, in fact, we encourage families receiving aid to families with dependent children to do whatever they can to help themselves.

So, we have a good deal of, at least, part-time work by mothers in the program.

Mr. CONTE. So this figure of 85,000, then, are people who have been screened and have met the——

Dr. WINSTON. Very strict test; yes, sir.

MIAMI REFUGEES RECEIVING FINANCIAL ASSISTANCE

Mr. WYNKOOP. No. There is a little misunderstanding, here, sir. Those 85,000 are not all receiving financial assistance. Only about 45,000 or 46,000 of the 85,000 are receiving monthly financial assistance.

The other group of approximately 40-odd thousand are self-supporting.

Dr. WINSTON. But the point is that for those who do get assistance, they have had the same strict screening that we give American citizens and the Florida program is one of our tighter programs, I might add.

Mr. CONTE. I yield back to the Chairman.

Mr. PASSMAN. Thank you, Mr. Conte.

REFUGEES HANDLED IN FISCAL YEAR 1965

What is the anticipated number of refugees that would be handled by this program in fiscal 1965?

Dr. WINSTON. Well, sir——

Mr. WYNKOOP. Your question, sir, is a rather broad one, because we perform more than one function. If it is just in terms of registration, it would be 52 times 125, which is—just give me a second—yes, 6,500 persons. But we are performing many services at the Center, sir, besides the registration of new registrants.

We are, for example, calling these people in on a regularized basis, to find out what their current work status is and whether they are eligible for resettlement to other parts of the country. This is the

only, the only way, sir, that we can keep up this resettlement figure that we have attained—through constantly just pushing it.

Mr. PASSMAN. I do not see anything complicated about the question. We just asked for the number.

Mr. KELLY. Well, let me give you some figures Mr. Chairman. See if these will be helpful to you.

Mr. PASSMAN. How about inserting the information in the record?

Mr. KELLY. All right, sir.

(The information supplied follows:)

It is estimated that the Federal Cuban Refugee Center in Miami will conduct a minimum of 35,000 interviews during the fiscal year 1965.

Prior to the cessation of flights in October 1962, the primary function of the Refugee Center was to register newly arrived refugees and to handle special problems associated with the large concentration of refugees in Miami. Since the cessation of flights, the activities of the Center have been redirected toward the resettlement of refugees in the Miami area. This involves periodic interviews to counsel with them as to aptitudes, training opportunities, and training required to attain skills that would enable them to qualify for jobs and to be resettled.

Of the 35,000 interviews estimated for fiscal year 1965, approximately 4,000 will involve new cases registering with the Center for the first time. An additional 16,000 refugees will have interviews for a variety of reasons, including (*a*) intensive counseling as to the advantages and need for resettlement, (*b*) evaluating the skills of refugees in connection with job opportunities available outside of the Miami area, (*c*) recording new skills acquired and improved knowledge of English, (*d*) providing guidance with respect to training available, and (*e*) determining and recording changes in family composition and other factors affecting resettlement. Finally, about 10,000 refugees will visit the Center in connection with travel arrangements for their resettlement, 3,000 will apply for the replacement of lost identification cards, and 2,000 will visit the Center for a miscellany of reasons including requests for reinstatement of eligibility of benefits under the program.

WELFARE ASSISTANCE AND SERVICES

Mr. PASSMAN. The second activity is welfare assistance and services, for which the 1965 estimate is $30,015,000, a decrease of $7,374,000 below the fiscal 1964 level. Is that correct?

Dr. WINSTON. Yes, sir.

Mr. PASSMAN. How many refugees are receiving cash assistance now, and at what level do you anticipate the average caseload during fiscal 1965?

Mr. WYNKOOP. The average caseload——

Mr. PASSMAN. How many are receiving cash assistance now?

Mr. WYNKOOP. Approximately 22,000 cases, or we have about 45,000 persons receiving financial assistance at this time.

Mr. PASSMAN. What do you anticipate the average caseload will be in 1965?

Mr. WYNKOOP. We anticipate that the average caseload for 1965 will be 16,700, sir.

Mr. PASSMAN. What is the amount of the average monthly grant to the anticipated 16,700 average caseload during the 1965 fiscal year?

Mr. WYNKOOP. The average grant, sir, is $79. Of course we make a different payment to a family and a single individual.

The average for all cases is $79. The average for a family is $94, and the average for a single person is $55.

Mr. PASSMAN. I note that you are requesting $5,196,000 for assistance to resettled refugees who become needy. This appears to be an increase of $1,196,000 above the 1964 level.

Dr. WINSTON. What has happened, you see, is that we have got more resettled people, and so consequently you have this buildup for that reason.

But the figure is very, very low in our experience. It is remarkable that only 5 percent, roughly, have some help.

Mr. THOMAS. It should level out at about 5 percent.

Dr. WINSTON. Oh, I think so.

Mr. PASSMAN. Why is the Federal Government responsible to assist these refugees who become needy once they have been completely resettled?

Mr. THOMAS. The situation is, sir, that the communities who take on the willingness to sponsor refugees; generally do it on the basis of meeting a temporary situation.

In other words, they provide housing, jobs, and so forth. But these people are not legal residents in the State, they are still on a waiver status, and can't qualify for citizenship.

If there is illness or some extraordinary situation that causes them to lose their job or they have to change their housing, the church communities can't keep them up financially. They then must turn to the public welfare for assistance.

Mr. PASSMAN. How long do these cases receive such assistance, on an average.

Mr. WYNKOOP. It is an average, sir, of about 3 months.

Mr. PASSMAN. If they have been resettled, and for some reason or another they become unemployed, then you start giving them assistance, and it would be limited to 3 months?

Mr. THOMAS. It is not limited, sir.

Dr. WINSTON. It would tide them over until they got another job.

Mr. PASSMAN. If they do not get another job, you continue the assistance indefinitely?

Mr. THOMAS. This is a difficult thing. We try to get the States to take over the responsibility.

Mr. PASSMAN. But until such time as they do, it is our responsibility to continue the assistance?

Mr. THOMAS. Yes, sir.

Mr. WYNKOOP. Sir, I just ran across some figures that might be of interest to you. Out of 128 cases that were closed during a 9-month period, 35 people were on the rolls only 1 month; 22, 2 months; 18, 3, and so forth.

Mr. PASSMAN. Kindly insert that information in the record.

Mr. WYNKOOP. Yes, sir.

(The information supplied follows:)

FINANCIAL ASSISTANCE—OTHER STATES

A special study was made of the length of time refugees remain on the rolls in Essex County, N.J. This is the largest county in New Jersey, and New Jersey is one of the major States of resettlement.

For the period July 1, 1962, to March 31, 1963, 128 cases were closed from the rolls. Duration of assistance for these cases was as follows:

Number of months on rolls	Number of cases	Percentage	Number of months on rolls	Number of cases	Percentage
1	35	27	7	7	5
2	22	17	8	3	2
3	18	14	9	1	1
4	17	13			
5	17	13	Total	128	
6	8	6			

The median case remained on the rolls about 3 months while the average case was of 3.2 months' duration.

HOSPITAL RATES FOR NEEDY REFUGEES

Mr. PASSMAN. What is the daily rate paid to hospitals providing hospital care for the needy Cuban refugees?

Mr. WYNKOOP. Current rate, sir, is $7 a day.

That is for actual hospitalization.

Mr. KELLY. No.

Mr. WYNKOOP. Oh, I beg your pardon. This is not right. I was referring to outpatient hospital sources.

The hospitals, the cost that we are paying a day for hospitalization is $32.00.

Mr. PASSMAN. Per patient?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. $32 a day is what it is costing?

Mr. WYNKOOP. The correct figure is $34 a day for the first 30 days, and $22 a day thereafter.

Mr. PASSMAN. Is that rate for a private room or in a ward?

Mr. WYNKOOP. This is in a ward, and it is precisely the same figure that is paid by the Florida Department of Public Welfare.

NUMBER OF REFUGEES RECEIVING HOSPITALIZATION

Mr. PASSMAN. How many refugees will receive hospitalization in 1965?

Mr. KELLY. We have estimated that the average number of cases per month would be 235.

Mr. PASSMAN. Thank you.

RESETTLEMENT AND EMPLOYMENT OPPORTUNITIES

Now, Doctor, the third activity is resettlement and employment opportunities, for which the estimate is $2,366,000, a reduction of $500,000 below the 1964 level. Is that correct?

Dr. WINSTON. Yes, sir.

ADMINISTRATION EXPENSE PAYMENTS TO PRIVATE AGENCIES

Mr. PASSMAN. What amount do you pay the four volunteer agencies for administrative expenses incurred in the resettlement program?

Mr. WYNKOOP. We pay $60 per person, resettled, sir. Now those that they try to resettle and don't resettle, we don't pay anything. We pay only on the winning numbers, so to speak.

SERVICES COVERED

Mr. PASSMAN. Would you place in the record a statement as to the type of services this payment covers?

Mr. WYNKOOP. Yes, sir.

(The information follows:)

The $60 per capita payment to the private agencies covers personnel and other administrative costs related to resettlement, long-distance telephone calls and telegrams to arrange for resettlement, clothing needed by the refugee, and necessary resettlement costs after the relocatee's arrival at his new destination.

OTHER PAYMENTS TO PRIVATE AGENCIES

Mr. PASSMAN. Do you make any other payment to the four volunteer agencies under the resettlement program?

Mr. WYNKOOP. Yes, sir. We pick up incidental expenses, expenses associated with their traveling to their new point of destination, and so forth.

Mr. PASSMAN. Would you also insert in the record an explanation of those expenses?

Mr. WYNKOOP. Yes, sir.

(Information supplied follows:)

Incidental expenses of resettlement paid to the four private agencies cover costs of the refugee's meals en route to relocation, bus or taxi fares to and from the common carrier transporting the refugee to his new location, excess baggage charges if necessary, and gasoline and oil if the refugee is transported by automobile.

Mr. PASSMAN. Do you reimburse the U.S. Employment Service for their services under this program?

Mr. WYNKOOP. No, sir.

EDUCATION

Mr. PASSMAN. The fourth activity is education, for which the estimate is $10,744,000, a decrease of $352 below the 1964 estimate. Is that correct?

Dr. WINSTON. It should be $352,000, sir.

ESTIMATED INCREASE IN COSTS PER STUDENT

Mr. PASSMAN. What is the basis for the per capita increase of $21 per Dade County student in fiscal 1965?

Dr. WINSTON. There is a slight increase here in the estimate, but the costs of educating children generally is going up, and this just reflects what is happening in the public schools generally in Florida.

Mr. WYNKOOP. This is the figure that was arrived at, sir, by the Office of Education, in consultation with Miami. We have accepted this figure.

Mr. PASSMAN. Is this increase usually established prior to the beginning or after the year starts?

Mr. WYNKOOP. Sir, it is not a precise figure, but it does take into account the increased salaries that are being paid the teachers in the Miami schools and other increased costs, and in the event that it does not come out to this figure, we won't pay it, but——

Mr. PASSMAN. Do you protect yourself by submitting a high estimate?

Mr. WYNKOOP. No, sir. This isn't our estimate; this is the estimate that was——

Mr. PASSMAN. Whose estimate is it?

Mr. WYNKOOP. The Office of Education.

Mr. KELLY. And we have some experience in working with the Federal impacted area program as to what the average increase rate is.

Dr. WINSTON. You see, you have a longtime trend here, and you know pretty well how it moves up from year to year.

ENGLISH AND VOCATIONAL TRAINING COURSES

Mr. PASSMAN. What has been the enrollment in the summer conversational English programs?

Mr. WYNKOOP. That, sir, runs about 3,500 children in the summer schools.

Mr. PASSMAN. Let us take a brief recess.

(A brief recess was taken.)

Mr. PASSMAN. Is there any requirement that the refugees take English instruction and vocational training courses?

Dr. WINSTON. Not a requirement, but they are given opportunity, and a surprisingly large proportion do take training.

Mr. PASSMAN. Why should it not be a requirement?

Mr. THOMAS. Well, it is a little bit hard to force a person to go into schooling, at the adult age, You see, most of these people still hope that they are only here for a short period of time under exile.

In the Miami area, they are able to speak Spanish, and a lot of them hope to stay there, so it is a little hard to force them into a school situation.

We do everything to encourage them, and the agencies that work with us counsel them, and the refugees recognize that if they are going out of Miami, English is necessary. It is difficult to force them.

Mr. PASSMAN. If we are going to feed and clothe them, give them medical attention, find them jobs, and resettle them, I do not know why we might not require that they attend English instruction classes and vocational training courses, but——

Mr. Wynkoop. As a matter of fact, sir, we are using about all the facilities that are available in the Dade County schools, both day and night, for this purpose, Unless there were to be additional facilities constructed for this particular purpose, there really just isn't any room for additional people.

Mr. PASSMAN. You are taking care of them, are you not?

Mr. WYNKOOP. I am talking about in the vocational and English classes, sir.

Dr. WINSTON. Of course, we already have a tremendous record of the ones who are taking training.

I think we could also get some figures, sir, in terms, now that we have the new data processing, of those who are already sufficiently able to use the English language, and those who are in school. We could pull this off.

Mr. THOMAS. We have that information, and we do use it.

Mr. PASSMAN. I should think it would be well for you to give some thought to some of these suggestions.

Dr. WINSTON. Yes, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Dr. WINSTON. I think, sir, as far as the children are concerned, we don't have any problem, because they are in the public schools.

Mr. KELLY. With respect to the Dade County system, it is teaching in English, and to the extent that they do not have this language capability, they are put under very intense tutelage in order to get them into regular integrated English classes.

Mr. PASSMAN. All through school, then, they will be going into English?

Mr. KELLY. And with respect to the adults, the enthusiasm that they have for studying English is quite apparent, when you go down there and visit the system.

COLLEGE LOANS TO REFUGEES

Mr. PASSMAN. How many Cuban students received educational loans to attend college during the current semester of the current school year?

Dr. WINSTON. In 1964? About 2,500.

Mr. WYNKOOP. I have it here, I think.

The first semester, there were 2,406.

Mr. PASSMAN. How many were there for the second semester?

Mr. WYNKOOP. The second semester, sir, would be slightly in excess of that 2,406. Would be about 3,000, almost 3,000, sir.

SCREENING OF APPLICATIONS

Mr. PASSMAN. How many applications did you receive for loans for the first semester?

Mr. WYNKOOP. I can't tell you that offhand, sir, but I do know that because of the delay in the enactment of the appropriation, there were a number of applications for loans that were made at the universities that could not be met.

Mr. PASSMAN. Would you say that you accepted 99 percent of them, or what percentage?

Mr. WYNKOOP. I would prefer to get the figure for you, sir.

Dr. WINSTON. You know, we work through the Office of Education on this.

Mr. WYNKOOP. They administer this for us. The Office of Education.

Mr. PASSMAN. Do you have any idea as to the percentage of the applicants that you reject?

Mr. WYNKOOP. I think as a whole——

Dr. WINSTON. We can get it from the Office of Education.

Mr. WYNKOOP. As a normal thing, Mr. Passman, I don't think we reject any, because if we don't have enough money to go around, what we do is to reduce the individual loan, rather than to deny applications in their entirety.

Mr. PASSMAN. It is your policy, if they qualify scholastically, that you accept all applications?

Mr. WYNKOOP. Yes, sir.

Dr. WINSTON. And they would have to be admitted by the educational institution, so we have that very helpful screening process.

Mr. PASSMAN. Do we have that kind of system for our own high school graduates who want to go to college?

Mr. MEYERS. Yes. We do, sir, under the National Defense Education Act.

Mr. PASSMAN. But that program is quite restricted, is it not?

Mr. MEYERS. This is patterned the same way. It is strictly comparable.

Mr. PASSMAN. I do not see how it could be comparable when you say that your policy is to accept all applications, and make loans, and you get some 2,500 for the first semester, and slightly in excess of that for the second semester, and it was not your intention to turn any of them down, under the program to which you are referring.

It is your policy to accept all applications?

Mr. KELLY. That qualify. That are in need, Mr. Chairman.

DETERMINATION OF ELIGIBILITY FOR LOANS

Mr. WYNKOOP. These people are eligible only in the event they can demonstrate need for the loans. No one gets it if they have adequate resources of their own.

Mr. PASSMAN. I am talking about the applications you received, and you say there were very few of them rejected. I wish you would give us some information on that matter.

Mr. WYNKOOP. Yes, sir. We will be happy to do that.

(Information supplied follows:)

Many Cuban refugees who are intellectually able and would like to pursue a course of college studies have not attempted to do so because for many of them even a maximum loan of $1,000 a year is insufficient to cover the minimal costs. A great many Cuban refugees find themselves in a state of near or total destitution, without access to the variety of subsidiary resources generally available to their American counterparts. Tuition costs alone in many colleges top $1,000 a year and these costs are rising constantly and substantially. Applications for loans must be made directly by the Cuban refugee student to the college of his choice. Only those who meet the qualifications of the school are granted loans within the limits of the availability of funds. There are no central statistics as to the number of Cuban refugee students who have failed to meet the requirements and thus have been rejected for loans. However, in the first half of the academic year 1963–64, approximately 28 percent of Cuban students who did apply for loans could not be accommodated because of limitations imposed upon the appropriation by the joint congressional resolution.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TEACHER TRAINING PROJECTS

Mr. PASSMAN. What was the cost of the teacher retraining projects at the University of Miami and other colleges in fiscal 1963?

Dr. WINSTON. Mr. Wynkoop will give those to you.

Mr. PASSMAN. Sometimes under the National Education Act, the student cannot pursue the course of his own choosing.

Mr. MEYERS. Well, there is a priority given for certain courses of study.

Mr. PASSMAN. Certainly.

Mr. WYNKOOP. At Miami; Miami University, sir, we are spending $60,000.

Mr. PASSMAN. Per person?

Mr. WYNKOOP. No, sir. This is to cover over 200 persons.

And at Kansas and the Indiana Teachers College projects, we are spending there a total of $93,000.

Mr. PASSMAN. How many such projects do you have in operation during fiscal 1964?

Mr. WYNKOOP. Five.

Mr. PASSMAN. Would you insert information on all five of them in the record at this point?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. The total cost, number of teachers, give us complete information on this, please.

Mr. WYNKOOP. Certainly, sir.

(Information supplied follows:)

The professional training projects in operation fiscal year 1964 to date are:

Doctors to qualify for work in hospitals and clinics: 200 at Miami University (refresher courses)	$60,000
Teachers to qualify as Spanish language teachers:	
18 at Kansas State University	[1] 60,000
45 at Indiana State University	[1] 46,000
70 at Miami University (principally English)	40,000
Lawyers to qualify as librarians: 7 at Kansas State University (part of the teachers project listed above)	[1] 23,000
Optometrists (English only): 10 at Pacific University, Oregon	[2] 2,000

[1] Includes financial assistance payments for dependents of trainees.
[2] Intended to cover incidental expenses associated with classes in English. Other part of the program is covered under student loan program.

HEALTH SERVICES

Mr. PASSMAN. Health services is a fifth activity of your program?

Dr. WINSTON. Yes, sir.

Mr. PASSMAN. $1,350,000 is requested, a decrease of $74,000 below fiscal 1964. Is this decrease brought about by the fact that you have fewer refugees?

Mr. WYNKOOP. Yes, sir. That is correct.

Mr. PASSMAN. I note, on page 33 of the justifications, that the budget estimate provides for 29,000 hospital outpatient visits at a cost of $274,000. This estimate reflects an increase of $1.50 per visit, prior to completion of your study. Is that correct?

Mr. WYNKOOP. Yes, sir, and the story is precisely the same one that we told you about last year. When we had the very small clinic of our own in Miami, we had to refer people to hospitals who had just very minor ailments that could have been taken care of in the clinic if we had had a larger clinic. You folks gave us money for a larger clinic in Miami, so we are able to take care of all of the aspirin and band-aid and minor cases at the clinic, and we consequently are referring only the tougher cases to the hospitals. They want to raise the rate because they are getting only the tough cases.

Mr. PASSMAN. Have the hospitals requested this increased outpatient rate?

Mr. WYNKOOP. Yes, sir. They have requested an increase substantially in excess of this.

Mr. PASSMAN. Did they give you an alternative if you did not agree to the increase?

Mr. WYNKOOP. I don't think it was put in just those terms, sir, but it seemed perfectly reasonable to us, if we were referring now only tough cases——

Mr. PASSMAN. What fee per visit do you pay for an outpatient?

Mr. WYNKOOP. We are, at the present time, paying $7, and the 1965 budget proposes that we raise that to $8.50.

Mr. PASSMAN. And it may be a 2-minute visit, or it may be a 10-minute visit?

Mr. WYNKOOP. That is absolutely right, or it could be an hour and a half visit, depending upon the nature of the illness.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

HOSPITAL RATES

Mr. ANDREWS. What are the hospital rates for your patients?

Dr. WINSTON. $34.

Mr. WYNKOOP. $34 a day, sir, for the first 30 days, and then $22 a day thereafter, and we are paying, in Dade County, Miami, precisely the same thing that the State public welfare department pays for their indigent patients.

Mr. ANDREWS. Is that for a ward bed?

Mr. WYNKOOP. Yes, sir. This is for a ward bed.

Dr. WINSTON. Of course, it is a great economy when we can care for them in the clinics instead of having to put them in the hospital.

Mr. KELLY. This is not a room-and-board cost. This is a total cost, including X-rays, therapeutic services, and so forth.

Mr. WYNKOOP. This is an all-inclusive cost.

PATIENT REFERRAL PROCEDURES

Mr. PASSMAN. On the $8.50 per patient treatment, do you specify the doctors, or do they just call at the hospital, and let an intern or whoever may be there examine and treat them?

Mr. WYNKOOP. No, sir. They have to come to our clinic, and if our people feel that it is something that they are not equipped to treat, they then refer them to one of the participating hospitals with a referral card.

Now, the only time when people go directly to the hospitals is over, perhaps, a weekend or in the middle of the night, when our clinic is not open. Even then the injury has to be serious enough for us to warrant that they should have taken it on before we will pay for it.

Mr. PASSMAN. You are talking now about unauthorized outpatients?

Mr. WYNKOOP. That is correct.

The authorized ones come through us first.

Mr. PASSMAN. You pay $8.50 for him, and do you specify the doctor, or does he just go to the hospital?

Mr. WYNKOOP. We refer him to a specific hospital, and they determine the doctor. We don't attempt to do that, sir.

Mr. ANDREWS. Who staffs your clinics?

Mr. WYNKOOP. The clinic is staffed by the Dade County Public Health Department.

Mr. ANDREWS. And that is where you pay $8.50 a patient?

Mr. WYNKOOP. No, sir. That is where we have Cuban doctors on our rolls that we are paying between $500 and $600 a month. They are under the supervision of qualified American doctors in the Dade County Health Department, but the great bulk of the doctors at the clinic are Cubans.

Mr. ANDREWS. Well, let me ask you this question off the record. (Discussion off the record.)

CUBAN PHYSICIANS

Mr. ANDREWS. Maybe you want to put it on the record. How are these Cuban doctors?

Mr. WYNKOOP. These Cuban doctors are excellent doctors for the type of work for which they have been selected. Now, in some of the specialities, they would not be as good as our American doctors, but certainly for the type of work for which they are hired, that is, to care for certain illnesses, outpatient-type things, they are well qualified.

Mr. ANDREWS. How many Cuban doctors are in Miami who are not working, if any?

Mr. THOMAS. We have very few left; we had originally, sir, around 1,400 doctors come in from Cuba, and we had a course, a retraining, refresher course, in the University of Miami. We put through doctors at a clip of about 200 a course, and seven courses, covering about 1,200 doctors.

Now, those are scattered out in the United States, working under supervision of American doctors, and so on.

Mr. ANDREWS. That is good.

Mr. THOMAS. And we have a course down in Miami now that is underway, with about 150 doctors in that course. But most of them will find employment as soon as they finish their refresher course.

Mr. ANDREWS. Can they practice without an American doctor?

Mr. THOMAS. No, sir.

Mr. ANDREWS. That is left up to the AMA and the State board?

Mr. THOMAS. Yes, sir.

Mr. ANDREWS. I was thinking about the number of places in this country, small, rural communities, that need doctors.

Mr. THOMAS. That is right, sir.

Mr. ANDREWS. Why couldn't those doctors go there? Because of the lack of medical certificate?

Mr. THOMAS. You will find in many of the small communities, there are Cuban doctors. We have instances of them, working in many places, but they must work with an American doctor until they can qualify to take the board examination and pass such an examination.

Now, in certain States, where you don't have to be a citizen to qualify for the medical board, Cuban doctors, have passed the foreign doctor's medical examination, and after about 2 years of internship under the supervision of an American doctor, they would be qualified to take the medical examination in those States that permit it.

Mr. KELLY. A number of these have gone with other Federal agencies. They are extremely pleased with the quality of the people.

Mr. ANDREWS. Do you get good reports on all these doctors who have gone out?

Mr. WYNKOOP. Excellent.

Mr. ANDREWS. I am for that.

Mr. PASSMAN. Do you find quite a few of the Cuban doctors are working so as to pass the medical boards in the State to which they are assigned?

Mr. WYNKOOP. Yes, sir.

Dr. WINSTON. I think, sir, this whole training program is one of the very interesting things, the way the lawyers and the teachers and others have been trained, and fill needed jobs.

Mr. PASSMAN. Thank you very much, doctor, and all you gentlemen. Sometimes I think we could practice a little bit more economy in a lot of these programs.

Dr. WINSTON. Sir, we are doing the best we can to give you an efficient program.

Mr. THOMAS. We are dedicated to it.

Mr. WYNKOOP. Thank you, sir.

MIGRATION AND REFUGEE ASSISTANCE

WITNESSES

ABBA P. SCHWARTZ, ADMINISTRATOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS
GEORGE L. WARREN, SR., ADVISER ON REFUGEE AND MIGRATION AFFAIRS, BUREAU OF SECURITY AND CONSULAR AFFAIRS
ELMER M. FALK, DIRECTOR, OFFICE OF REFUGEE AND MIGRATION AFFAIRS
SEYMOUR LEVENSON, EXECUTIVE DIRECTOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS
CARLOS M. YORDAN, DEPUTY EXECUTIVE DIRECTOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS
VERNE B. LEWIS, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE
FRANCIS J. DONNELLY, EXAMINER, OFFICE OF BUDGET

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
11	Personnel compensation:			
	Permanent positions	370	340	349
	Other personnel compensation	9	11	7
	Total personnel compensation	379	351	356
12	Personnel benefits	59	45	48
21	Travel and transportation of persons	9	10	10
22	Transportation of things	1	1	1
23	Rent, communications, and utilities	10	9	6
25	Other services	3,536	3,650	2,080
	Services of other State accounts	205	232	196
26	Supplies and materials	3	3	3
41	Grants, subsidies, and contributions	8,802	6,250	5,500
	Total obligations	13,004	10,550	8,200

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	60	52	48
Average number of all employees	56	50	47
Employees in permanent positions, end of year	50	52	48
Employees in other positions, end of year	0	0	0
Average GS grade	7.4	8.3	8.3
Average GS salary	$8,115	$9,043	$8,990
Average grade and salary established by the Foreign Service Act of 1946 (22 U.S.C. 861-1158):			
Average grade:			
Foreign Service officers	4.3	5.0	5.0
Foreign Service reserve officers	1	3	3
Foreign Service staff	7.3	6.6	7.3
Average salary:			
Foreign Service officers	$11,128	$11,013	$11,203
Foreign Service reserve officers	$19,650	$15,675	$16,145
Foreign Service staff	$7,060	$7,364	$6,613
Average salary in foreign countries (local rates)	$3,185	$3,475	$3,695

Program and financing

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
Program by activities:			
1. Contributions to Intergovernmental Committee for European Migration	7,902	5,500	5,000
2. Contributions to program of United Nations High Commissioner for Refugees	900	750	500
3. Refugees from European Communist countries	1,004	1,250	1,000
4. Refugees from Communist China	2,100	2,000	730
5. Tibetan refugees	432	400	350
6. Administration	666	650	620
Total obligations	13,004	10,550	8,200
Financing: Unobligated balance lapsing	1,943		
New obligational authority (appropriation)	14,947	10,550	8,200

Mr. PASSMAN. The next item we shall consider will be the migration and refugee assistance program. We have with us the Administrator of the Bureau of Security and Consular Affairs, Dr. Abba P. Schwartz, and other witnesses.

Dr. Schwartz, if you have a statement to present, we shall be pleased to hear from you.

Mr. SCHWARTZ. Thank you, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. First, however, let me say that the appropriation for fiscal 1964 was $10,550,000. The budget estimate for fiscal 1965 is $8,200,000.

JUSTIFICATION MATERIAL

We shall insert the justification pages 5 through 16 at this point in the record.

(The material referred to follows:)

Migration and Refugee Assistance

Summary of requirements, fiscal year 1965

Appropriation, 1964 regular act and base for 1965				$10,550,000
Net difference between 1964 and 1965:				
By projects or functions	Requirements		Differences, increase (+) or decrease (−)	
	1964	1965		
1. Intergovernmental Committee for European Migration	$5,500,000	$5,000,000	−$500,000	
2. United Nations High Commissioner for Refugees	750,000	500,000	−250,000	
3. Refugee assistance for groups determined by the President:				
Refugees from European Communist countries	1,250,000	1,000,000	−250,000	
Refugees from Communist China	2,000,000	730,000	−1,270,000	
Tibetan refugees	400,000	350,000	−50,000	
Subtotal	9,900,000	7,580,000	−2,320,000	
4. Administrative expenses	650,000	620,000	−30,000	
Total obligations	10,550,000	8,200,000	−2,350,000	−2,350,000
Total estimate of appropriation, 1965				8,200,000

General narrative statement

1964 estimate	$10,550,000
1965 estimate	8,200,000
Decrease	2,350,000

Legislative authority for U.S. assistance to migrants and refugees is contained in the Migration and Refugee Assistance Act of 1962, Public Law 87–510, which was enacted on June 28, 1962.

This fiscal year 1965 appropriation request covers funds for continuing programs as well as new refugee situations which the President determines are of concern to the United States. Included are contributions to the Intergovernmental Committee for European Migration and to the United Nations High Commissioner for Refugees. The request also includes those groups of refugees determined by the President to be in the interest of the United States such as refugees from Communist countries in Europe, from Communist China and from Tibet.

Political situations are the usual cause of refugee problems which in the current unsettled state of the world frequently develop on an urgent and emergency basis. Most refugee situations when reviewed in terms of their concern to the United States can be resolved by diplomatic action, local government assistance, or by private contributions, while others may require assistance from international organizations or U.S. assistance through Public Law 480 surplus foods or inclusion in AID programs. This appropriation request covers those problems which require direct U.S. dollar expenditures whenever other sources are not available or are inadequate. Wherever feasible, U.S.-owned local currencies are utilized for refugee assistance to reduce the drain on U.S. dollars, although the amounts of these currencies so used are charged against the migration and refugee assistance appropriation.

Because of the changing and uncertain character of refugee problems, there are new refugee situations which may develop and which may require U.S. assistance. Authority exists under section 2(c) of Public Law 87–510, the Migration and Refugee Assistance Act of 1962, to utilize up to $10 million per year of funds made available under the Foreign Assistance Act of 1961, as amended, to meet unexpected urgent refugee and migration needs. This authority can be invoked by the President for major refugee problems, but minor variations in needs between current programs or for new small refugee situations are expected to be met administratively within the requested appropriation.

Intergovernmental committee for European migration

1964 estimate	$5,500,000
1965 estimate	5,000,000
Decrease	500,000

The Intergovernmental Committee for European Migration (ICEM), with a membership of 29 free world governments, was established in 1951 to facilitate the movement of national migrants from overpopulated areas in Europe and of refugees from countries of first asylum who could not otherwise be moved. ICEM provides efficient and moderately priced transport and supporting services to insure that embarkation, movement, and reception of migrants is conducted efficiently. It helps to facilitate the financing of the movements by combining the contributions of the migrants, of emigration and immigration countries, of voluntary agencies and of other interested governments. It also serves to assist governments in planning and developing their national migration machinery, including the provision of services for the selection and processing for resettlement of migrants and refugees in Europe and for their reception and placement in countries of immigration.

With the improvement in the economies of many European countries, emphasis is now being placed on moving migrants and refugees who are selected for their skills and other qualifications who will be of maximum benefit in meeting the needs of countries of immigration, particularly in Latin America. Countries with excess populations such as Greece, Italy, Spain, and the Netherlands provide the principal source of skilled migrants from their own people and to these are added qualified refugees who still continue to flow into Western Europe from Eastern European countries and north Africa.

It is in the interest of the United States to support ICEM as a skilled and tested organization which has brought order in the hitherto unplanned field of international migration and which provides machinery for reducing the political and economic problems caused by accumulations of refugees and of excess populations. The political advantages of reducing the human problems arising from the flow of refugees is in our national interest as is the provision of skilled and needed types of people in developing countries, particularly in Latin America, where ICEM also is helping to develop group agricultural settlements which include predominantly native farm settlers assisted by a nucleus of experienced European refugee or migrant farmers.

Under present circumstances, sending and receiving governments contribute the major part of the costs of the transport of migrants and refugees. The United States no longer contributes to the movement of indigenous migrants from Austria, Germany, Italy, and the Netherlands to Australia, New Zealand, and South Africa which are now in an economic position to bear the costs of such transport. More and more migrants are being moved under loan arrangements.

Since its inception in 1952 until August 31, 1963, ICEM has moved a total of 1,259,661 persons overseas of whom 554,317 were refugees. In 1962, movements totaled 69,423, and it is estimated that movements in 1963 and 1964 will be 66,000 and 76,300 respectively. During calendar year 1965, it is estimated that ICEM will move approximately 73,000 refugees and migrants. Of the total appropriation of $5 million requested for the U.S. contribution to ICEM for calendar year 1965, $706,900 will be for a mandatory contribution to its administrative budget which amounts to 29.77 percent of the total allocated to all member governments. The remaining $4,293,100 will be required for contributions to operations. The total of the U.S. contribution to operations for calendar year 1965 will not exceed 33⅓ percent of all government contributions to operations. The $5 million request represents a reduction of $500,000 over the estimated U.S. contribution to ICEM in calendar year 1964.

United Nations High Commissioner for Refugees

1964 estimate	$750,000
1965 estimate	500,000
Decrease	250,000

The United Nations General Assembly established the office of the UNHCR in 1951, primarily to promote the legal and political protection of refugees within the mandate of the UNHCR and to promote measures for the permanent solution of such refugee problems. UNHCR material assistance and reestablishment programs for refugees within the UNHCR mandate (primarily European refugees from Soviet bloc countries) were subsequently established under specific UNGA resolutions. Still later the General Assembly authorized the UNHCR to use his good offices in promoting contributions and solutions for problems involving refugees not within his mandate. In this latter function, the UNHCR also furnishes overall coordination of the efforts of other concerned international and private agencies.

The UNHCR assistance programs, by effecting the reestablishment of refugees who are otherwise an economic and often a political burden upon asylum countries, contribute to the stability of these countries, stimulate the maintenance of liberal asylum policies, and serve as a meaningful symbol of the humanitarian purposes of democratic societies.

It is estimated that the UNHCR program for 1965 will total about $2 million. It is requested that $500,000 be appropriated for the U.S. contribution to that program—a decrease of $250,000 from the amount appropriated for contribution to the UNHCR for 1964. The U.S. contribution will be limited to 33⅓ percent of all governmental contributions to the UNHCR. It is believed that the UNHCR will receive approximately $500,000 from private sources toward the funding of his 1965 program, leaving $1,500,000 to be secured through governmental contributions.

The UNHCR in 1965 will concentrate upon dealing effectively with current refugee problems. The program in Europe will be very limited in scope, primarily designed to assist a small number of refugees within the UNHCR mandate whose essential needs cannot be met from other available resources. Such aid will take the form of legal assistance, care and maintenance, and resettlement or local integration assistance. A small number of European refugees in the Far East who are within the UNHCR mandate will also be helped. At the same time, the UNHCR will continue to aid in the solution of new problems of refugees not within his mandate in areas throughout the world other than Europe. In thus exercising his good offices function authorized by the General Assembly, the UNHCR will serve as a catalytic agent to obtain and channel resources where most needed. As appropriate, he will furnish overall supervision or coordination of the efforts of the international community to assist the concerned asylum countries in resolving these problems.

The United States will make its contribution to the UNHCR 1965 program under terms designed to promote specific U.S. foreign policy objectives in those refugee situations which are of greatest significance. To this end, our contribution will be earmarked for specific areas and purposes.

Refugees from European Communist countries

1964 estimate	$1, 250, 000
1965 estimate	1, 000, 000
Decrease	250, 000

As an integral part of the U.S. policy toward promoting peace, the United States is engaged directly and through participation in pertinent international organizations in efforts to resolve the political and humanitarian problems posed by the continuing influx of escapees from Soviet bloc countries, mostly to European asylum countries. The treatment accorded these escapees by the countries of the free world is clearly of concern to the political and security interests of the United States because the escapees are a symbol of those anti-Communists who are most familiar with the nature of the Communist system, often risking their lives to escape to freedom. During the last 2 years, there has been an average influx of about 15,000 refugees a year from European Communist countries, of whom 5,500 of the more recent escapees are being directly assisted by the United States.

To meet the special interests of the United States in certain groups or individuals among the more recent escapees, the U.S. escapee program (USEP) was established in 1952 as a unilateral program of the U.S. Government. Operating through contracts with experienced American and international voluntary agencies under the supervision of designated personnel within the concerned U.S. missions abroad, USEP assistance supplements as necessary, but does not duplicate, the aid and services supplied by asylum countries, international organizations, and the voluntary agencies themselves. These services to escapees include initial reception, interim care and maintenance, and permanent reestablishment either by oversea resettlement or local integration in asylum countries.

Through these means of assisting escapees, the United States helps promote the political and economic stability of asylum countries, thus reducing Communist influence, helps to assure the future maintenance of generous asylum policies, reduces the tensions usually attending refugee problems which may lead to violence and disorder, and helps to convince the still captive peoples that there is a free, democratic alternative to the Communist system.

To assist recent escapees of interest to the United States in 1965, $1 million is requested as compared to $1,250,000 in fiscal year 1964 and $1,450,000 in fiscal year 1963.

Refugees from Communist China

1964 estimate	$2,000,000
1965 estimate	730,000
Decrease	1,270,000

Since 1954 the United States has assisted Chinese refugees entering the Colony of Hong Kong from Communist China. In the 14 years since mainland China was taken over by the Communists, well over a million refugees have fled China to seek refuge in Hong Kong. These refugees have swamped the available public and community services and now number over one-third of the entire population of that small colony. Despite strenuous efforts on the part of the Hong Kong Government to regulate this influx, the refugee population continues to grow.

The nearby city of Macau is faced with a similar problem on a smaller scale. Macau has always been a way station for refugees on their way to Hong Kong and increasing numbers of Chinese refugees, particularly the handicapped, remain there.

Our Hong Kong program promotes our interests by demonstrating the humanitarian concern of the American people toward the Chinese people. Our refugee relief activities in Hong Kong and Macau, carried out through the Far East refugee program (FERP), provide one of the principal means of maintaining conviction of American friendship and benevolence toward the Chinese people and has an impact upon many people in Communist China. The thousands of Chinese who travel between Hong Kong and mainland China, or who correspond with friends and relatives there make known among the mainland Chinese the humanitarian efforts of the United States.

Following the large influx of Chinese refugees into Hong Kong in May 1962, the United States increased its assistance for these refugees from an average of $1 million a year to $2 million a year. Although many of the problems created by this large influx still remain, a sufficient number of Chinese refugees have been resettled and are self-supporting to permit a reduction in the amount required for this program from $2 million in fiscal year 1964 to $730,000 in fiscal year 1965. It is planned to use this amount for the provision of services in connection with hospitals, clinics for infants and children, rehabilitation centers for the blind, and similar projects approved and coordinated with the Hong Kong Government and carried out by private American or international voluntary agencies; for vocational training and for assistance in the resettlement abroad of selected refugees who find opportunities to start a new life outside of Hong Kong; for selected projects to assist Chinese refugee students and youth groups; and for augmenting the facilities in Hong Kong for the conversion of nonrice surplus foods; and for strengthening other refugee feeding programs. Similar projects will be carried out in Macau.

Tibetan refugees

1964 estimate	$400,000
1965 estimate	350,000
Decrease	50,000

The revolt of the people of Tibet in 1959 and the repressive measures taken by the Chinese Communists forced over 60,000 Tibetans to seek refuge in the neighboring countries of India and Nepal. While these countries have provided asylum, they are plagued by their own economic problems and are unable to provide fully for the needs of the Tibetan refugees. These refugees, and particularly those who found temporary asylum in the border areas, were again displaced by the Sino-Indian hostilities.

U.S. assistance to these refugees is designed to help them become self-supporting and at the same time assist in preserving their Tibetan cultural identity. The fiscal year 1965 program will provide medical care, vocational training, education for children, emergency subsistence, housing, and agricultural tools. No part of the funds requested for this program will be utilized for administrative overhead which will be borne by private sources. All of the U.S. assistance will therefore go directly to the refugees themselves.

The United States has been carrying out a program of resettlement in Nepal on behalf of Tibetan refugees by providing, through the International Committee of the Red Cross (ICRC), U.S. surplus food supplies made available under Public Law 480. This program will continue in fiscal year 1965.

It is expected that the situation of the Tibetan refugees in India and Nepal will continue to be difficult, especially if the Sino-Indian border conflict remains

active. However, a sufficient number of Tibetan refugees will have become self-supporting to permit a reduction in the amounts required for this program from $400,000 in fiscal year 1964 to $350,000 in fiscal year 1965.

Administrative expenses

1964 estimate	$650,000
1965 estimate	620,000
Decrease	30,000

A reduction of $30,000 will be accomplished by holding the staffing of the Office of Refugee and Migration Affairs at the present level, by eliminating four local positions in the European area, and by a substantial reduction in the administrative support to the reduced personnel complement. This reduction is partially offset by the annualization of the pay increases which took place on January 5, 1964.

The activities for which appropriations are being requested are implemented by the Department's Office of Refugee and Migration Affairs, and by various field posts abroad. Specific responsibilities of the Office of Refugee and Migration Affairs include (*a*) the development, determination, implementation, and coordination of Department of State policies and programs concerning refugees, displaced persons, migrants, stateless persons, and escapees; (*b*) the collection, collation, and maintenance of information on refugee matters on a worldwide basis; and (*c*) coordination of certain actions as appropriate with international organizations, Federal agencies, and private voluntary agencies.

In fiscal year 1962 the administrative cost of the refugee and migration programs was $944,000 which provided for 87 positions. In line with reduced program requirements, a staff reduction plan was carried out in fiscal year 1963 with the result that only 52 positions are being maintained in fiscal year 1964, including 15 domestic positions and 16 American and 21 local positions overseas. A further reduction of four local positions will be accomplished in fiscal year 1965. The 15 domestic positions requested are required to supervise and direct the operations of refugee and migration programs including program development, the issuance of operating instructions to the field staffs, maintenance of liaison with international organizations and with voluntary agencies which carry out program services by contract, the maintenance of statistics, the analysis of reports, and the development of program budgets.

The responsibility for refugee and migration operations, reporting and liaison in the European and Near East areas is centralized in the Refugee and Migration Section, U.S. Mission, Geneva, assisted by small subsidiary units stationed in Austria, Germany, and Italy. In the Far East, the Far East Refugee Adviser in Hong Kong is responsible for the same type of functions as the Refugee and Migration Section in Geneva with regards to Chinese refugees in Hong Kong and Macau and to Tibetan refugees in India and Nepal. The oversea personnel are generally responsible for all refugee and migration matters arising within their assigned geographical areas, including the preparation of field program proposals, maintenance of registration lists of escapees, screening of refugees, supervision of contracts including end-use audits to assure contract compliance, and compiling statistics. The oversea staffs observe and report on refugee programs conducted by the host governments, the Intergovernmental Committee for European Migration, the U.N. High Commissioner for Refugees and the private voluntary agencies. Further, they undertake, where appropriate, to insure that U.S. interests in refugee and migration matters in their areas are protected. The oversea personnel also maintain liaison with officials of the host governments, international organizations, and voluntary agencies to insure the coordination of the various refugee programs.

Mr. PASSMAN. Dr. Schwartz, may we now hear your statement? And, Mr. Conte, will you take over, sir, while I go to the House floor temporarily?

Mr. CONTE (presiding). Proceed, Mr. Schwartz.

General Statement

Mr. Schwartz. Mr. Chairman, thank you.

As Administrator of the Bureau of Security and Consular Affairs, Mr. Chairman, it is a pleasure to be here a second time to support our appropriation request for refugee and migration activities in the Department of State for fiscal year 1965 in the amount of $8,200,000.

Our request for fiscal year 1965 represents a reduction of $2,350,000 from the $10,550,000 appropriated by the Congress for fiscal year 1964.

The proposed reductions (which include lesser amounts for each item of the request) reflect progress made in the solution of refugee problems in Europe, Hong Kong, and elsewhere, greater participation in financial contributions toward refugee and migration costs by other governments, and continuing efforts on the part of the Department of State to maintain close control of expenditures in behalf of refugees.

Activities Proposed to Be Financed

The appropriation request of $8,200,000 is designed to carry out during 1965 activities authorized by Public Law 87–510, the Migration and Refugee Assistance Act of 1962, including contributions to the Intergovernmental Committee for European Migration (ICEM) and the United Nations High Commissioner for Refugees (UNHCR); and assistance to refugees from European Communist countries; refugees from Communist China; Tibetan refugees; and administrative requirements.

Authorization for Emergency Situations

Should any large-scale unexpected and urgent need arise, the President has authority under section 2(c) of Public Law 87–510, the Migration and Refugee Assistance Act of 1962, to meet these needs by utilizing in any 1 year up to $10 million of funds made available under the Foreign Assistance Act of 1961, as amended.

Fortunately, it has thus far not been necessary to use this emergency authority and hopefully the need to do so will not arise in 1965. In view of the unsettled state of the world, however, there is always the possibility that unforeseen needs will develop.

Intergovernmental Committee for European Migration

The Intergovernmental Committee for European Migration (ICEM) was organized on U.S. initiative in 1951 to facilitate emigration of national migrants and refugees from overpopulated areas in Europe.

Until 1958, ICEM was concerned with securing the movement of maximum numbers of migrants and refugees.

Migration to Latin America

Since then, ICEM has concentrated on more selective and qualitative migration, which may be of assistance, particularly to the Latin American countries. Of the 29 member governments of ICEM, 10 are in Latin America.

Migrants from Europe have made great contributions throughout the Americas with their skills, energies, and initiative. These qualities can help to assure the success of projects important now to the development of developing countries of Latin America.

Latin American countries are becoming increasingly aware of the possibilities of obtaining necessary experience and skills through migration. ICEM, for instance, is assisting Chile by selecting and facilitating the settlement of a group of experienced dairymen from the Netherlands to help provide needed expansion in the production of dairy products and to provide demonstration of better methods.

ICEM is similarly assisting Chile to secure experienced deep-sea fishermen for the development of its fish meal industry. Colombia has requested ICEM's assistance in securing Spanish skippers for shrimp-fishing boats.

In cooperation with the Belgian and French Governments, ICEM is assisting Belgian and French farmers who returned to Europe from Africa to resettle in the Argentine. ICEM has also helped to supply European veterinarians to meet a shortage in the livestock industry in Argentina.

ICEM combines contributions from the emigration and immigration countries, the voluntary agencies and the migrants and refugees to provide the transport costs which no one of these elements could supply alone.

The United States no longer makes a contribution to the movement of national migrants from affluent countries in Europe to immigration countries, such as Australia, Canada, New Zealand, and South Africa.

Through 1963, ICEM had moved overseas approximately 1,280,000 persons including 566,000 refugees. It is estimated that ICEM will move approximately 73,000 migrants and refugees in 1965.

The request for $5 million for 1965, $500,000 less than the comparable amount for 1964, includes a contribution of $706,900 for ICEM's administrative expenditures.

This constitutes 29.77 percent of the total allocated to all member governments. The remaining $4,293,100 will be required for the U.S. contribution to operations, which will not exceed 33⅓ percent of all government contributions thereto.

The United States will persist in 1965 in its efforts to increase the proportionate contributions of the sending and receiving governments and of the migrants and refugees themselves toward the costs of transport.

CONTRIBUTIONS TO PROGRAM OF UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES

With regard to United Nations High Commissioner for Refugees, the office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in 1951. Its task is to provide legal and political protection for refugees and to carry out assistance programs approved by a 30-nation Executive Committee.

By reestablishing refugees who would otherwise become economic or political burdens upon asylum countries, the UNHCR program contributes to the stability of these countries and helps to insure the maintenance of liberal asylum policies.

It is estimated that the UNHCR program for 1965 will be about $2 million and that it will be directed preponderantly to providing care and maintenance and reestablishment assistance to refugees outside of Europe.

Governments contribute to the UNHCR program on a voluntary basis. The United States has been progressively reducing its contributions in view of decreased requirements and increased contributions from other governments.

The Department's request for 1965 is $500,000, a reduction of $250,000 from 1964. As heretofore, the U.S. contribution will not exceed 33⅓% of all government contributions and will be earmarked for specific purposes which best promote our foreign policy interests.

UNITED STATES PROGRAM FOR REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

With regard to the refugees from European Communist countries one of the principal objectives of U.S. Government assistance to refugees and escapees is to give support to the principle of asylum for those persons who flee their Communist homelands due to persecution or fear of persecution.

U.S. ESCAPEE PROGRAM

The U.S. escapee program (USEP) continues to be an important factor in putting this principle into action. To encourage European countries to maintain liberal asylum to escapees, USEP provides limited supplementary care and maintenance where necessary and assists to resettle escapees in the free world as rapidly as possible. Through 1964 USEP will have assisted over 250,000 anti-Communist escapees in Europe and the Near East. In 1965 it is estimated that 6,000 escapees will require assistance at a cost of $1 million, representing a decrease of $250,000 from 1964.

I consider that it is in the U.S. interest to continue to assist these refugees who reach the free world. As strong opponents of communism, they represent a real asset to the cause of freedom.

REFUGEES FROM COMMUNIST CHINA

With regard to the refugees from Communist China who are in Hong Kong, I would like to state that Hong Kong is an outstanding example in the Far East of the growth and development of a free and competitive society on the rim of the Communist world. The contrast has been emphasized by the flow of about a million and a half refugees into the territory since the Communist takeover of mainland China in 1949. While Hong Kong enjoys a high level of prosperity, the best efforts of the Government to provide services for the growing population have been inadequate to meet the total needs. With a population of 3,500,000 on a land area of less than 400 square miles, there has been little room for resettlement on farmland. The consequent concentration of population in urban areas has aggravated the need for massive projects to provide housing, education, medical care, and jobs. Although there has not been a repetition of the influx of 140,000 persons in 1 year, such as the colony witnessed in 1962, refugees continue to make their way into Hong Kong, adding to the

problem posed by the backlog of earlier refugees, many of whom still lack adequate shelter and employment. The Hong Kong Government has provided new housing for about 600,000 people. Its efforts in housing, schools and hospital building programs have been supplemented by efforts of private organizations. With all of this, however, refugee needs continue.

The nearby city of Macao is faced with a similar problem on a smaller scale. In the past, Macao has been a waystation for refugees on their way to Hong Kong, but increasing numbers of Chinese refugees, particularly the handicapped, remain there.

U.S. assistance to refugees in Hong Kong and Macao amounted to about $2 million in each of the years 1963 and 1964. It was about double the aid given in previous years, the increase represented a response to the exodus from China in 1962. These funds have been used in the construction of schools, clinics, and community centers; helping selected individuals and groups of refugees to become settled, providing vocational training and medical care, and processing U.S. foodstuffs available under the Agriculture Assistance Act for consumption by the refugees.

HONG KONG PROGRAM

Our Hong Kong program promotes our interests and demonstrates the humanitarian concern of the American people toward the Chinese people by counteracting Red Chinese propaganda campaigns against the United States. This propaganda is particularly designed to influence the mainland Chinese people to believe that the United States is their enemy. We believe that it is in our interests to retain as much friendship as possible with the Chinese people whether in Red China or elsewhere. This is difficult to accomplish since we have no official channels of communication with mainland China. Our refugee relief activities in Hong Kong provide one of the principal means of creating an image of American friendship and benevolence toward the Chinese people that we believe does have an impact upon many people in Communist China. There are thousands of Chinese who visit mainland China from Hong Kong each week and tens of thousands of letters are exchanged between Red China and Hong Kong in that same period. Virtually every family in Hong Kong has relatives in mainland China. We can be sure that these relatives have learned something of the life in Hong Kong and what is being done by the Americans for those who live there.

Because of the current reduced level of refugee arrivals in Hong Kong and Macao, and because of the considerable progress which has been made in assisting refugees, it is believed U.S. interests in this area can be adequately served by a program for 1965 amounting to $730,000.

TIBETAN REFUGEES

With regard to Tibetan refugees, progress to date in the resettlement of Tibetan refugees in India offers hope that the major part of the Tibetan refugee program can be completed in the next 3 or 4 years, providing, of course, there is no new massive exodus from Tibet. Over the past year few new refugees have left Tibet. Over 60,000 Tibetans are estimated to be in India and Nepal with some 50,000 of this number now in India.

The Government of India, with the assistance of Indian, United States and international voluntary agencies, and the Dalai Lama, is developing an overall plan for the resettlement in farm communities on cleared jungle land. The Government of India will make sufficient land available at elevations suitable for Tibetan habitation, but the land must first be cleared of the dense jungle growth. About 6,000 Tibetan refugees have already been established on such land. Fifteen thousand others are employed by the Government of India in road-building, although this is a temporary expedient. About 4,000 children, many of them separated from their parents, are being cared for in schools.

Until the Tibetan refugees have been given permanent livelihoods they will need food, clothing, medical care, and education, including vocational training. The process of resettlement requires, in addition to land, equipment for clearing the jungles, building materials, livestock, farm implements, seed, and fertilizer. Our U.S. assistance in this area attests to the interest of the American people in helping these refugees from communism become reestablished and live in dignity with hope for the future.

The United States continues to work through the International Committee of the Red Cross to provide food and vocational training to the Tibetan refugees in Nepal. The Nepalese Government has settled some Tibetans on farmlands and voluntary agencies are offering limited vocational training for these people, but the majority of them have not been integrated into the local economy.

The 1965 request for this program is $350,000, a reduction of $50,000 from 1964.

ADMINISTRATIVE EXPENSES

With regard to our overall request for 1965 there is included, for administrative expenses, Mr. Chairman, the sum of $620,000, a decrease of $30,000 from 1964. Approval of this request would enable us to maintain the necessary staff to carry out the Department's responsibilities in connection with these refugee programs.

Mr. Chairman, as I have mentioned earlier, the numerous areas of political instability in the world today result in the development of refugee problems which are in conflict with U.S. interests in the cause of peace. We believe it is highly desirable in these circumstances that the United States have available quick and rapid means of taking action which would help to reduce the tensions caused by such situations. Early and tangible assistance to refugees is one way by which the United States can contribute positively to this end. By such assistance, we not only show our humanitarian concern for the victims of war and oppression, but we advance our foreign policy, defense, and security interests. I consider this appropriation request which we are making here today an essential factor in support of those interests.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Dr. Schwartz.

PUBLIC LAW 480 PROGRAM

In addition to the dollar estimate of $8,200,000 for fiscal 1965, what will be the total amount of the cost of Public Law 480 agricultural commodities for this program, worldwide?

Mr. SCHWARTZ. Mr. Chairman, in the Hong Kong area——

Mr. PASSMAN. I am speaking of all the areas you covered in your total appropriation request.

Mr. SCHWARTZ. I will go down each area if I may.

Mr. PASSMAN. We would prefer the total figure at this point.

Mr. SCHWARTZ. Mr. Chairman, the estimate which is based upon the projected program figures we received from AID for 1965, for the same period, and for the corresponding areas for which we are requesting funds is $3,031,000.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. So, in addition to the dollar estimate, will you repeat that figure?

Mr. SCHWARTZ. Yes, $3,031,000.

Mr. PASSMAN. With approximately $1,800,000 of that amount going to Hong Kong and Macao?

Mr. SCHWARTZ. That is correct, sir.

Mr. PASSMAN. How much local currency would be used in the program, in addition to the Public Law 480 commodities and the dollars?

Mr. SCHWARTZ. Mr. Chairman, I know of no local currencies used other than those that we would obtain in return for any dollars we may spend.

Mr. PASSMAN. I observe that your cash program for fiscal 1965 is $2,350,000 below that of fiscal 1964.

CONTRIBUTIONS TO ICEM

In connection with your request for $5 million for the Intergovernmental Committee for European Migration, ICEM, would you supply a list of the 29 member countries and the amount of their contribution for fiscal 1965, and the same type of information for each year since they became members of that Committee?

Mr. SCHWARTZ. Yes, sir.

(The material referred to follows:)

Cash contributions to ICEM by member governments Feb. 1, 1952 to Dec. 31, 1963

	Totals, 1952–63	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Argentina	$5,713,954		$358,682	$1,122,627	$719,733	$561,055	$1,009,662	$589,436	$491,942	$466,665	$187,274	$180,559	$26,319
Australia	31,123,707	$1,375,859	526,116	1,692,026	3,276,792	3,136,345	3,644,911	2,634,590	3,827,866	4,065,837	2,713,765	2,221,707	2,007,893
Austria	2,390,287	33,027	63,590	122,878	238,838	382,634	410,866	402,852	233,939	251,115	137,032	78,756	34,760
Belgium	1,430,515	161,336	160,116	103,264	133,282	133,297	83,146	79,360	72,672	72,040	123,880	238,884	69,238
Bolivia	6,342										3,191	3,151	
Brazil	4,164,776	231,439	355,362	417,644	179,004	353,372	552,316	396,915	454,281	442,843	448,465	249,955	83,180
Canada	10,519,929	614,826	1,292,316	443,450	198,899	896,709	4,448,685	593,019	389,180	583,801	483,108	347,265	228,671
Chile	487,071	23,590	23,188	20,658	22,713	74,131	89,627	57,152	58,756	60,792	25,374	22,210	8,880
Colombia	386,143		6,250	20,658	21,515	38,020	71,316	39,242	47,236	56,072	37,194	35,180	13,460
Costa Rica	56,153		3,005	4,972	4,973	4,590	9,723	8,249	5,617	7,407	3,866	3,401	350
Denmark	477,063	27,000	26,408	23,493	23,501	48,580	38,734	34,919	31,975	176,475	23,132	22,846	
Ecuador	9,800									3,458	3,191	3,151	
France	2,416,344	198,161	194,518	172,349	172,408	295,379	232,653	256,492	234,584	232,258	215,098	212,444	
Germany	13,809,927	540,441	1,355,958	1,726,429	1,344,668	2,143,845	1,409,176	950,778	948,870	970,949	956,169	962,444	500,000
Greece	5,178,361	45,360	108,370	373,958	498,076	559,467	488,585	344,331	419,356	437,708	518,711	642,734	741,705
Israel	5,490,877	7,000	38,489	65,509	69,063	304,565	554,873	586,972	689,908	747,243	888,489	520,582	1,018,184
Italy	24,036,802	842,141	1,443,733	3,225,943	3,599,703	3,143,416	3,062,260	1,668,666	2,025,284	2,068,063	1,322,312	1,054,953	580,328
Luxembourg	59,107	2,359	6,723	4,253	4,254	8,202	8,219	3,809	3,488	8,458	3,191	6,151	
Malta	614,173												614,173
Netherlands	17,880,289	2,282,043	624,296	248,316	2,226,240	1,832,689	1,528,199	1,665,974	1,981,166	2,192,749	1,535,176	1,035,124	728,317
New Zealand	1,065,981				74,901	206,123	269,244	94,128	59,682	89,076	66,237	97,502	109,088
Norway	322,157	17,000	16,532	14,581	14,586	45,738	66,834	21,587	21,867	47,595	26,080	17,857	11,900
Panama	17,938								3,488	3,758	5,191	4,401	1,100
Paraguay	74,525	10,000	9,662	8,506	8,509	10,348	10,403	3,809	3,488	3,458	3,191	3,151	
Rhodesia and Nyasaland	370,619				31,790	110,633	82,531	85,043	34,985	25,637			
South Africa	1,422,311					60,945	141,278	136,637	106,723	131,602	163,548	238,822	443,756
Spain	4,500,697					35,098	596,446	652,860	655,422	714,931	732,481	728,729	384,730
Sweden	807,829	61,336	60,116	53,264	61,596	71,595	114,672	84,657	91,672	75,634	104,437		28,850
Switzerland	1,195,952	155,393	45,301	86,829	57,637	125,884	257,423	59,997	54,940	112,601	97,029	96,406	46,512
United Kingdom	784,822										215,098	212,444	357,280
United States	102,897,900	8,950,000	6,789,590	8,144,180	9,608,743	11,750,610	13,503,808	7,992,582	9,363,938	10,682,465	6,950,209	5,169,514	3,992,261
Venezuela	599,501	23,590	23,188	20,658	20,665	55,131	50,706	78,872	68,876	67,952	65,791	74,472	49,600
Total	240,312,652	15,601,901	13,531,509	18,116,445	22,612,089	26,388,401	32,736,296	19,522,928	22,381,201	24,798,642	18,057,910	14,484,795	12,080,535

NOTE: The list of countries contributing in 1964 and 1965 are not yet available, but it is estimated that the total of all contributions from countries will be about $16,700,000. in 1964 and $15,200,000 in 1965.

BREAKDOWN OF MIGRANTS AND REFUGEES FOR 1965

Mr. PASSMAN. During calendar year 1965, I notice that you propose to move approximately 73,000 migrants and refugees. Of that number, how many are migrants and how many are refugees?

Mr. SCHWARTZ. About 50 percent; it is just about even.

LOAN ARRANGEMENTS FOR MIGRANT MOVES

Mr. PASSMAN. Page 8 of the justifications indicates that more and more migrants are being moved under loan arrangements.

Can you describe the type of loans, the terms, and the basis upon which they are repaid?

Mr. SCHWARTZ. If I may have Mr. Warren respond to that.

Mr. WARREN. Many of the movements are supported by per capita contributions from the sending Government and the receiving Government, but those per capita contributions are never adequate to cover the entire cost. The balance which ICEM has to provide is then generally put on a loan basis to the individual migrant who travels. He gets the benefit of the per capita contribution towards his transport.

LOAN TERMS AND COLLECTIONS

The loans generally run for around 3 years and either ICEM or in some cases voluntary agencies make the collections. It costs about 25 percent of the collections to collect the money.

Mr. PASSMAN. About 25 percent of the loan is for collection costs?

Mr. SCHWARTZ. Yes, sir.

And the net return to the original capital invested is generally in the area of 60 to 65 percent depending, of course, on the area to which the immigrant has gone.

For instance, the best collections are from Canada and the United States. Australia comes next. Australia has only within the last year agreed to have loans at all, and, of course, the worst collections are in Latin America. They are almost insignificant.

Mr. PASSMAN. Are the loans interest bearing?

Mr. SCHWARTZ. No.

Mr. PASSMAN. To whom are the loans made repayable?

REVOLVING FUNDS

Mr. SCHWARTZ. Some are made to the migration committee, and that goes into funds that are constantly revolving, and the migration committee conducts revolving funds also with the voluntary agencies.

Mr. PASSMAN. Does that money come back into your agency for reuse?

Mr. SCHWARTZ. No, sir; that is carried in the balances of the voluntary agencies.

Mr. PASSMAN. What is the average annual amount of the loans, in the aggregate?

Mr. WARREN. The voluntary agency loans I happen to remember are collectively around $3 million.

Mr. PASSMAN. I am speaking of the loans you made out of this appropriation?

Mr. WARREN. I would say roughly around $400,000 to $500,000 at the present time in addition to the revolving agency funds.

Mr. PASSMAN. So that is additional money. You have the use of these funds as well as the new appropriation?

Mr. SCHWARTZ. The organization does, it shows up in their balance sheet.

Mr. PASSMAN. What is the total amount of the revolving fund?

Mr. WARREN. Well, in the different agencies, the capital in each of the funds today probably would add up to between half a million, and a million; they are the working capital.

Mr. SCHWARTZ. What Mr. Warren is speaking of, Mr. Chairman, is that this organization, ICEM, does business with the voluntary agencies—National Catholic Welfare, and so forth.

ICEM would at some point make a contribution to an agency to help it establish a revolving fund.

Mr. PASSMAN. You have a revolving fund in some 20 or 30 agencies?

Mr. SCHWARTZ. Not as many as that; principally in the big agencies.

LOAN REPAYMENTS TO AGENCY OF ORIGIN

Mr. PASSMAN. As many agencies as you have participating in this program. Each individual agency has a revolving fund of its own, so the repayments go back to the agency that originally made the loan?

Mr. WARREN. That is true.

Mr. PASSMAN. None of it actually ever comes back into ICEM?

Mr. WARREN. ICEM is now just beginning to establish its own loans.

Those loans come back to ICEM.

For instance, these new loans made to those going to Australia; this is entirely an ICEM operation. ICEM collects the money and the money comes back to ICEM.

Mr. PASSMAN. Would you think well of establishing that type of procedure applicable to all loans, inasmuch as now you have ICEM's money that goes out to these agencies; they in turn make the loans, the money is repayable to the agency, but now you have started your own revolving fund, so why would you not create——

Mr. WARREN. Theoretically that might be possible——

Mr. PASSMAN. Why would it not be possible as a practical matter?

Mr. WARREN. Because in Canada, which is not a member, we would be entirely dependent upon the voluntary agencies to make the collections.

Very much the same in the United States because ICEM could not replace the voluntary agencies which have local counterparts to follow up on collections.

Mr. PASSMAN. How could you create a revolving fund within ICEM under such conditions?

Mr. WARREN. That is actually being done——

Mr. SCHWARTZ. In the case of Australia, ICEM itself collects in Australia.

Mr. WARREN. ICEM is doing it itself, because the voluntary agencies there are not strong enough to do it.

Mr. PASSMAN. Would that be the only exception at this time? You indicated that you were creating this revolving fund. I thought possibly the trend——

Mr. WARREN. That would be as far as I would want to go at the moment from experience.

VOLUNTARY CONTRIBUTIONS

Mr. PASSMAN. Is this a voluntary contribution or is the United States obligated to contribute $5 million to ICEM in 1965?

Mr. SCHWARTZ. Mr. Chairman, our obligation is to the administrative budget which are our dues which is roughly the figure, 29.77 percent, but the balance is purely voluntary.

Mr. PASSMAN. The $5 million is entirely voluntary?

Mr. SCHWARTZ. Less the administrative costs, which are the dues. The rest are all completely voluntary.

U.N. HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. For the U.N. High Commissioner for Refugees, the estimate is $500,000.

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. How does that figure compare to fiscal 1964?

Mr. SCHWARTZ. In fiscal 1964, Mr. Chairman, I believe it was $750,000, we have a reduction of $250,000, which is based upon our estimate of what the High Commissioner's program will be and our efforts to get other governments to contribute more. The percentage of our contribution in that case will be 25 percent, much less than 33⅓, and we are hopeful that other governments will increase theirs because the time has come, we believe, for larger contributions from others.

Mr. PASSMAN. The offices of the High Commissioner are domiciled in Geneva?

Mr. SCHWARTZ. Yes, sir; and he does have a small staff in various countries in Europe, I believe, and in Latin America, and throughout the world, but the main headquarters is Geneva.

GENEVA STAFF OF U.N. HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. Would you provide for the record a statement as to the number on his Geneva staff, the nations in which he maintains personnel, and the number of personnel?

Mr. SCHWARTZ. We'll be glad to, Mr. Chairman.

(The material supplied follows:)

U.N. High Commissioner for Refugees positions

Location	Professional staff	Local employees (clerical)	Location	Professional staff	Local employees (clerical)
Geneva (headquarters)	46	67	Italy	4	11
Australia	1	1	Latin America	1	3
Austria	4	12	Middle East	3	4
Belgium	2	7	Netherlands	2	1
Canada	1	1	Turkey	1	2
Central Africa	3	2	United Kingdom	1	2
France	3	5	United States	3	2
Germany	8	17			
Greece	3	9	Totals	86	146

CONTRIBUTIONS TO U.N. HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. Will you also supply for the record the names of the countries contributing to the program, the amounts they are contributing and indicate, if not in convertible currency, whether or not the local currencies of the countries can be used freely in the program?

Mr. SCHWARTZ. We will be glad to, Mr. Chairman.

(The material supplied follows:)

Government contributions to U.N. High Commissioner for Refugees program for 1963

Government:	Amount
Australia	$168,000
Austria	45,000
Belgium	200,000
Cambodia	571
Canada	268,519
China (Republic of)	5,000
Denmark	72,390
France	507,201
Germany (Federal Republic of)	550,000
Greece	9,000
Holy See	11,000
Iran	2,024
Ireland	10,000
Israel	5,000
Italy	80,515
Liberia	5,000
Liechtenstein	3,472
Luxembourg	3,000
Malaysia	15,238
Malta (Sovereign Order of)	$1,000
Morocco	9,960
Netherlands	146,132
New Zealand	28,000
Nigeria	5,000
Norway	112,000
Portugal	2,500
South Africa	12,500
Sweden	193,325
Switzerland	231,480
Tunisia	2,000
Turkey	2,667
Vietnam	2,500
United Kingdom	504,000
United States	900,000
Yugoslavia	5,000
Total	4,118,994

The U.N. High Commissioner for Refugees has had no problem in utilizing contributions since they have been made almost entirely in convertible currencies.

CONTRIBUTIONS FROM PRIVATE SOURCES

Mr. PASSMAN. What private sources contribute to the program?

Mr. SCHWARTZ. The High Commissioner program?

Mr. PASSMAN. Yes.

Mr. SCHWARTZ. We have a chart of the private sources, I believe. We can furnish the sources.

Mr. PASSMAN. Please do so for the record.

(The information supplied follows:)

In 1963 the UNHCR received contributions from private sources amounting to $1,382,880. Of this amount, $669,226 came from a private fund-raising campaign in the Netherlands, and $530,000 was received as profit on the sale in countries throughout the world of a long-playing record specially promoted by the UNHCR. The balance of $183,654 was donated by a wide variety of sources in many countries. The UNHCR has not as yet issued a report giving a breakdown of these contributions.

EARMARKING OF U.S. CONTRIBUTIONS

Mr. PASSMAN. For what specific areas and purposes will the U.S. contribution be earmarked, if it is earmarked?

Mr. SCHWARTZ. Well, Mr. Chairman, we are going to earmark it. The program operates on a calendar year basis, and our contribution will be earmarked as the 1965 program is developed and we see where the greatest needs are, and then we determine what is in our interest. It has been our practice now for 2 years to earmark our contributions.

HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. Who is the High Commissioner at this time?

Mr. SCHWARTZ. The High Commissioner is Mr. Felix Schnyder, who is a Swiss national.

Mr. PASSMAN. How long has he been High Commissioner?

Mr. SCHWARTZ. About 3 years, a little over 3 years.

Mr. PASSMAN. Do the member countries make up a board and select the High Commissioner?

Mr. SCHWARTZ. No; he is elected by the General Assembly of the United Nations, and he is recommended by the Secretary General of the United Nations.

Mr. PASSMAN. What is the amount of his annual compensation?

Mr. SCHWARTZ. We think it is around $21,000, but we will be glad to supply it for the record.

Mr. PASSMAN. Plus other expenses?

Mr. SCHWARTZ. Yes, sir, we will supply that.

Mr. PASSMAN. Thank you.

(The material referred to follows:)

The High Commissioner receives a tax free salary of $17,900 annually plus a $4,000 allowance. He also receives a Geneva post adjustment amounting to $2,160, and dependency allowances of $400 for his wife and $300 for his daughter. Thus his total annual compensation is $24,760.

U.S. CONTRIBUTIONS TO THE UNHCR PROGRAM

Mr. PASSMAN. We are contributing to the program, I believe, 33 percent of the cash and all of the surplus commodities; are we not?

Mr. SCHWARTZ. Of the High Commissioner program?

Mr. PASSMAN. Of the entire refugee program.

Mr. SCHWARTZ. For the High Commissioner, I figure it is 25 percent.

Mr. PASSMAN. We are contributing 25 percent?

Mr. SCHWARTZ. Yes, sir, we went below the 33⅓.

Mr. PASSMAN. Is our contribution limited to 25 percent of the total?

Mr. SCHWARTZ. No, sir; we give no Public Law 480 to the High Commissioner; no, sir.

ESCAPEE PROGRAM

Mr. PASSMAN. I notice that you are requesting $1 million for the refugees from European Communist programs. How much has Congress appropriated to date for this escapee program?

Mr. SCHWARTZ. Last year we received $1,250,000, I believe we have available a chart going back to the figure——

Mr. PASSMAN. Insert it in the record, if you will.

(The information supplied follows:)

Since the inception of the U.S. escapee program (USEP) in 1952 through December 31, 1964, this program will have expended a total of $50,457,144 of funds made available from congressional appropriations.

ESCAPEES FROM COMMUNIST COUNTRIES

Mr. PASSMAN. How many escapees from Communist countries have been assisted in fiscal 1963 and fiscal 1964 through December 31? One full year and the 6 months of fiscal 1964?

Mr. SCHWARTZ. Fiscal 1963——

Mr. PASSMAN. Calendar is all right.

Mr. SCHWARTZ. 7,000——

Mr. PASSMAN. First, however, let us get the information for 1962, if we may.

Mr. SCHWARTZ. For 1962, 12,920; 1963, 7,091; estimate for 1964, 6,350; and estimate for 1965, 6,000.

Mr. PASSMAN. You are using calendar 1965; are you not?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. You are talking about calendar years?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. Could you give us a breakdown as to where these escapees came from, what countries? You may supply it for the record.

(The information supplied follows:)

Escapees assisted by the U.S. escapee program in calendar year 1963 and those expected to be assisted in calendar year 1964 escaped from the following countries: Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, U.S.S.R., and Yugoslavia.

Mr. PASSMAN. Would a large percentage of them be from East Germany to West Germany and from Red China into Hong Kong?

Mr. SCHWARTZ. No, sir.

Mr. PASSMAN. From Yugoslavia?

Mr. SCHWARTZ. Yes; Yugoslavia, Poland, Rumania, Bulgaria, Hungary, the U.S.S.R., and China.

DISTRIBUTION OF PROGRAM BETWEEN HONG KONG AND MACAO

Mr. PASSMAN. How much of the $730,000 estimate for the program for refugees from Communist China will be allocated to Hong Kong and how much to Macao?

Mr. SCHWARTZ. The Hong Kong programing——

Mr. PASSMAN. Do you carry it as one item?

Mr. SCHWARTZ. I have in the presentation, but I also have a breakdown: $100,000 for Macao and the balance for Hong Kong which would be $630,000.

Mr. PASSMAN. What percentage of the total request under your refugee programs goes to Hong Kong and Macao?

You may place that information in the record.

(The material referred to follows:)

The request of $730,000 for the refugee program in Hong Kong and Macao amounts to 8.9 percent of the total fiscal year 1965 migration and refugee appropriation request of $8,200,000.

FAR EAST REFUGEE PROGRAM

Mr. PASSMAN. We should like to insert in the record at this point a breakdown by agency and year for the Far East refugee program. The American consul gave us this information at Hong Kong, and it is for fiscal 1954 through fiscal 1963, and it lists the various activities.

(The requested tables follow:)

Far East refugee program, American consulate general, Hong Kong, FERP funds expended or obligated, May 1, 1954, to June 30, 1963

BREAKDOWN BY AGENCY AND YEAR

[In U.S. dollars]

Agency	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Total
AECTR									15,600	395,200	410,800
AFOB							20,655	10,300	10,400	22,100	63,455
AG						350					350
ARCI	41,796	160,000	179,000	203,000	171,770	294,220	102,124				1,151,910
CARE						3,677	81,115	50,800	19,800	132,000	287,392
CCF					37,280	12,720					50,000
CFMS	16,223	50,000	170,917	48,000	100,070	84,000	80,000	82,088	66,000	223,500	920,798
CWS	7,756	16,120	18,870	12,960	56,400	149,500	182,270	353,080	85,382	172,000	1,054,338
EFCA									85,000		85,000
FCRA	26,170	153,000	92,640	165,207	202,030	105,200	89,600				833,847
ICEM		331,650	168,350								500,000
IRC								82,130	93,829	188,760	364,719
ISS					29,400	40,842	55,800	48,900	97,298	38,300	310,540
LWF	18,079	75,000	66,300	69,076	70,661	122,687	275,240	144,220	67,400	103,000	1,011,663
MCC							4,307			6,000	10,307
NCWC	25,502	141,000	90,165	181,850	229,360	435,926	370,283	78,450	129,406	540,090	2,222,032
OMS										35,000	35,000
SAWS					780	1,220	2,000	1,390	75,000		80,390
WCC		30,000	45,463	67,370	53,900	70,559	67,300	45,000	65,065	59,250	503,907
Hong Kong Government						200,000	439,500	25,000	293,755	580,000	1,538,255
Total	135,526	956,770	831,705	747,463	951,651	1,520,901	1,770,194	921,358	1,103,935	2,495,200	11,434,703

BREAKDOWN BY AGENCY AND TYPE OF SERVICES

[In U.S. dollars]

Agency	Resettlement abroad	Surplus food conversion	Clinics and hospitals	Medical-dental	Low-cost housing	Care and maintenance	Rehabilitation (TB, cripples, blind)	Economic aid	Vocational training	Miscellaneous projects	Total
AECTR										410,800	410,800
AFOB							63,455				63,455
AG		350									350
ARCI	859,407							258,103	34,400		1,151,910
CARE		[1] 7,000 40,000			21,000	81,792			127,600	[1] [2] 10,000	287,392
CCF			50,000								50,000
CFMS		16,000	24,000	455,000				135,110	185,100	[3] 105,588	920,798
CWS	9,346	[1] 15,000 94,267	[1] 50,000 22,500		211,860	191,235	54,130			[4] 406,000	1,054,338
EFCA			85,000								85,000
FCRA	833,847										833,847
ICEM	500,000										500,000
IRC	82,089					4,000		30,000	150,473	[5] 98,157	364,719
ISS	310,540										310,540
LWF		[1] 28,000 55,922	39,140	510,701			103,000		[1] 100,000 174,900		1,011,663
MCC		10,307									10,307
NCWC	426,393	[1] 30,000 144,100	[1] 181,000 375,101		[1] 27,000 748,820	67,380		45,738	176,500		2,222,032
OMS			35,000								35,000
SAWS		5,390	75,000								80,390
WCC	503,907										503,907
Hong Kong Government			[6] 448,000				[1] 90,000		[7] 275,000	[1] [8] 462,000 [9] 263,255	1,538,255
Total	3,525,529	446,336	1,384,741	965,701	1,008,680	344,407	310,585	468,951	1,223,973	1,755,800	11,434,703
1963	159,813	94,000	693,000		132,000	65,380	22,100		528,050	[10] 800,857	2,495,200

[1] World Refugee Year, July 1, 1959, to Dec. 31, 1960.

[2] Underwater pipeline project.

[3] Includes (1) social centers, US$32,088; and (2) community center US$73,500.

[4] Includes (1) student center, US$255,000; (2) orphanage, US$49,000; and (3) casework center, US$102,000.

[5] Includes (1) day nursery, US$15,500; and (2) contingency fund, US$82,657.

[6] Includes (1) Shatin Clinic, US$193,000; (2) Sandy Bay Hospital, US$150,000; and (3) Haven of Hope TB Technical Building, US$105,000.

[7] Includes (1) social work training, US$25,000; and (2) Hong Kong Technical College, US$250,000.

[8] Includes (1) community center, US$200,000; and (2) secondary technical school, US$262,000.

[9] Includes (1) children's reception center, US$131,255; and (2) Kowloontsai playground, US$132,000.

[10] See the following:

IRC (day nursery and contingency)	US$98,157
CFMS (community center)	73,500
CWS (casework center)	102,000
Hong Kong Government (Playground)	132,000
AECTR (Tibetan refugee program)	395,200
Total	800,857

	Name	Contracted services started from—
AECTR	American Emergency Committee for Tibetan Refugees, Inc	Jan. 1, 1962
AFOB	American Foundation for Overseas Blind, Inc	Feb. 15, 1960
AG	Assemblies of God	May 1, 1958
ARCI	Aid Refugee Chinese Intellectuals, Inc	June 7, 1954
CARE	Cooperative for American Relief Everywhere, Inc	May 1, 1959
CCF	Christian Children's Fund, Inc	Mar. 1, 1958
CFMS	Catholic Foreign Mission Society of America, Inc	June 7, 1954
CWS	Church World Services	Do.
EFCA	Evangelical Free Church of America	June 1, 1962
FCRA	Free China Relief Association	May 26, 1954
ICEM	Intergovernmental Committee for European Migration	May 1, 1954
IRC	International Rescue Committee, Inc	Jan. 1, 1961
ISS	International Social Service	Feb. 10, 1958
LWF	Lutheran World Federation	June 7, 1954
MCC	Mennonite Central Committee	Dec. 10, 1959
NCWC	Catholic Relief Services-National Catholic Welfare Conference	June 7, 1954
OMS	Oriental Missionary Society	May 29, 1963
SAWS	Seventh-day Adventist Welfare Service	May 1, 1958
WCC	World Council of Churches	Jan. 31, 1955

U.S. AGRICULTURAL COMMODITIES SUPPLIED TO HONG KONG AND MACAO UNDER PUBLIC LAW 480

We should also like to have you insert in the record a table outlining the Public Law 480 commodities that went into Hong Kong and Macao during same period.

Mr. SCHWARTZ. Yes, sir.

(The requested table follows:)

The Commodity Credit Corporation values of surplus foods provided to Chinese refugees in Hong Kong and Macao for fiscal years 1954–63 are as follows:

Fiscal year	*Amount* [1]	*Fiscal year*	*Amount* [1]
1954	$131,000	1960	$4,584,000
1955	631,000	1961	5,563,000
1956	3,460,000	1962	2,400,000
1957	6,625,000	1963	2,771,000
1958	2,925,000		
1959	3,100,000	Total	32,190,000

[1] These figures do not include the cost of ocean freight, which amounts to about 15 percent of the CCC value.

PROJECTS FINANCED FROM APPROPRIATION IN 1963

Mr. PASSMAN. We should also like to insert in the record projects approved for fiscal 1963, this is the last complete year covering Hong Kong grants, and I believe that there are 33 different activities going on in Hong Kong out of our cash appropriation. I think you mentioned several times in your statements the importance of Hong Kong as a show window to the Communist. We learned there that in a great many instances the wheat that Red China sold in Hong Kong required hard currencies, and that in all probability 75 percent of it was immediately returned to their relatives in Red China, so that Red China is making it count double. We looked into many of these matters during our recent visit to Hong Kong, after we had left Taiwan and Okinawa. So, I repeat, I wish to insert in the record a list of the many projects which we are financing out of this appropriation in Hong Kong, projects for fiscal 1963, which is the last complete year for which information is available.

(The material referred to follows:)

Projects approved for calendar year 1963

A. Hong Kong Government grants:	
1. Shatin Clinic	US$193, 000
2. Haven of Hope TB Technical Building	105, 000
3. Sandy Bay Hospital—addition	150, 000
4. Playground and Youth Center	132, 000
Total	580, 000
B. Capital works:	
1. CARE: Hong Kong Sea School dormitory	90, 000
2. LWF: Trade training center	60, 000
3. CFMS:	
Vocational training school	150, 000
Clinic and social center	73, 500
4. CWS: Case work center	102, 000
5. CRS:	
Maryknoll wing, hospital	150, 000
Good Shepherd Vocational Training School	150, 000
75 cottages	53, 000
Community center	29, 000
Housing	50, 000
6. OMS: Clinic equipment	35, 000
Total	942, 500
C. Resettlement services:	
1. CRS	50, 210
2. IRC	12, 053
3. WCC	59, 250
4. ISS	38, 300
4. Total	159, 813
D. Care and maintenance:	
1. CWS: Student aid	40, 000
2. IRC: New arrival	4, 000
3. CRS: New arrival (Macao)	16, 380
4. CARE: Emergency relief (Macao)	5, 000
Total	65, 380
E. Local integration:	
1. IRC: CRDO and vocational training, day nursery, hotel training and village development, etc	172, 707
2. LWF: Vocational training	31, 000
3. AFOB: Blind	22, 100
4. CRS: Vocational training	6, 500
5. CARE: Vocational training	26, 000
6. AECTR: Tibetan refugees	395, 200
Total	653, 507
F. Food for peace (SAC):	
1. CRS	35, 000
2. LWF	12, 000
3. CWS	30, 000
4. CARE	11, 000
5. MCC	6, 000
Total	94, 000
Grand total	2, 495, 200

PUBLIC LAW 480 COMMODITIES IN HONG KONG AREA

Mr. PASSMAN. Now, in addition to the cash grants to Hong Kong, could you give us an estimate of the Public Law 480 commodities that are also going into that area?

Mr. FALK. Yes.

Mr. PASSMAN. Do you have that estimate here?

Mr. FALK. We have it for the last year or two, but you asked earlier to have it for a longer period of time, Mr. Chairman.

Mr. PASSMAN. Could you tell us now maybe for calendar 1963?

Mr. FALK. Yes, sir; $3,200,000 in 1963 including the cost of ocean freight.

Mr. PASSMAN. In 1963 we had a total program in Hong Kong and Macao of approximately $8 million, did we not?

Mr. SCHWARTZ. In 1963 we had $2 million, plus——

Mr. PASSMAN. Let us include the voluntary agencies.

Mr. SCHWARTZ. I would certainly assume that it would be that proportion, yes, $3 million in Public Law 480 and $2 million in cash, plus $3 million from voluntary agencies would certainly be in that area of $8 million.

VOCATIONAL AND EDUCATIONAL PROGRAMS

Mr. PASSMAN. I suppose in that area, specifically Hong Kong and Macao, your vocational and educational programs are about the most diversified ones to be found anywhere in this program; are they not?

Mr. SCHWARTZ. That is my impression, Mr. Chairman, and there is emphasis on the vocational training.

Mr. PASSMAN. I hope that sometime, if time will permit, on some of our visits to the Far East we may have an opportunity to visit all of the different projects in that area of Hong Kong and Macao. However, when there are as many different projects as there are, it is impossible for a committee in just a matter of a day or two to visit very many of them.

You think this program serves a good purpose, do you not?

Mr. SCHWARTZ. I certainly do, Mr. Chairman. I myself have not had the opportunity of having more than a 72-hour visit. I have not seen Macao myself. I would hope to.

It was my impression from the reports that we received that it is serving a good purpose. We have, however, reduced our request substantially this year to $730,000 because we do believe that what we have put in previously is having its effect now and that we can serve our interests with this lower sum.

Mr. PASSMAN. If it were not that this information is getting back across into Red China then I would question the wisdom of having the program in Hong Kong.

Mr. SCHWARTZ. Mr. Chairman, I would tend to agree with you; I think the American public might be interested, in some, perhaps token, contribution, not as substantial as I think our programs have been, but we do believe that the fact that it is a showplace, that the people on the mainland do know about what we are doing does serve our interests, and that is the basis——

Mr. ANDREWS. Will the chairman yield?

Mr. PASSMAN. I shall be glad to yield.

Mr. ANDREWS. Just how would the $730,000 be spent? Take the $630,000 for Hong Kong.

Mr. PASSMAN. There are about 29 different projects, vocational training.

ADMINISTRATION OF FAR EAST PROGRAM

Mr. SCHWARTZ. I might just mention, as you know, Mr. Chairman, these projects are under the direct supervision more or less of the various American voluntary agency groups which operate in Hong Kong and Macao—Church World Service, Catholic Relief, and so forth.

Mr. ANDREWS. These projects will be financed from that fund?

Mr. SCHWARTZ. Our contributions come out of the $730,000 we are requesting now.

Mr. ANDREWS. I understand that, but we take the cash and put it into a joint fund and that fund will finance those projects?

Mr. SCHWARTZ. Well, in some of these projects, which involve a greater cost, we are only a participant in the project. We may contribute one portion of the project. The chairman, I believe, has seen those projects where——

Mr. Passman. We contribute to a contract to a voluntary agency, and this is under the direct supervision of the consul general there. He has a special staff member who supervises all of the allocations; they go out and inspect the projects, and we find that the program is under efficient supervision. They have a very excellent man out there, Bob Aylward.

Did you mention that many of these people who are residents of Hong Kong visit the mainland of China?

FAULTY IDENTIFICATIONS OF AID PROGRAMS WITH THE U.S. GOVERNMENT

Mr. SCHWARTZ. Yes, sir. They do get permits to go back to villages and visit their relatives, and this is one of the elements that gives us the opportunity of spreading the word. They do undoubtedly talk about what the situation is there, and there is also mail between Hong Kong and the mainland that we believe is terribly important.

Mr. PASSMAN. I question however, whether or not the U.S. Government, as such, is getting the credit to which it is entitled. These voluntary agencies, I expect, get most of the credit, and there is keen competition among many of the agencies, or organizations, or institutions.

Mr. SCHWARTZ. Mr. Chairman, I would just like to say, we appreciate these remarks and will welcome any suggestions from your committee which has been there recently—any suggestions as to where we can better serve our interests in these matters by getting more credit for the U.S. efforts.

As you also said, it is a sensitive area between the various voluntary agencies. Our own attitude is that we try to the extent we can, to place plaques on buildings to the cost of which we have contributed and to inscribe them in the Chinese language, stating that they are gifts of the people of the United States. We are trying to do that more and more.

OTHER GOVERNMENT CONTRIBUTIONS TO HONG KONG PROGRAM

Mr. PASSMAN. Are any other national governments contributing funds to this program in Hong Kong?

Mr. SCHWARTZ. Mr. Chairman, to a very limited extent.

Mr. PASSMAN. Please put the information in the record.

Mr. SCHWARTZ. Yes, sir; it is to a very limited extent.

(The material referred to follows:)

Contributions from other governments for Hong Kong refugees in 1963

German Federal Republic	$3,195,000
Belgium	25,000
Norway	(1)
Hong Kong Government	[2] 54,000,000

[1] Figure not available.
[2] Estimate.

TIBETAN REFUGEE PROGRAM

Mr. PASSMAN. How much money has been provided, to date, for the Tibetan refugee program?

Mr. SCHWARTZ. $982,000, with the 1964 estimate included; $982,000 would be the figure through calendar year 1964.

Mr. PASSMAN. Do you utilize any Indian rupees for this program, in addition to U.S. dollars provided by the Congress?

Mr. SCHWARTZ. Sir, we utilize nearly all Indian rupees in place of the dollars. We turn almost all of the dollars into the Embassy and to the best of my knowledge we save those dollars. We use the rupees.

Mr. PASSMAN. Could you provide for the record a statement of the cost of Public Law 480 commodities provided to this program in the past several years?

Mr. SCHWARTZ. To the Tibetans; yes, sir.

(Information supplied follows:)

The estimated Commodity Credit Corporation costs of Public Law 480 surplus foods provided to Tibetan refugees in India and Nepal for the years 1959 to 1963, inclusive, were $1,781,500.

Mr. PASSMAN. Are there any other governments contributing funds to this program?

Mr. SCHWARTZ. I would have to supply that for the record. I believe that to a limited extent there are contributions from other governments.

(The information supplied follows:)

The Government of India is spending about $2 million per year on the resettlement and relief program for Tibetan refugees.

Other governments directly giving aid to Tibetan refugees include Australia ($2,235,000), New Zealand ($55,500), the United Kingdom ($140,000), and Vietnam (1,500 tons of rice).

Additional assistance has been provided by government-supported and private agencies in many countries, including Australia, Austria, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, New Zealand, Switzerland, and the United Kingdom.

ADMINISTRATIVE POSITIONS—DOMESTIC

Mr. PASSMAN. Where are the 15 domestic positions estimated for administrative expenses located?

Mr. SCHWARTZ. I can either supply for the record or read it out, Mr. Chairman.

Mr. PASSMAN. You may supply it for the record.

(The information supplied follows:)

The 15 domestic positions for migration and refugee assistance are all located in Washington, D.C.

GRADE, TITLE, SALARY OF ADMINISTRATIVE POSITIONS

Mr. PASSMAN. Would you state for the record the grade, title, and salary of each of these 15 positions?

Mr. SCHWARTZ. Yes, sir.

(The material referred to follows:)

Title, grade, and salary of 15 positions in the Office of Refugee and Migration Affairs in the Department of State in Washington, D.C.

Title	Position grade	Salary
Supervisory consular affairs officer	GS-15	$18,240
Assistant chief, Operations Division	GS-14	16,765
Program officer	GS-14	15,415
Do	GS-13	12,495
Do	GS-12	9,980
Do	GS-11	7,485
Do	GS-11	8,410
Reports officer	GS-9	8,410
Secretary	GS-6	6,110
Supervisor, message center	GS-6	6,285
Secretary	GS-5	5,810
Do	GS-5	6,130
Clerk-stenographer	GS-4	4,215
Clerk	GS-5	4,850
Mail and file clerk	GS-4	5,195

PALESTINE REFUGEES

Mr. PASSMAN. Would you care to give us a brief report on the refugees out in the Near East, the Jordan, Palestine refugees?

Mr. SCHWARTZ. Mr. Chairman, I regret that I am not very well versed in that. It is not under my jurisdiction. Mr. Warren knows the general picture much better than I. It comes under a different bureau, under Assistant Secretary Cleveland.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Gentlemen, thank you very kindly.

Mr. SCHWARTZ. Thank you, sir.

Mr. PASSMAN. The subcommittee will recess until 10 a.m. Monday.

THURSDAY, APRIL 9, 1964.

FOREIGN AID PROGRAM

STATEMENT OF THE SECRETARY OF STATE

WITNESSES

HON. DEAN RUSK, SECRETARY OF STATE
HON. DAVID E. BELL, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE, OASD (ISA)
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
EDWARD F. TENNANT, CONTROLLER, AID

Mr. PASSMAN. The committee will come to order.

We have with us today the Honorable Dean Rusk, Secretary of State, and Mr. David Bell, the Administrator of the Agency for International Development. We are pleased that General Wood is present and also Mr. Funari and the AID Controller, Mr. Tennant.

Mr. Secretary, we are happy that you could appear before the committee at this time, and if you have a statement to make we shall be glad to hear from you.

Secretary RUSK. Thank you very much.

Mr. Chairman and members of the committee, I welcome the opportunity of appearing before you in support of the appropriation requests for the mutual defense and development program for fiscal year 1965.

This subcommittee has been dealing with our foreign assistance program for many years. You have been thorough in your examination and extensive in your appraisal of the program. We look forward to a similar review this year.

This bill before you will provide appropriations for continuing a basic instrument of U.S. foreign policy, foreign aid.

GOAL OF THE FOREIGN AID PROGRAM

The goal of this program is simple but bears repeating: to provide assistance and encouragement to other nations so that they can grow in independence, security, and freedom. We seek no satellites; we seek no domination; we are not trying to buy friends.

America is working to make the world safe for freedom. For I believe an important lesson has been learned in the postwar world—that as all people grow in freedom and independence, so the security of the United States is strengthened, and as others grow in economic strength, so the United States will continue to prosper.

We have also learned another lesson—American foreign aid can only do a small part of the job. American private enterprise must bear a heavier burden of investment in the underdeveloped world; our prospering allies must do more; and most important of all the recipient nations must do their share through self-help and reinvestment in their own economies. The program before you emphasizes these factors.

It is important to view the aid program in perspective. We have made a commitment to the free world, a commitment not made in anticipation of quick or dramatic results. We are dealing with nations striving to solve in a matter of years problems which took many decades to overcome in what we now regard as the developed countries.

We should expect neither too much nor too little. Foreign aid can't solve all our problems. It should not be expected to win support from each recipient for our own view on every international issue. And let us not levy on the mutual defense and development programs our disappointment in yesterday's coup, or tomorrow's vote in the United Nations. The forces at work run very deep. Let us expect, instead, to see in the years to come the growth of an international community in which the actions of nations are not based on insecurity, fear, or frustration, but on basic independence of outlook and confidence in the future.

APPROPRIATION REQUEST FOR FISCAL YEAR 1965

This committee is being asked to appropriate $3.4 billion in new obligational authority for fiscal year 1965 for the mutual defense and development program—$1 billion is for the military assistance program and $2.4 billion for economic assistance.

The 1965 request is more than $1 billion less than the amount requested by President Kennedy last year. The new request is approximately equal to the amount made available by the Congress last year for the foreign aid program, including carryovers.

Secretary McNamara, Mr. Bell, and witnesses from the State and Defense Departments will deal with these requests in greater detail. However, I should like to emphasize the need for providing the full amounts requested by President Johnson for fiscal year 1965. In keeping with the President's instruction that all budgetary requests be at minimum amounts, this year's program is a tight, realistic one. In previous years, the practice has been to plan the foreign aid program according to estimates of the best performance that could be expected by recipient nations. We are, of course, still hopeful that the nations we are assisting will come forward with the necessary self-help and reform measures. But we have had several years of experience under the 1961 Foreign Assistance Act and have learned it is unrealistic to expect them all to do so and we have budgeted accordingly.

Quite frankly, Mr. Chairman, we have taken somewhat of a gamble this year. We are well aware of the traditional reluctance to enact the full amount requested.

Perhaps it might have been wiser to base our request, as in the past, on the expectation of greater performance on the part of recipient nations and then let the cuts take place, hoping that our security interests would not be jeopardized.

But based on experience and based on the President's determination that all requests to the Congress be at the most economical, prudent level, we are presenting—at the outset—a minimum request. Because I emphasize $3.4 billion is the bare minimum. We may need more, and we are prepared to request a supplemental appropriation if need be.

Mr. Chairman, I have a responsibility, as Secretary of State, to tell the Congress what the foreign policy requirements of the Nation will be in the coming year. Acting on that responsibility, I come before you to assure you that the foreign aid request now before you is at a minimum level consistent with needs in the coming year. Foreign aid is essential to the national interest. Any reduction in this request could jeopardize U.S. security.

The world is moving swiftly. We can influence—though not completely control—events. A vital tool in this effort is foreign aid.

Cuts could limit the President's ability to further U.S. interests and protect the security of our people.

The Congress shares a great responsibility with the executive branch. I hope that jointly we will carry out that responsibility to the people of this country.

I should like to discuss for a few minutes some key aspects of the request now before you.

CONCENTRATION OF PROGRAM EFFORT

In fiscal year 1965, the foreign aid program will be even more concentrated than in the past. Two-thirds of all development lending funds are planned for seven countries to which we provide major support—Chile, Colombia, Nigeria, Turkey, Pakistan, India, and Tunisia. Two-thirds of all military assistance funds will go to 11 countries along the Sino-Soviet periphery. Four-fifths of supporting assistance funds will go to four countries: Korea, Vietnam, Laos, and Jordan.

We intend to focus our development assistance on cases where the countries themselves are willing to make a substantial effort. For one of the clear lessons of recent history has been that unless a nation is willing to carry the major burden—in terms of reinvesting savings, enacting tax reform, land reform, and other necessary legislation, and in terms of careful management of its own resources, no amount of outside assistance, whether from the United States or others, will have the necessary impact. We will continue to be strict in the disbursement of funds, in order to assure the greatest possible return from the taxpayer's money.

PROGRAM PHASEOUT

During the coming fiscal year, there will be a speedup in the transition from reliance on aid to economic self-support for a number of countries. Fourteen countries are now aproaching the point where they will no longer need soft economic loans and grants. In 17 nations the transition has been completed and economic aid ended.

We have a solid record of success in these countries and many others. The quiet, slow, yet very real progress being made around the world is too often obscured in the day-to-day news of crisis and turmoil. A real revolution is taking place in the underdeveloped world as more and more people are acquiring the skills and the means for moving into the modern world and taking their place beside other free and independent peoples. We have played a major role in this effort—a role of which we can be proud.

COOPERATION WITH THE DEVELOPMENT ASSISTANCE COMMITTEE

A central element of the fiscal year 1965 program is improved coordination of our assistance with the stepped up efforts of other prosperous nations to help all of us improve our programs. The DAC Agreement of April 1963 was a major step in this direction and is already showing results. The appointment of your former colleague, Mr. Frank Coffin, as U.S. representative to the Development Assistance Committee of the OECD should greatly strengthen our efforts to have other DAC members bear a greater part of the burden.

In the past year, the British and the Canadians have announced new policies calling for both increased aid programs and liberalized lending terms. France, which already devotes a higher percentage of GNP to aid than we do, has recently released an official report pointing toward a continued increase of aid in the future. Germany's bilateral aid program has grown steadily for 3 years and its loan terms have been progressively liberalized, reaching an average of 20 years' maturity in 1963.

However, the desired balance among donors in both amounts and terms has not yet been reached. We will continue to press our prospering allies to carry a greater share. And as leaders we will continue to do our part, for a serious reduction in our own effort would be reflected elsewhere.

ROLL OF INTERNATIONAL LOAN AGENCIES

We hope to make increased use of international lending agencies in the years ahead. Under matching formulas, U.S. dollars provided to these organizations are supplemented by substantial contributions from other countries. One of the most effective of these instruments is the International Development Association—an affiliate of the World Bank. I strongly urge House approval of U.S. participation in replenishing the resources of this organization. If we do not participate in this international agency, the need for direct bilateral U.S. assistance will increase.

ROLE OF PRIVATE ENTERPRISE IN ECONOMIC DEVELOPMENT

Another key element will be private enterprise. In his message of March 19—on the mutual defense and development programs—President Johnson said:

> We must do more to utilize private initiative in the United States—and in the developing countries—to promote economic development abroad.

Five elements of the 1965 program are especially designed to carry out this purpose:

1. Tax credit: The President has sent to the Congress an amendment to the Internal Revenue Code providing a special tax credit incentive to encourage private investment in less-developed countries. Under this legislation, a tax credit would be granted to a U.S. taxpayer against total tax liability on income from all sources equal to 30 percent of the new investment in selected types of business activity. It would be available when there was either new direct investment or when over 50 percent of the profits were retained in an underdeveloped country for investment. I urge congressional approval of this important legislation.

2. Advisory committee: A nine-man advisory committee on private enterprise in foreign aid will soon be appointed as authorized by last year's foreign aid bill. This committee will make a detailed study of the role of private resources and recommend ways in which this role can be increased and strengthened. We look forward to their report.

3. Investment guaranties: The past year has seen a major increase in activity in the investment guaranty program and this trend is expected to continue during the coming fiscal year. This is one of the most important direct efforts of the U.S. Government at encouraging private investment. A total of $1,125 million in guaranties is now outstanding, an increase of $362 million in calendar 1963.

4. Use of private firms: AID will also place increased emphasis on contracting with private firms and organizations in providing technical assistance. Virtually all capital projects are already carried out under private contract. In this way, the best possible utilization will be made of the skills and knowledge in the private sector—skills and knowledge not available to the Government.

5. Executive Service Corps: We fully support the efforts of private industry to organize an Executive Service Corps. This corps, to be composed of men of experience in private business, would help to channel the knowledge and techniques of American private business to underdeveloped countries.

Key Problem Areas

I should like to turn, if I may, to a discussion of some key problem areas. Witnesses from the State and Defense Departments and AID will be prepared to discuss these matters in detail.

BRAZIL

I would like to speak at some length about Brazil in view of recent developments.

Approximately a year ago, in March 1963, when the situation in Brazil seemed to be taking a turn for the better, we negotiated a reciprocal understanding with the Brazilian Government. Brazil at that time agreed to attempt an extensive series of measures to contain an accelerating inflation and to revive a diminishing economic growth rate which was falling below the rate of population growth. The United States agreed to provide, subject to congressional appropriations, various forms of economic aid. It was also anticipated that a sound stabilization-development program would elicit financial assistance from other nations of the free world and from appropriate international institutions.

Unfortunately, this stabilization-development program was soon abandoned. The United States in turn modified its aid policy. Last summer I announced that no balance-of-payments support or budget support would be given to Brazil. Food for peace and technical assistance were continued. Also, some limited project lending was provided to states, government entities, and private enterprises for sound development projects.

Economic and financial deterioration in Brazil was accompanied by political deterioration. In October of last year, President Goulart requested state of siege (extraordinary police) powers of the Congress;

then withdrew the request in the face of strong protest from all quarters of Brazilian life.

Tensions between President Goulart, on the one side, and the Congress, most of the Governors of the states, and the armed forces continued to increase. These reached a peak at a political rally on March 13 in Rio de Janiero at which President Goulart spoke. There followed a sharp reaction in defense of democracy and representative government from the President of the National Senate, the President of the Chamber of Deputies, the Governors of key states containing more than half of Brazil's population, and others. This reaction, as described by many of them, was a reaction in defense of democracy and against the threat of an extreme leftist or Communist takeover.

Since the events of last week, there has been no break in, or violation of, democratic processes or civilian authority. The Brazilian military have a long tradition of moving in defense of constitutional democracy.

Under the Constitution, Ranieri Mazilli, President of the Chamber of Deputies, has been sworn in as Brazil's President. A new President will soon be chosen by the Brazilian Congress.

I would expect that latest developments in Brazil will offer new opportunities for constructive action by the Brazilian Government in the furtherance of democratic social and economic progress and reform. I would hope that this new positive democratic vitality in Brazil will have a healthy impact throughout the Western Hemisphere. I would expect that these new developments would in turn open up new opportunities for cooperation between the United States and Brazil.

Our plans and programs under the Alliance for Progress did not and could not have allowed for these new hopes and anticipations vis-a-vis Brazil. Adjustments will be necessary. A new approach to Brazil's financial and economic problems along the general lines contemplated a year ago merits consideration.

It is too early to speak of details or amounts. At this moment, the responsibility and the initiative belong to the Brazilian Government.

PANAMA

The United States is pleased that diplomatic relations have been reestablished with Panama. This is good news for the citizens of both countries and for all members of the Alliance for Progress. We look forward to fruitful discussions regarding a number of outstanding issues between our two countries. With the reestablishment of relations, we intend to go forward with our assistance program in Panama in the very near future. Any new assistance will, of course, depend on further discussions with the Government of Panama which would be the procedure under any circumstances. Our current assistance policy toward Panama is aimed at the promotion of long-term economic growth and diversification. In doing so, our assistance can be a major factor.

SOUTH VIETNAM

This troubled part of the world is, of course, of major concern to all Americans. As this committee knows, Secretary McNamara and Administrator Bell returned last month from an on-the-spot appraisal of the situation and reported to the President.

South Vietnam is and will continue to be a major recipient of U.S. assistance. We are providing direct support for the anti-insurgent military activities, while at the same time supplying needed key commodities for both defense and economic stability of the country. This assistance has played a crucial role in the war against the Communists and must be maintained if this war is to be won. I share Secretary McNamara's concern that the fullest possible support be provided to the new Government.

AFRICA

In the past few months we have seen a series of flareups in some of the new nations on the continent of Africa. The United States is, of course, concerned about such instability.

However, these recent events should not obscure the real progress toward independence and African unity that has been made. And it is most encouraging that where troubles have erupted the African nations collectively are taking steps to reach peaceful solutions.

In several nations, the frustrations of poverty and difficulties inherent in the early years of independence have resulted in instability and have also provided possibilities for Communist penetration and exploitation. However, most are those where the Western Europeans bear primary responsibility for supporting stability and growth and U.S. assistance is quite limited. We hope that with increased experience, and with the inflow of training and capital from the Europeans and ourselves, the new nations of Africa can overcome the strains of their postindependence periods and attain the stability and unity required for sustained economic development.

CYPRUS

The present crisis on the island of Cyprus is a matter of grave concern to the United States. Not only is the future of the island involved, but the relations between two of our stanch allies and two major recipients of U.S. foreign assistance—Greece and Turkey. As long as the issue continues to poison the atmosphere between these two nations and as long as the people of Cpyrus live in terror, the free world is endangered.

We are encouraged by the decision of the United Nations to assist in restoring order and hope that this will lead to solution of the problems which divide the Island. As this committee knows, the United States has committed itself to providing funds for support of the Emergency Force. Mr. Cleveland will discuss this request in detail with you in subsequent hearings.

INDONESIA

Another major area of concern in southeast Asia is Indonesia. This committee is familiar with the situation and with the efforts of the American Government to promote peaceful relations between Indonesia and neighboring Malaysia. It is our strong hope that negotiations will continue and prove successful. There is no persuasive reason why the countries of this area cannot live in peace. There is much to be done in terms of internal development, particularly in the case of Indonesia. It is the fifth largest and potentially one of the

richest countries in the world. In recent years, however, there has been little economic progress. The present situation in Indonesia is not conducive to effective economic stabilization which would provide a basis for development. The United States and other Western nations discontinued their efforts to help Indonesian stabilization last September when Indonesia intensified its "confrontation" policy toward Malaysia. Since then the United States has initiated no new aid projects in Indonesia.

We are, however, continuing a limited program of technical assistance, education, and training, and malaria eradication.

ARAB-ISRAELI RELATIONS

The United States has continued to provide assistance both to Israel and to a number of the Arab States. There nations have a history of conflict and animosity. The United States will continue to work for a settlement of the disputes between Israel and her neighbors and for a general settlement in the Near East. There are resources and potential in the area sufficient to provide all peoples with a better standard of living. Resources which are diverted from the job of providing economic growth and used to build armaments are a regrettable waste.

The appropriation requests will be discussed in detail in the coming weeks, but I would like to take this opportunity to comment on several of them.

Military Assistance Program

First, the military assistance program. I urge full appropriation of the $1 billion requested.

Secretary McNamara has already appeared before you to express his firm views on this item.

He emphasized the role which MAP plays in our national defense. But military assistance plays an equally vital role in carrying out our foreign policy aims—assuring the security and stability of friendly nations throughout the world.

For, in spite of recent hopeful developments, the Sino-Soviet threat continues. It is a direct military threat against the countries on the periphery of the bloc; and an indirect one—in the form of subversion and guerrilla war—against many of the underdeveloped countries of the world.

Our military assistance often has made it possible for these nations to survive. MAP provides a shield behind which economic growth can take place. MAP is vital to our own security as well. For it is the key to the maintenance of more than 3.5 million men under arms, allied with the United States. These men are an effective deterrent to agression; and moreover, without them our own defense costs would be much higher and more U.S. troops would have to be in the line.

The total program before you is called the mutual defense and development program. "Defense" and "development" form a vital link. These programs cannot be separated nor viewed as distinct entities. They operate in tandem to serve U.S. policies around the world.

FORWARD DEFENSE COUNTRIES

It is no accident that 64 percent of MAP goes to the 11 forward defense countries around the Sino-Soviet bloc; while at the same time nearly half of the total economic assistance program goes to the same 11 countries.

MAP provides the shield, the military strength to resist immediate aggression. Economic assistance promotes growth and prosperity, strengthening independence, resistance to subversion and the ability to carry a larger share of the defense burden in the future—so the United States can gradually decrease its role.

The interaction of military and economic aid can be seen in countries such as Taiwan. In free China rapid economic growth, spurred by U.S. aid, has resulted in a decrease in U.S. economic assistance to the point where the end is in sight; an end to supporting assistance, and a reduction in military aid. Thus, defense funds provide the shield, and help development. Development funds help defense by enabling the recipients to bear a greater share of the cost of that defense.

Economic Assistance

SUPPORTING ASSISTANCE

This relation between military and economic assistance is perhaps most clearly seen in the use of "Supporting assistance"—the second category I should like to discuss today.

This program, for which $335 million is being requested for fiscal year 1965, does not provide direct military assistance, but is intimately related to our most urgent security needs. Four-fifths of these funds go to four countries: Vietnam, Korea, Laos, and Jordan. The first three border on the Sino-Soviet bloc and our contribution to support their operating budgets help to resist the direct and massive Communist pressures. Our assistance to Jordan maintains that nation as a stabilizing influence in the Middle East. Five years ago supporting assistance-type grants totaled over $1 billion. The request for 1965 is $335 million. Supporting assistance funds have been reduced from 60 percent of our total economic aid program to 15 percent. Fourteen countries receiving this type of aid 3 years ago will receive none in the coming fiscal year. Two of the major recipients, Korea and Jordan, are making progress toward the transition from reliance on supporting assistance to a cooperative development effort which, in turn, will lead to self-supporting status.

I strongly urge this committee to authorize the full amount for this vital security program. We plan in the next few years to reduce and terminate supporting assistance where possible, but full funding is needed to help support some of the 3.5 million men in the uniform of other countries who stand shoulder to shoulder with us in the common defense, and to move recipient nations farther along the road to self-supporting status.

DEVELOPMENT LOANS

The largest economic assistance appropriation request before the committee is $922 million for development loans, excluding Alliance for Progress loans.

Development lending is the central element of economic assistance. The long-term development funds provide recipient nations with resources needed to support their economic growth.

For as was true with our own country, during the period of initial growth, a major need of the developing countries is for resources from abroad—both commodities and foreign exchange.

Development loans are all repayable in dollars. Interest rates begin at 2 percent. All procurement under this program is done in the United States; there is negligible effect on our balance-of-payments and gold supply.

Development loans are highly concentrated—two-thirds of 1965 funds will go to seven major recipients: India, Pakistan, Turkey, Nigeria, Tunisia, Colombia, and Chile.

Funds are committeed only under strict criteria which measure (1) the importance to the United States of strengthening the country's economy, political structure, social institutions, and security; (2) the effectiveness with which the country is using its own resources; (3) the economic and technical soundness of the activity being financed; and (4) the availability of assistance from other free world sources. Major development lending is given to countries with intelligent, long-range economic policies designed to bring the greatest possible benefits to all their citizens.

U.S. loans can often make the vital difference in determining whether these plans will succeed or fail, and I urge full appropriation of the amount requested in the coming fiscal year.

TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

The bill before this committee also requests a total of $225 million in new appropriation for technical cooperation and development grants. In addition, up to $85 million is being requested under the Alliance for Progress technical cooperation program.

This request underscores the reliance we place on these programs as a prime element in the development process. This request is only a small part of our total aid program—about one-tenth—but it is a vital part. For this is the seed money: these are the funds that get things moving in the underdeveloped nations.

Three aspects of the technical cooperation program bear emphasizing:

First, it is an area in which Americans are uniquely qualified, for we have skills, training, and experience that are needed in the underdeveloped countries.

Only decades ago, many of what are now prosperous areas of our country could have been termed "underdeveloped." But through our agricultural extension services, rural electric cooperatives, trade schools, and land-grant colleges, knowledge was applied to the problems of development and the U.S. economy grew. The old saying that "knowledge is power" might be amended to read "knowledge is prosperity."

This experience and these skills can be put to use in other lands, and technical cooperation is an effective means of transmitting them.

Second, technical cooperation is one of the most effective means of demonstrating what kind of people we are and of giving direct evidence of our interest in the welfare of others. There is a great reservoir of

good will toward America in the underdeveloped world. A major reason has been the people-to-people efforts of both government and private groups—our technical assistance, point 4, the Peace Corps, CARE, our missionaries, worldwide charities, our great foundations and universities. The doctor with his mobile health unit, the technician who frees a village from malaria, the agricultural specialist and the teacher are to millions of people in the world the symbol of America.

Third, technical cooperation focuses on the present need of many countries. The basic factor in economic development is, of course, people—healthy, well-trained people. Without citizens who can work hard and effectively, no country can grow, no matter how much capital is pumped into the economy from the outside.

By concentrating on the most basic needs, education and health for example, our technical cooperation program enables other nations to take the first steps toward eventual self-sustaining economic growth.

I urge the full appropriation for this program in the coming fiscal year. I know of no program which brings greater dividends.

ALLIANCE FOR PROGRESS

Assistant Secretary Mann will appear before you to present the detailed justifications for the new appropriation for the Alliance for Progress—$550 million.

I have already discussed two of the major problem areas in Latin America, Brazil and Panama, but would like to make a few general comments on the need for making the full request available.

Last month the nations of this hemisphere marked the third anniversary of President Kennedy's announcement of the Alliance for Progress. It has been a fruitful 3 years—a period of victories and of some disappointments.

As President Johnson said in his address marking this anniversary:

> Today, my country rededicates itself to these principles and renews its commitment to the partnership of the hemisphere to carry them forward * * *.
> With faith in our principles, with pride in our past achievements, with the help of candid and constructive criticism, we are now prepared to move ahead with renewed effort and renewed confidence.

The United States and the members of the Alliance pledged themselves to a decade or more of effort. Although less than one-third of the period has passed, much has been done. Millions of children are being fed and educated; hundreds of thousands of new homes have been built; millions are free from the scourge of diseases. And, perhaps most important of all, the Latin American Continent looks to the future with hope.

The period of planning and initial commitment is over. The Alliance is building momentum. Several of the members are making very satisfactory progress; the Central American economic integration movement is growing faster than was expected; tax laws passed since the inception of the Alliance are having their effect.

The appointment of Thomas Mann to be special assistant to the President as well as Assistant Secretary of State for Latin America, to have firm policy control over all aspects of our activities in the area, is an indication of the prime concern of the administration.

The recent appointment of Ambassador Moscoso to be our representative to the Inter-American Committee for the Alliance for Progress, which will provide better cooperation among all member nations, is a most encouraging step.

In sum, in spite of numerous short-run problems and crises—and these will continue—the long-range prospects are promising. It will be a long, tough battle against poverty, illiteracy, and disease, but it is one that all Americans in both our continents, working together, can win.

Before concluding, Mr. Chairman, I should like to comment briefly on the remaining requests for which full appropriation is needed.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS, $134 MILLION

Assistant Secretary Cleveland will appear before you to present a detailed justification for this request. These are voluntary contributions to such vital activities as those of the U.N. Special Fund, the U.N. Expanded Program of Technical Assistance, the UNICEF, the Indus Basin Agreements. They represent commitments to the continuing multilateral programs of the United Nations, and are a means by which the burden of assisting the developing nations can be shared with our prospering allies. And this committee has been informed, the U.N. Emergency Force for Cyprus will be partially funded by the United States out of presently available 1964 appropriations.

CONTINGENCY FUND, $150 MILLION

We are requesting a contingency fund of approximately the same size as made available last year. This is one of the most important requests contained in the appropriation legislation, for it will provide the President with a flexible means of meeting emergencies. We will make only sparing use of the fund and every effort will be made to return a large amount to the Treasury at the end of the fiscal year.

We cannot predict exactly where or how much of this money will be used. But we can predict that some or all will be needed in the months ahead. And in these months, when crises can flare up at any point, it is essential that the President have the ability and the resources to move swiftly. The contingency fund provides both the flexibility and the funds.

I can assure this committee that the fund will be used where necessary to protect U.S. interests and security. I urge the full appropriation for the contingency fund.

MISCELLANEOUS EXPENSES, $76 MILLION

Included in this request is new authority of $52.5 million for administrative expenses and $18 million for American schools and hospitals abroad. I strongly urge the committee to appropriate the full amounts for these items. With particular reference to administrative expenses, it should be noted that this request constitutes a small part of the total aid request. As Mr. Bell will discuss in detail, we are making every effort to assure that AID has the best possible personnel at the least cost for conducting this vital program. Any

cuts in administrative funds would make this job more difficult, and be reflected in less efficient management of the funds appropriated by the Congress.

The key to a good aid program is good people.

As I said at the beginning of my statement, it is the firm hope of the administration that this year's review will be a frank and fruitful one, based on the facts and the program.

The facts are clear:

Aid is highly concentrated; two-thirds of development lending goes to 7 countries, and two-thirds of military assistance goes to 11 countries.

Three-fifths of economic aid is now in the form of dollar repayable loans.

More than 80 percent of foreign assistance funds is spent in this country.

Development assistance is provided under strict criteria and the self-help efforts of recipient nations are carefully assessed;

Our allies are doing more;

This year's aid request is $1.1 billion less than last year's; it represents less than 4 cents out of every tax dollar.

We are mobilizing increased participation of United States and recipient country private resources.

There have been mistakes and I cannot guarantee that there will not be others. A program of this magnitude and difficulty run by human beings cannot avoid some waste. We are involved in a highly complicated process, perhaps the most complex social and economic undertaking in the history of nations—the development of modern societies and economies. In the past 177 years of our own economic development we made mistakes, had successes and failures, experimented, and often were inefficient and wasteful. We cannot expect perfection from others.

I can assure this committee that under the leadership of Mr. Bell, we have the best run, best administered program since the days of the Marshall plan.

The basic organizational structure—established in 1961 and tested in action—will be maintained. But operations will be increasingly efficient, there will be fewer employees by the end of fiscal year 1965, and oversea missions will be consolidated with embassies wherever possible.

Working together, the Congress and executive branch can assure the most prudent and effective use of foreign assistance in the years ahead.

The foreign aid program of the 1960's—as it was in the 1940's and 1950's—is planned and administered to serve the vital interests of the United States. It is a prime instrument of U.S. foreign policy. U.S. foreign policy and U.S. security would be in great jeopardy without the aid program. As Mr. Bell and the regional witnesses will demonstrate in later testimony, U.S. assistance fits into a carefully planned pattern based on a study of each country and an analysis of U.S. interest.

One point which I should like to comment on in this regard is the question of the variety of sources of U.S. aid. To be sure there is a variety of sources—or "spigots"—of U.S. aid and for a good reason. Each one serves a different purpose, with different tools.

For example, long-term development lending in the form of dollar repayable loans is provided by the Agency for International Development; exporter credits—to aid U.S. business—are provided by the Export-Import Bank; military equipment is provided under the MAP program, while food is provided under the Public Law 480 program; loans and grants are also provided through a variety of international agencies, such as the United Nations, International Development Association (IDA), and the Inter-American Development Bank.

We need this variety because the battle we are waging—the battle against disease, poverty, ignorance, and communism—is being fought on a variety of fronts.

The enemy is many; our weapons are many. Only in this way can we be successful.

PROGRAM COORDINATION

But I can assure this committee that there is the closest possible coordination among agencies—both national and international—concerned with the foreign aid program.

As you know, a major reason why the Agency for International Development was created in 1961, and why it has been continued in its present form is to assure improved coordination.

AID programs, by statute and in practice, are carefully coordinated with MAP, Public Law 480, the Peace Corps, and with the efforts of other lenders through international consortia such as those organized by the World Bank.

An example of the coordination of the development program can be seen in the Development Lending Committee, which reviews AID loan proposals. Its members are from AID, the State Department, the Export-Import Bank, and the Treasury Department.

The program which we are presenting for 1965 is a tight, realistic one. It represents our minimum requirement. If lesser amounts are made available, our national interest could be jeopardized, for this vital instrument of U.S. policy would be weakened. I strongly urge that this committee appropriate the full amount requested.

We often hear talk about what we are doing to future generations of Americans and about the legacy which we give to our grandchildren. I would certainly not want mine to grow up in a world where the richest nation—having nearly half the world's wealth—ignored for decades the needs of two-thirds of the people, who live in poverty, disease, and hunger. It would surely not be a very safe or stable world. And even more, it would not be a very great heritage or tradition to pass on.

We would want to help others to move forward even if there were no such thing as Communist imperialism. But the Communist threat converts what we would want to do anyway into a vital necessity, a matter of the survival of freedom.

The economically advanced countries are too strong and too healthy to be taken over either by force or by subversion. Few would dispute that this was one of the great achievements of the Marshall plan and our postwar diplomacy.

But the Communist Chinese and Soviet efforts have not ceased. Their drive is now centered on the less-developed areas. If they can take these over, they could hope eventually to strangle the economically advanced part of the free world.

Aid is a vital tool in this struggle.

There are no easy answers; and it is wrong to expect the foreign aid program to solve all our problems. But without it the field would be left to our adversaries—not only 20th century communism, but the age-old enemies of man; ignorance, disease, and poverty.

We are seeing results.

The quiet victory is being won.

Thank you very much, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Secretary.

ASSESSMENT OF AID PROGRAM

Do you think you have a fairly satisfactory program going at this time in the various segments of our so-called mutual security effort?

Secretary RUSK. I would think so. If the situation remains approximately as it is in the principal parts of the world, we believe the present types of programs we have, and are recommending, taking everything into account, are reasonable.

This leaves us without leeway in two directions. One is, if we run into a very serious deterioration of a situation in particular areas, such as in the Far East where the attitudes of Peiping are ominous and threatening. On the other hand, as I indicated in my statement, we have not tried to budget for all of the important opportunities which would be in front of us if things went, shall we say, even more favorably.

It is possible that on either side of this main highway we are talking about, we might have to seek additional assistance from the Congress.

Mr. PASSMAN. There might be a declaration of war and certain things would happen. I am asking if you think you have a satisfactory program, yesterday, today and tomorrow, as we think of satisfactory programs.

Secretary RUSK. On the basis of the calculation on all the risks, this is the program we put before the Congress, and we think it is satisfactory.

Mr. PASSMAN. I am speaking of the amount of money on hand and the programs you presently have planned that you will supplement out of this year's appropriations. I am speaking of the overall program.

I ask, do you believe we have a satisfactory program going?

Secretary RUSK. There are some situations, Mr. Chairman, where we would like to be able to move faster than we are on such things as the modernization of arms among certain of our allies. We have to try to make a prudent judgment between what ought to be done and what can be done with the resources available. I would not say, looking historically at the program, each year's program has been all it might be in our interest; no, sir.

Mr. PASSMAN. You could not say the program has been entirely unsatisfactory? In the main, it could be accepted as a satisfactory program?

Secretary RUSK. (Off the record.)

There are situations of that sort where I wish we were further along.

When you ask the question in broad and general terms, I would say I think the presentation we are making to you, which is approximately

the same program we have this year in terms of size, is reasonable under the circumstances.

Mr. PASSMAN. You are speaking only of 1 year. You decline to comment on the overall?

Secretary RUSK. I think I would want to look back over several years before I could comment generally.

Mr. PASSMAN. You urged in your statement that the full amount of the request be appropriated, did you not?

Secretary RUSK. I did.

Mr. PASSMAN. That was not different from what you have urged in prior years; would that be a statement of fact?

Secretary RUSK. I think, Mr. Chairman, at least in my experience, this is the first time we have asked the Congress to provide for us for the next fiscal year the funds which the Congress determined were needed for this present fiscal year. I do not believe the Congress deliberately appropriated for this present fiscal year more than it thought was needed for the country's national interest, so we are asking you to repeat that for fiscal year 1965.

Mr. PASSMAN. You have always appeared before this committee and urged the full amount of the request. I believe that is a statement of fact, is it not?

Secretary RUSK. That is correct.

Mr. PASSMAN. Your predecessors did the same thing. Mr. Bell did the same thing, and so did his predecessors.

Last year, fiscal year 1964, the President's original budget request for the aid program was in the amount of $4.9 billion.

The President later reduced this request to $4.5 billion. Subsequently, the Congress appropriated $3 billion. There is a wide range, of course, between $4.9 and $3 billion but you indicate that the program is "reasonable."

GOLD PURCHASES BY NATIONS RECEIVING U.S. ASSISTANCE

I want to read from page 5 of our report of last year:

> Since 1958 the dollar has been growing weaker and one of the major reasons, in the opinion of the committee, has been the outflow of gold. On December 31, 1957, the gold stock of the United States amounted to $22,857 million. Since that date our gold stockpile has been diminishing steadily and on June 30, 1963, it amounted to $15,830 million, a drop of $7,027 million. During this same period of five and a half years, 52 foreign nations—each one a recipient of U.S. foreign aid—purchased from the Treasury $6,823,200,000 of U.S. gold. A table showing the net sales of gold from the U.S. Treasury to recipients of the foreign aid program follows:
>
> * * * * * * *
>
> While there may be good and valid reasons why foreign nations have been able to purchase our gold, in the opinion of the committee one of the primary reasons is that the United States, through the foreign aid program for the same period of January 1, 1958, to June 30, 1963, extended $11,947,400,000 in economic and military assistance to these same 52 foreign nations. This financial assistance by the United States in turn released the revenues of these 52 nations to be used in any way they saw fit and obviously one of the ways was to buy $6.8 billion of gold from the U.S. Treasury.

That is a factual statement, and it is a disturbing one.

SATISFACTORY MUTUAL SECURITY PROGRAM DESPITE CONGRESSIONAL REDUCTIONS

And now I want to note that during the past 9 years, fiscal 1956–64, inclusive, the aid program reductions below the budget estimates have been in excess of $8 billion. Every year the complaint has been that we have wrecked the program, but the facts have proved otherwise, and the justifications each year run just about true to form for those of the previous year, or years.

(Off the record.)

You are making a good plea and I respect you for it, but it is really no different from those which have been made in previous years. The committee has had to face up to its responsibilities and find places where we thought we could make reductions, and so far we have been right. I hope we are right this year.

Secretary RUSK. I would be glad to have a chance to comment on certain points you raise.

First, on this matter of the spread between the request by the Executive and the actual appropriation by the Congress.

There are two elements. We have no way of going back and knowing what the situation might have been had we received the full appropriations we asked for.

Inevitably, these lead to lost opportunities because we have to fit what we do to what is appropriated, regardless of its effect on foreign policy, to the total interests of the country in a particular situation.

There have been situations where we have not competed in the best interests of America because we did not want to expand our commitments. Our resources were stretched so thin. I could give the committee a very specific example of this.

SITUATION IN ZANZIBAR

When Zanzibar became independent, I made a decision, whether right or wrong, that we would not extend aid to Zanzibar. We would not get into it. Things went pretty sour in Zanzibar. Everyone turns to the President and said, "What can you do about that?"

Mr. PASSMAN. When was that?

Secretary RUSK. Fiscal year 1964. We did not undertake any assistance to Zanzibar because that was adding another country. Our presence there was at a minimum, deliberately, in terms of a policy of not spreading ourselves all over.

UNOBLIGATED BALANCES DESPITE CONGRESSIONAL REDUCTIONS

There is another factor here, Mr. Chairman. I do not know whether it is ever possible—I am relatively fresh in Government—but I do not know whether it is ever possible for the Executive and the legislative to sit down and decide what it is we are going to do. The traditional pattern is that the Executive proposes, the authorizing committees take a big slice, the Appropriation Committees take a slash, and then out comes something the Executive has to live with.

This year we made a real gamble. We said last year the Congress decided our interests required us to have $3.4 billion for foreign aid.

All right, let's go for that. Let's go for that and if we need more because of a change in the situation, we will come back.

Now, is there any way we can break through this ritual with the people sitting in this chair year after year saying we must have this and it is serious to cut it and each year it is cut, nonetheless?

There comes a point when this just will not work. You can take 12 inches off a dog if you are cutting his tail, but if you take another 12 inches off there is no dog left.

Mr. PASSMAN. The pipeline is getting fuller and fuller.

You came into fiscal 1964 with over $10 billion in the pipeline, including the new funds which were appropriated. So the dog's tail is actually getting longer, not shorter.

Secretary RUSK. These commitments are commitments which have been made for activities in being. They do not contain funds which are available except where there are certain lapses for new commitments and new programs.

PURCHASES OF GOLD BY RECIPIENTS OF FOREIGN AID

If I could comment on the gold situation. I would be happy to have a chance to insert in the record some comments on the gold flow table. It is an interesting table.

Mr. PASSMAN. It is a factual table, and we will insert it in the record at this point and you can comment on it.

Net sales of U.S. gold to foreign aid program recipients

[In millions of dollars—Negative figures represent net sales by the United States; positive figures represent net purchases]

Country	1958	1959	1960	1961	1962	Jan. 1–June 30 1963	Total
Austria	−$84.2	−$82.7	−$1.1		−$142.5	−$50.0	−$360.5
Belgium	−329.4	−38.5	−140.9	−$144.4	−63.0		−716.2
Burma			−3.8		−20.9		−24.7
Cambodia			−12.0	−3.1	−1.7	−2.3	−19.1
Cameroon Republic						−1.9	−1.9
Central African Republic						−.7	−.7
Ceylon		−7.5					−7.5
Chad						−.7	−.7
Chile	+3.0	−1.3	−2.0	−6.6			−6.9
Costa Rica				−2.3	−.5		−2.8
Cyprus				−2.0			−2.0
Dahomey						−.8	−.8
Denmark	−17.0	−15.0	−15.0	−35.0	+15.0		−67.0
Dominican Republic				−3.0			−3.0
Ecuador					−3.2	−2.3	−5.5
Egypt			−7.5	−7.8	−1.2	−.9	−17.4
Country A		−4.7	−3.0				−7.7
France		−265.7	−173.0		−459.1	−202.6	−1,000.4
Gabon						−.7	−.7
Germany (West)			−33.8	−22.5			−56.3
Ghana			−5.6				−5.6
Greece		−15.0	−47.0	−10.2	−19.1		−91.3
Honduras			−.8				−.8
Indonesia		−11.0	−24.9				−35.9
Iran	−2.3		−.4	−16.1		−5.9	−24.7
Iraq			−29.8				−29.8
Israel		−4.4			−10.0		−14.4
Italy	−348.8			+100.0			−248.8
Ivory Coast					−1.5		−1.5
Japan	−30.1	−157.4	−15.2				−202.7
Korea		−1.6					−1.6
Laos				−1.9			−1.9
Lebanon				−21.0	−32.1		−53.1
Mexico		−30.0	−20.0				−50.0
Morocco			−21.0				−21.0
Netherlands	−260.9	−29.9	−249.4	−24.9			−565.1
Niger						−.8	−.8
Nigeria				−20.0			−20.0
Pakistan			−12.5				−12.5
Peru			−15.0	−5.0	−.6		−20.6
Portugal	−20.0	−10.0					−13.0
Saudi Arabia			−11.3	−47.5	−12.6		−71.4
Senegal						−1.7	−1.7
Somalia					−1.9		−1.9
Spain	+31.7		−113.7	−156.2	−146.1	−130.0	−514.3
Surinam	−2.5		−2.5		+2.5		−2.5
Syria			−2.1		−1.3	−.2	−3.6
Tunisia			−.5		−.5	−.5	−1.5
Turkey			−6.1	−2.5	−1.1	+6.0	−3.7
United Kingdom	−900.0	−350.0	−550.0	−305.7	−387.0	+124.5	−2,368.2
Upper Volta						−.8	−.8
Yugoslavia		−1.5	−15.9		−1.5	−.8	−19.7
Net sales of gold	−1,960.5	−1,026.2	−1,535.8	−737.7	−1,289.9	−273.1	−6,823.2

Secretary RUSK. I would be glad to have a chance to comment on it.

In many of these cases, in a number of the more important cases, these gold purchases are made by countries who are not recipients of aid. Our aid program was through when France and Germany and England began to build up their gold. They have been coming into the foreign aid field in a very substantial way.

(The following comments were supplied subsequently:)

Comments on Gold Purchases Statement in 1963 Report of the House Appropriations Subcommittee

The 1963 report of the House Appropriations Subcommittee on Foreign Operations pointed out that 52 countries which received almost $12 billion in foreign aid between January 1958 and June 1963 purchased $6.8 billion of gold from the United States during that period. The report concludes that resources released by foreign aid enabled these countries "to buy $6.8 billion of gold from the U.S. Treasury."

The facts are correct, but the conclusion is largely wrong.

The 12 of those countries which bought most of the gold ($6.2 billion or 91 percent) actually returned to the United States $400 million more repayments of past aid than the assistance they received during the period. These countries received nearly $4 billion of assistance, two-thirds of it military, but repaid in principal and interest over $4.3 billion to the United States during this period.

The totals for the 12 major purchasers of gold (Austria, Belgium-Luxembourg, Denmark, France, West Germany, Italy, Japan, Lebanon, Netherlands, Saudi Arabia, Spain, and the United Kingdom) are shown below. It should be noted that none of these 12 countries have received AID assistance for a year or more and that military assistance has virtually ended to most of them.

12-country totals for period January 1958 through June 1963

	Millions
Purchases of gold from United States	$6,224
Gross U.S. assistance received of which	3,968
(Military)	(2,601)
(Other)	(1,367)
Repayments and other returns to the United States resulting from the foreign assistance program of which	4,367
(Reverse grants and returns)	(151)
(Principal collected on foreign credits)	(3,218)
(Interest and commissions collected on foreign credits)	(1,007)
Net U.S. foreign assistance disbursements	−408

U.S. gold sales and foreign assistance to countries purchasing more than $50,000,000 of gold from United States between January 1958 and June 1963

[Values in millions of dollars]

Country	Gross U.S. aid				Aid repayments to United States				Net U.S. aid
	Gold purchases	Military	Other	Total	Reverse economic grants and returns	Principal collections of credits	Interest	Total	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Austria	360.5	----------	41	41	----------	20	6.1	26	15
Belgium	716.2	104.6	14	119	----------	52	18.1	70	49
Denmark	67.0	138.1	[1] −1	137	----------	11	5.4	16	121
France	1,000.4	342.5	61	403	----------	841	191.9	1,033	−630
West Germany	56.3	284.7	50	335	----------	907	112.3	1,019	−684
Italy	248.8	530.4	172	702	1	350	33.1	384	318
Japan	202.7	472.9	447	920	----------	265	63.9	329	591
Lebanon	53.1	5.6	65	71	----------	2	.2	2	69
Netherlands	565.1	172.6	6	179	----------	115	27.7	143	36
Saudi Arabia	71.4	[2]	29	29	----------	25	----------	25	4
Spain	514.3	235.4	518	753	54	38	27.6	120	633
United Kingdom	2,368.2	314.7	[1] −35	280	----------	592	520.5	1,112	−832
12-country total	6,224.0	2,601.5	1,367	3,968	[3] 151	3,218	1,006.8	[3] 4,376	−408

[1] Negative numbers occur in this column when local currency withdrawals for grants and credits exceed new sales of commodities for local currency generation.

[2] Not available.

[3] Includes an additional $96 million of military reverse grants and other military aid returns for Western Europe which cannot be identified by country. This constitutes a minimum estimate of those returns.

NOTE.—Detail may not add to totals because of rounding.

Mr. PASSMAN. During that same period we gave those countries $11,947,400,000 in economic and military aid and they purchased $6,823,200,000 of our gold.

And I repeat, the same type of testimony is presented every year.

UNOBLIGATED FUNDS ON JUNE 30, 1963

On June 30, 1963, when you pulled the curtain down on the fiscal year, you actually had in titles I and II of the program, and title II is foreign aid also, $744,181,400 in unobligated funds. Being fair, I want to note that $117,842,760 of this total came in the investment guarantee section and $200 million was in the Inter-American Development Bank.

FUNDS AVAILABLE IN CONTINGENCY FUND, FISCAL YEAR 1964

But, particularly do I want you to look at the contingency fund with $127,096,666 unobligated. Incidentally, we appropriated more contingency money than the President requested for fiscal 1964, did we not, Mr. Bell?

Mr. BELL. Yes.

Mr. PASSMAN. We took the money that was actually unobligated and reappropriated it.

Mr. BELL. The sequence of events was that the President asked for $300 million for the contingency fund. The authorizing committees reduced that. You appropriated the unobligated balance as of June 30 which the President had not asked to be reappropriated.

Mr. PASSMAN. It would have lapsed otherwise.

Mr. BELL. The total available for the contingency fund in 1964 was less than the President originally asked for.

Mr. PASSMAN. You people said you were going to let the unobligated balance lapse.

Mr. BELL. Right.

Mr. PASSMAN. So this committee recommended and the Congress reappropriated it.

Mr. BELL. That is right.

Mr. PASSMAN. Thereby, this gave to the President $27 million more than the Congress authorized.

Mr. BELL. The facts are all in the record.

Mr. PASSMAN. They are, indeed.

Mr. BELL. The President asked for $150 million in appropriations after the authorizing committee cut the $300 million to $150 million. This committee and the Congress appropriated $50 million of new money plus $127 million of carryover.

Mr. PASSMAN. At that time you had not asked for it?

Mr. BELL. We had not.

Mr. PASSMAN. If you had decided it was in the interest of the country at the time to make an allocation to Zanzibar, you could have made it out of this contingency fund, could you not?

Secretary RUSK. This was not just a question of money. It seemed to us the clear signal from the Congress was that they wanted this aid list cut down. So here was a case of a small country that had become independent, and our question was, Do we get into it?

Off the record, please.

(Off the record.)

Secretary RUSK. This is our problem on how far we go, and how much leeway we ought to have in terms of being able to move and act on these situations.

Mr. PASSMAN. Last year we had a program going in, I believe, 100 nations. When you get into, say 95 or 100 nations out of 112, you are making pretty good progress.

COORDINATION OF MILITARY AND ECONOMIC AID PROGRAMS UNDER THE SECRETARY OF STATE

I believe the entire aid program, including the military, is under the Secretary of State?

Secretary RUSK. That is correct, for policy direction.

Mr. PASSMAN. So when you are coordinating the economic aid, you are also coordinating the military, and you leave it up to the Secretary of Defense and General Wood and others to decide the amounts needed with respect to the actual equipment?

Secretary RUSK. Well, the actual cost of particular items of equipment is something handled in the Defense Department, but the Secretary of Defense and I keep in very close touch with each other on whether or not we have a military assistance program in a particular country; if so, what kind, what order of magnitude, and what special problems arise in connection with it. We have a regular discussion of these.

Mr. PASSMAN. Under the legislation, the entire program, including military, is under the Secretary of State?

Secretary RUSK. That is correct.

MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. I thought it would be well for the record to indicate that all of the military program is not something which is planned by the Defense Department. Practically all nations would like to have military assistance as indicated by the fact that we had a military aid program going in 66 countries in fiscal 1963.

Secretary RUSK. The large number of countries on the list very heavily is accounted for by the role of technical assistance, and the activities of our training function in the military field. We have a good many countries whose only military assistance is in the training field.

Mr. PASSMAN. Thirteen for fiscal 1965?

Secretary RUSK. Yes.

Mr. PASSMAN. I think it was a smaller number in 1962 and 1963. I think there were only 13 in fiscal year 1963.

Secretary RUSK. I should add to that the internal security requirements in Latin America. We are not engaged in building up the military establishments of 70 countries in any major sense. We are concentrating on the military assistance program in very few countries, especially around the Sino-Soviet bloc.

Mr. PASSMAN. Off the record.

(Off the record.)

AID TO INDONESIA

Mr. PASSMAN. Mr. Secretary, we have had a substantial aid program in Indonesia, and in the testimony last year you were making quite a defense of our program there. However, the United States has not initiated any new projects in Indonesia, I believe you stated, for fiscal 1964.

Secretary RUSK. We have not since the package——

Mr. PASSMAN. You did not request any funds, but did you initiate any new projects in Indonesia?

Mr. BELL. We have certainly not——

Mr. PASSMAN. You did not request any funds for new projects for Indonesia in fiscal year 1964; is that correct?

Mr. BELL. There was a substantial request.

Mr. PASSMAN. I am talking about a request to initiate new projects for fiscal year 1964.

Mr. BELL. I cannot recall the facts on the technical assistance projects. On loans, we had a major stabilization program in prospect. We had $35 or $40 or $50 million in our 1964 program if the Indonesians had undertaken their part of the bargain.

Mr. PASSMAN. How many new projects did you actually justify as such?

Mr. BELL. Technical assistance projects?

Mr. PASSMAN. Total new projects for Indonesia.

Mr. BELL. I would have to check that for the record; I do not know offhand.

(Information supplied subsequently follows:)

We did not request funds for new technical cooperation projects in the fiscal year 1964 congressional presentation. All 19 proposed technical cooperation projects were continuing. We did, however, change the focus and titles of three previously conducted activities. Corn production, development of educational publications and school libraries, and general participant training. These project titles per se did not appear in the fiscal year 1964 congressional presentation, but do appear in the fiscal year 1965 congressional presentation (corn production was a part of the national agricultural production project; development of publications and school libraries is an outgrowth of the higher education administration and secondary libraries project; general participant training project is an extension of the advanced graduate training project together with other elements of training). We also proposed a new project loan for tin mining development, consideration of which was suspended last September. We further proposed participation in loan financing of the Indonesian stabilization program, in collaboration with the International Monetary Fund and the Development Assistance Committee; this also was suspended without making a commitment last September.

Mr. PASSMAN. Do you contemplate starting any new projects in Indonesia in fiscal year 1965?

Secretary RUSK. I would like to comment on that. We have cut our aid right back to malaria eradication work and certain small programs.

We are now in the process of negotiations and discussions, some of them of a most delicate character ———.

We are not contemplating any new aid for Indonesia.

I would not say we have in mind as things now stand any large assistance program for Indonesia.

ON-GOING PROGRAM IN INDONESIA

Mr. PASSMAN. These "little" things you are talking about amount to some ———.

Secretary RUSK. Yes, it is about ———. We have about a ——— investment in the malaria eradication program. If we stop that, the investment disappears and malaria comes back again. Its neighbors are directly affected by the public health situation in Indonesia.

I would think even if the situation got much worse than it is that we and others have an important stake in the continuation of that malaria eradication program.

Mr. PASSMAN. I only indicated that ——— is not a "little" sum.

Secretary RUSK. It is little in relation to our hopes for that great potentially wealthy country.

TOTAL ASSISTANCE TO INDONESIA 1946-63

Mr. MINSHALL. How much have we put in total into Indonesia in the way of military aid and economic aid? It seems to be pretty much down the drain if we are putting only malarial control dollars in now.

Secretary RUSK. Total commitments 1946–63 have been $870 million. If you subtract $134 million of repayments in interest, net total is $735 million.

Mr. MINSHALL. All types of aid in that period?

Secretary RUSK. Yes, sir. That is under AID.

Mr. BELL. That includes Export-Import Bank loans.

Mr. PASSMAN. Public Law 480?

Mr. BELL. Yes, and military assistance. This is the grand total.

Mr. PASSMAN. The net is what amount?

Mr. BELL. $735 million.

Secretary RUSK. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Is he the commander in chief of the armies?

Secretary RUSK. Whether he has that precise title, in fact he is; yes.

Mr. PASSMAN. He is a relatively young man, and they elected him for a lifetime?

Secretary RUSK. He is 61. I think he is relatively young.

Mr. PASSMAN. I am trying to find a ray of hope there. Off the record.

(Discussion off the record.)

Secretary RUSK. It would in this sense. The position of political leaders in countries like that is not comparable to that of the President of the United States.

Mr. RHODES. Off the record.

(Discussion off the record.)

SOVIET MILITARY AID TO INDONESIA

Mr. PASSMAN. But the fact is that his government purchased over $1 billion worth of military equipment from the Russians. Certainly it was up to the military leaders in Indonesia to select the type of equipment and implement it with the personnel, so they carried on a very substantial military trade proposition with Russia, did they not?

Secretary Rusk. Yes, they did, sir.

Mr. PASSMAN. We understand the transaction was for 12 years and at a high rate of interest. I think that is the length of the term?

Secretary RUSK. I could not say offhand.

Mr. PASSMAN. Check it, please, if you will.

(The information supplied follows:)

The Communist bloc military equipment credits were originally to be repaid primarily in the forms of goods and/or free currency, in some cases over 10 years with a 2-year grace period and some 10 years with a 5-year grace period, at 2 percent interest to be charged from date of delivery. Another part of this credit (relatively small) was to be repaid in 5 years beginning in 1961 and 1962 at 2 percent interest.

Secretary RUSK. Despite that almost $1 billion worth of Soviet armed assistance to Indonesia, the Communist Party in Indonesia now is giving its allegiance to Peiping.

Mr. PASSMAN. Are Communists or those who are Communist leaning in the majority in the legislative body?

Secretary RUSK. I think the Cabinet at the present time does not have a Communist in it.

Mr. PASSMAN. I am referring to the legislative body.

Secretary RUSK. They have a council that is not generally elected throughout the country with active participation. There are some Communists in an advisory group there but it is not a parliament in a Western sense.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

CHANNELING OF ASSISTANCE THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Mr. Secretary, you mentioned in your statement, if I remember correctly, something about the international organizations. There is one named IDA, the International Development Association. The House recently turned down a proposal by a substantial vote calling for $312 million additional capitalization on the part of the United States in three annual installments of $104 million.

I argued that it was foreign aid, just another one of the many spigots.

The thing that worries me is that there are those in Congress, as well as in the executive branch, who are advocating channeling more and more of our aid through international organizations.

I am wondering if it is in the best interests of our country to let too much of our aid get over into international organizations where we do not have the right of examination, as we do with our direct aid, and where we do not have the control over how and where the money is expended.

IDA OPERATIONS

Secretary RUSK. On that, Mr. Chairman, I think it is fair to say and accurate to say that IDA is part of the total aid picture which the developed countries have organized for the underdeveloped nations. We think this is an important part of it because it is a device by which we can specifically mobilize the resources of other developed countries in favorable ratio to what we ourselves put in, ratio of about $1.40 to $1 from our own side.

In terms of the operation of IDA, I think the committee would find, and we will be glad to go into this in considerable detail, that the

criteria and the practices and the operations of IDA are very much in line with the known policies and attitudes and requirements of the Congress with respect to the use of AID funds. IDA does not lend to Communist countries. IDA does not invest in those projects which compete with private enterprise. IDA demands full performance on the part of the receiving country for commitments made under the IDA loans.

I think you will find that the practices of IDA are thoroughly responsible and that their administrative performance has been really first class. There is a highly experienced staff, most of it drawn from the International Bank, under competent leadership. I would think this would be a very important and profitable investment for us to make in terms of getting others to pitch in and help get this job done.

Mr. PASSMAN. I might say, Mr. Secretary, that your testimony is somewhat different from other testimony given to us previously. I refer now to IDA. We will not quarrel over it, however, because we have the same understanding that it is foreign aid. They could build the Bokaro steel mill with funds from IDA; could they not? It is not precluded?

Am I making a correct statement?

Secretary RUSK. Rules of IDA would not preclude it. It is not my impression they are doing it.

Mr. PASSMAN. But they could do it; could they not?

Secretary RUSK. So far as the rules are concerned, yes.

Mr. PASSMAN. Under IDA I think the terms are somewhat more liberal than the terms of our so-called development loan program which Secretary Dillon refers to as "credits." Under IDA the terms are for 50 years, no interest, three-quarters of 1 percent service charge, with a 10-year grace period, and then 1 percent per year on the principal for the next 10 years before you get over into the 3-percent-a-year figure.

It would appear it is just a little bit loose.

I believe that Pakistan put into IDA $10,500,000 and they drew out some $90 million, which is about nine times as much as they contributed.

Again, depending upon my memory, I believe that India put in some $40 million but that made them eligible to draw down $300 million, while they were also dipping into our funds for almost $5 billion.

Also, we find that 13 of the other 16 contributing part I nations are still recipients of our aid.

If not directly at least indirectly, it would appear that we are putting up about 90 percent of this money for IDA.

The 90, I believe it is, part II recipients rarely, if ever, I expect, think of this aid as coming from the United States.

I know there are those who would like to see most, if not all, of this entire aid program going through international organizations, and even some of your witnesses have testified for it.

LIMITATIONS ON INTERNATIONAL AID PROGRAMS

Secretary RUSK. I would not myself, and I don't know anyone in a top position who would say that our aid should be all in these international organizations.

Mr. PASSMAN. Thank you.

Secretary RUSK. The international organizations really ought to plan their aid on the basis of joint and combined contributions by a number of responsible countries. IDA was one of the devices for doing that.

That in itself means there are limitations on what can be done internationally.

Further, I think we do need a bilateral aid program because in many parts of the world it is very specifically and consciously a tool of American national policy, so on the one side I think there is room here for different techniques.

The last administration, with bipartisan support, proposed IDA as a means for mobilizing the resources of the other developed countries and to provide for soft loans under the management of the World Bank whose performance had been really quite superb in screening, supervision, and direction of these various programs.

We think IDA is important but, nevertheless, the bilateral programs also are vital to us.

Mr. PASSMAN. The purpose of helping these underdeveloped nations is that they cannot earn dollars presently. Is that correct? It is a soft currency operation?

Secretary RUSK. The principal IDA concern is with those countries whose development is being held up because of a specific foreign exchange problem.

LOAN REPAYMENTS FROM UNDERDEVELOPED COUNTRIES

Mr. PASSMAN. Of course, they agree to repay this so-called loan, and actually it is supposed to be repaid in dollars or other convertible currency, is it not?

Secretary RUSK. The IDA funds?

Mr. PASSMAN. Repayment is expected in dollars or other freely convertible currencies?

Secretary RUSK. That is correct.

Mr. PASSMAN. Until such time as they acquire that position there just will not be repayments on these loans, will there, unless we give them assistance?

Where are they going to get money to meet these loan repayments unless we give it to them out of our bilateral aid?

Secretary RUSK. These judgments are made by the International Bank staff and IDA on the basis that under the circumstances the prospect is that these countries will be producing more and selling more and having foreign exchange with which they can meet their obligations.

Mr. PASSMAN. What they work out does not necessarily come true. Until such time as these things materialize they will not pay dollars. They can repay only when they either have dollars or other freely convertible currency. Is that correct?

Secretary RUSK. That is correct in the sense that if they pay dollars or convertible currency they would have to have it at the time to do it. However, that is the element of risk which is normal in any loan transaction. It is the basis on which we ourselves used vast amounts of foreign capital throughout the 19th century in developing our own country.

Mr. PASSMAN. There is no assurance they will have dollars to start making these payments in 10 years, is there?

Secretary. RUSK. There is no ironclad guarantee.

Mr. PASSMAN. Thank you.

Secretary RUSK. But the record on that has been very good thus far on Ex-Im Bank loans and International Bank loans.

Mr. PASSMAN. There have been no payments under IDA.

Secretary RUSK. The IDA loans have not yet begun to mature, but they are young countries in the process of developing, whose performance has been and is favorable and forward looking.

I would suppose, I am sure, that the IDA officials have made a serious and sober judgment about the prospect of repayment and the economic desirability of the loan under the terms and at the rates involved; rates which are low.

Mr. PASSMAN. What these people say one year does not tally out in subsequent years. That is in the record and you know what I am talking about.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. There is no provision under the International Charter of IDA for any of this money to be returned to the U.S. Treasury that you know of; is there?

Mr. BELL. It is not settled one way or another what will happen.

Mr. PASSMAN. Presently it is a revolving fund?

Mr. BELL. That is right.

Mr. PASSMAN. It could be in perpetual motion from here on in. That may be the first real perpetual motion ever worked out. It keeps on revolving and we never get it back.

Secretary RUSK. There is an arrangement on what will be done in the event of liquidation of IDA.

Mr. PASSMAN. There is no plan to liquidate it. It could be the closet thing to perpetual motion we have ever had. It could keep on revolving. We have no plan to bring any of it back to the U.S. Treasury, regardless of what they repay. Is that correct?

Secretary RUSK. That is correct.

Mr. PASSMAN. Mr. Gary?

PURPOSE OF IDA

Mr. GARY. You stated this was a bipartisan movement to create IDA?

Secretary RUSK. Yes, sir.

Mr. GARY. My recollection is that the purpose of IDA was to get the other countries to contribute to the foreign aid program and thereby relieve our country to that extent. Is that correct?

Secretary RUSK. That is correct, sir.

Mr. GARY. My recollection is that Representative Walter Judd was one of the leaders in that movement. He was very strong for IDA. I refer to Dr. Walter Judd, who was a Member of Congress at that time.

Secretary RUSK. Yes, I remember Dr. Judd very well. I think that is correct.

The proposal was from the Eisenhower administration. Senator Monroney introduced the bill in the Senate.

It was a bipartisan measure at the time. I think it has worked out very effectively. I am very encouraged about it.

AID RECIPIENT COUNTRIES HOLDING DOLLAR CREDITS

Mr. PASSMAN. Some of those nations which we are encouraging to give away their money hold dollar credits and could demand our gold tomorrow; could they not?

Secretary RUSK. They hold substantial dollar credits. If they are all called at once we would have some difficulty, of course.

Mr. PASSMAN. I did not say "all." I said that some of them are holding dollar credits and could demand our gold?

Secretary RUSK. That is right, but on the other hand they have a tremendous national interest themselves in our economic situation and in our stability and position in the world so I do not think this will happen.

Mr. PASSMAN. I am merely making the point that we do not have the answers to all the questions. And I think the record is clear that those countries could take over our monetary system any day they wanted to.

Let us hope it works out.

Secretary RUSK. If there were that kind of an assault on our position we are not without resources to take care of ourselves because we have very large holdings of private obligations as well as public obligations abroad ourselves, so that we are not stripped of countermeans to take care of ourselves.

Mr. PASSMAN. The situation is there. Let us hope it can be worked out.

COORDINATION OF AID PROGRAMS

The Secretary of State, under the legislation, is responsible for the entire aid program, economic and military?

Secretary RUSK. That is correct, sir.

Mr. PASSMAN. And you, of course, take a look at these figures, Mr. Bell?

Mr. BELL. Yes.

Secretary RUSK. Mr. Bell, Mr. McNamara, and others.

Mr. PASSMAN. The same people who look at economic assistance also look at the military assistance, do they not?

Secretary RUSK. At the Cabinet level, that is correct. Below Cabinet level we break it up.

Mr. PASSMAN. Mr. Bell, you look at all segments of it?

Mr. BELL. Yes, sir.

CONTRADICTORY RATIONALE EMPLOYED IN ARRIVING AT BUDGET LEVELS FOR ECONOMIC AND MILITARY ASSISTANCE

Mr. PASSMAN. Last year the Congress appropriated $3 billion for so-called mutual security, $1 billion for military assistance, and $2 billion for economic assistance. We have had some witnesses who have said, in effect, "We asked for only $1 billion in military assistance for fiscal 1965 because that is all the Congress allowed last year and we did not think they would approve more this year."

I wonder why you did not take the same attitude with reference to economic aid as the others did with regard to military aid, that you would waste your time asking for more than Congress appropriated last year, Mr. Bell?

Mr. BELL. We took into account the carryover.

Mr. PASSMAN. I think the record will show that this committee has always reappropriated all unobligated balances. But we have had witnesses say, and I paraphrase, "We are only asking for $1 billion for military aid because that is what you gave us last year." Yet, for economic assistance you seem to have hope of getting more than you did last year.

Secretary RUSK. In putting our budget together we took into account a carryover last year that brought it to $3.4 billion. I had supposed—perhaps I am wrong—that Congress justified $3.4 billion for this fiscal year, and if we said, "All right, you justified $3.4 billion for this fiscal year, let us justify the same for 1965 and if we need more we will come back."

Mr. PASSMAN. Would you consider the military assistance part as important as the economic aid part of the program?

Secretary RUSK. I think they are both of critical importance. If you asked me where I would cut, I would have to say so far as I can see now if there is a cut we would have to ask for a supplemental.

Mr. PASSMAN. We shall cross that bridge when we get to it, if we get to it.

I repeat do you consider the military assistance part of the program just as important as the economic part?

Secretary RUSK. The answer to that is clearly "Yes."

Mr. PASSMAN. The people who justified military assistance said, in effect, "We need more but we are only asking for $1 billion because that is what you approved last year and we did not think you would appropriate more." What makes you think the Congress would appropriate more than last year for economic assistance?

Secretary RUSK. The $3.4 billion we are asking for this year is not more than was available for 1964.

UNOBLIGATED BALANCES AS OF JUNE 30

Mr. PASSMAN. What will be the unobligated balance as of June 30?

Mr. BELL. Our estimate, as shown on page 41 of the presentation book, is $25 million on the military side as of June 30 and a little over $5 million on the ceonomic side, making a total of $30 million. Reimbursements and receipts and estimated recoveries, both military and economic, would add a little more than $2 million to that. So the specific appropriation request we are making is $3.4 billion but the anticipated program is about $3.6 billion. This year the same corresponding figure is $3.5 billion.

TOTAL AMOUNT IN AID PIPLINE

Mr. PASSMAN. It is still going up; is it not? The pipeline will be more than $10 billion, if you take the carryover plus this request for title I and title II of the bill.

Mr. BELL. You mean the pipeline on June 30 plus the new appropriation?

Mr. PASSMAN. Yes.

Mr. BELL. Around $10 billion.

Mr. PASSMAN. What do you estimate will be the total amount of unexpended funds, titles I and II?

Can you give us that, Mr. Controller?

Mr. TENNANT. I do not have title II, sir.

Mr. PASSMAN. Title I, then?

Mr. BELL. $4.4 billion on the economic side exclusive of social progress.

Mr. PASSMAN. That is part of it; is it not?

Mr. BELL. No. The figures I have given are exclusive of social progress.

Mr. PASSMAN. How much is that over what you had last year?

Mr. BELL. The $4.4 billion?

Mr. PASSMAN. Yes, including everything.

Mr. BELL. The estimated unexpended balance as of June 30, 1964 is $4,083 million or $4.1 billion. The estimated unexpended balance, on June 30, 1965, is $4.4 billion.

Mr. PASSMAN. Up, is it not?

Mr. BELL. It would be up under these estimates.

Mr. PASSMAN. And your pipeline total from fiscal 1960 to 1964 has gone from $8.1 billion to about $10.1 billion.

Mr. BELL. As you make loans you add to the pipeline until your expenditure rate reaches the funding commitment.

Mr. PASSMAN. You are funding more in advance?

Mr. BELL. They were mostly grants 5 years ago and now they are loans.

FUNDS AVAILABLE FOR THE MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. In case an emergency should arise, let me indicate what could be available for the military program if the Congress should appropriate $1 billion for that purpose.

First, $1 billion requested.

You are going to have $135 million available from deobligated funds from previous years.

You are going to have unobligated $25 million.

Under the present authorization the President could, in case of emergency, utilize up to $300 million of military stocks under section 510.

If the Congress should appropriate $1.5 billion for economic aid, under section 610 of the legislation you could transfer as much as 10 percent——

Mr. BELL. There is a limit on that.

Mr. PASSMAN. If you had an emergency you could transfer as much as 10 percent out of the economic aid into the military program.

Mr. TENNANT. I think some appropriations cannot be depleted.

Mr. PASSMAN. But you know, too, that the President can transfer out of the contingency fund to the economic program and out of economic aid to military assistance.

Mr. TENNANT. That is right.

Mr. PASSMAN. Let us put down $1.5 million.

So, we are up to $1,610 million that could be spent for the military program in an emergency.

Mr. BELL. Just a moment, Mr. Chairman, I am not sure the record reads correctly. As I understand, the act prohibits funds made available for loans to be transferred under section 610. Under the broadest authority he could go beyond 10 percent.

Mr. PASSMAN. There are four categories and I have mentioned only three of them.

USE OF EXCESS MILITARY STOCKS

You also have the excess military stocks that you give to the countries and they pay only the rehabilitation cost, and beyond that it goes free to the recipient nation.

Mr. TENNANT. That is use of property declared excess.

Mr. PASSMAN. That is right, but it is usable. You would have to add that figure to the others.

Then you would add Public Law 480 aid, and then you go to direct military support out of Public Law 480.

You could get it up to $1.7 billion in the event of an emergency, if the President used all the emergency provisions at his disposal.

Secretary RUSK. Those provisions are clearly there. I would suppose the legislative record on section 510—the $300 million authority—was to be used only under the most drastic emergency and not for planning purposes.

Mr. PASSMAN. If the President should determine it is in the interest of the security of the United States to use it, he could do so tomorrow; could he not?

Secretary RUSK. I do not think he could declare it frivolously.

Mr. PASSMAN. I did not say "frivolously." The legislation is there.

MAP APPROPRIATION AND OBLIGATIONS

Finally, I want to say with regard to the military program that every time they have needed $1 they have reserved $1.22.

We appropriated for the MAP $1.6 billion in fiscal year 1962 and $1.325 billion in 1963, for the 2 years, together, the total being $2.925 billion. We found out, however, that for the same 2 years the Department obligated $3,415,700,000, or $490,700,000 more than the Congress appropriated.

Where did they get the money? Well, you may call it the squeeze-out, recoupments, or deobligations, but every time they needed money they reserved 22 cents for every dollar. Incidentally, this committee takes credit for looking into this program and determining how much money is in reserve, or unobligated—funds which could be used for entering into new obligations.

Mr. Secretary, will you look at this information. It is clear that the military reserves more than the cost of what they will deliver.

Secretary RUSK. I do not understand your word "reserve."

Mr. PASSMAN. They do not obligate in the military program. They reserve. They have the right to reserve for future payment. It is a special privilege for the military.

General WOOD. It is a special law of Congress.

Mr. PASSMAN. Yes, it is a law of Congress.

Secretary RUSK. All I can say is when we go to AID or our military people to get resources we find they are so pinched they cannot give it to us.

Mr. Chairman, I think the principal point here is that we have still a great deal of unfinished business in this matter of providing security for these countries around the edge of the Sino-Soviet bloc. At a time when Peiping is more menacing than at any other time in recent years, we have countries doubting if the free world is with them because, in the face of these menacing actions by Peiping, we are not able to help them if they are attacked.

Mr. PASSMAN. You are not talking about military assistance now, are you?

Secretary RUSK. Yes, I am.

PHASEOUT OF EUROPEAN PROGRAM

Mr. PASSMAN. You have had tremendous military grant-aid programs for Europe in recent years, have you not?

Secretary RUSK. Yes.

Mr. PASSMAN. And you know that assistance is coming to an end. It has been established that you will need an average of $130 million annually less funds for Europe than in the immediate past. So those who may become excited if we make adjustments in the military assistance program should know that we are concluding very expensive programs in Europe and that fact should call for some reductions in the overall program. There is a tremendous reduction in the actual need in European countries. It is practically all over except the phaseout and infrastructure program.

Secretary RUSK. And certain cooperative programs such as in Norway.

Mr. RHODES. Mr. Chairman, may I make a suggestion? It is 5 o'clock and the Secretary has to go to the Far East. I have some questions and I am sure other members have some, too, but my questions could be answered as well when the Secretary gets back.

Mr. ROONEY. Are they policy questions?

Mr. RHODES. They are policy questions but he could answer them when he comes back.

Mr. PASSMAN. How much later could you stay, Mr. Secretary?

Secretary RUSK. If it is only a matter of convenience, I would be very happy to come back when I get back from this trip, if it is all right with the committee.

Mr. RHODES. Certainly.

Mr. PASSMAN. Thank you, Mr. Secretary. We shall be in touch with you.

Secretary RUSK. Thank you, Mr. Chairman.

MONDAY, MARCH 23, 1964.

MILITARY ASSISTANCE PROGRAM

WITNESSES

HON. ROBERT S. McNAMARA, SECRETARY OF DEFENSE
GEN. MAXWELL D. TAYLOR, U.S. ARMY, CHAIRMAN OF THE JOINT CHIEFS OF STAFF
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
DAVID E. McGIFFERT, ASSISTANT TO THE SECRETARY OF DEFENSE FOR LEGISLATIVE AFFAIRS
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE
CAPT. ARTHUR H. BERNDTSON, U.S. NAVY, ASSISTANT TO THE CHAIRMAN, JOINT CHIEFS OF STAFF
ROBERT HIRSHBERG, ACTING CHIEF, MILITARY ASSISTANCE DIVISION, AID

Object classification

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
DEPARTMENT OF DEFENSE ALLOCATION ACCOUNTS			
Direct obligations:			
11 Personnel compensation:			
Permanent positions			16,967
Positions other than permanent			60
Other personnel compensation			624
Total personnel compensation			17,651
12 Personnel benefits			7,226
21 Travel and transportation of persons			32,345
22 Transportation of things			40,927
23 Rent, communications, and utilities			2,975
24 Printing and reproduction			182
25 Other services			142,609
26 Supplies and materials			207,241
31 Equipment			583,559
32 Lands and structures			8,928
41 Grants, subsidies, and contributions			73,057
Total obligations, Department of Defense allocation accounts			1,116,700

Object classification—Continued

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
OTHER AGENCIES ALLOCATION ACCOUNTS			
11 Personnel compensation:			
Permanent positions			1,033
Positions other than permanent			8
Other personnel compensation			100
Total personnel compensation			1,141
12 Personnel benefits			8
21 Travel and transportation of persons			15
22 Transportation of things			123
23 Rent, communications, and utilities			1,680
24 Printing and reproduction			3
25 Other services			4,287
26 Supplies and materials			532
31 Equipment			506
41 Grants, subsidies, and contributions			5
Total obligations, other agencies allocation accounts			8,300
Total direct obligations			1,125,000
Reimbursable obligations:			
25 Other services			10,000
26 Supplies and materials			22,600
31 Equipment			55,000
Total reimbursable obligations			87,600
Total obligations			1,212,600
Obligations are distributed as follows: Defense—Military:			
Secretary of Defense			77,834
Army			519,653
Navy			183,996
Air Force			422,817
State			8,300

Personnel summary

	1963 actual	1964 estimate	1965 estimate
MILITARY ASSISTANCE—DEPARTMENT OF DEFENSE			
Total number of permanent positions			2,585
Full-time equivalent of other positions			6
Average number of all employees			2,550
Employees in permanent positions, end of year			2,557
Employees in other positions, end of year			20
Average GS grade			7.9
Average GS salary			$7,923
Average salary, positions established by the Secretary of Defense			18,824
Average grades, established by the Secretary of Defense			3.6
Average salary, grades established by the Secretary of Defense			$14,403
Average salary, grades established by Secretary of the Navy			$17,953
Average salary of ungraded positions			$1,965
ALLOCATION ACCOUNTS			
Total number of permanent positions			665
Full-time equivalent of other positions			5
Average number of all employees			654
Employees in permanent positions, end of year			643
Employees in other positions, end of year			13
Average salary of ungraded positions			$1,592

Program and financing

[In thousands of dollars]

	Budget plan			Obligations		
	1963 actual	1964 estimate	1965 estimate	1963 actual	1964 estimate	1965 estimate
Program by activities:						
Direct:						
1. Aircraft			155,760			153,760
2. Missiles			8,800			8,800
3. Ships			81,625			81,625
4. Combat vehicles			36,700			36,700
5. Tactical and support vehicles			68,200			68,200
6. Weapons			24,474			24,474
7. Ammunition			106,630			106,630
8. Electronics and communications equipment			75,300			72,300
9. Other support equipment			20,330			20,330
10. Supplies			164,769			154,769
11. Supply operations			95,065			93,065
12. Maintenance of equipment			34,672			29,672
13. Training			72,000			72,000
14. Construction			99,900			97,900
15. Special activities			32,275			31,275
16. Administration			23,500			23,500
17. Military assistance credit sales			50,000			50,000
Total direct			1,150,000			1,125,000
Reimbursable:						
17. Military assistance credit sales			87,600			87,600
Total			1,237,600			1,212,600
Financing:						
Unobligated balance transferred from "Military assistance"			−150,000			−150,000
Advances and reimbursements from non-Federal sources			−87,600			−87,600
Unobligated balance carried forward: For completion of prior year budget plans						25,000
New obligational authority (appropriation)			1,000,000			1,000,000

Mr. PASSMAN. The committee will come to order.

We have before the committee this afternoon the Honorable Robert S. McNamara, Secretary of Defense, accompanied by General Maxwell D. Taylor, chairman of the Joint Chiefs of Staff, and supporting witnesses.

Mr. MINSHALL. Will this be the only appearance of the Secretary before the subcommittee?

Secretary MCNAMARA. I am available any time, any place, the committee wishes to hear me.

Mr. PASSMAN. If we do not finish the questioning this afternoon, the Secretary will be asked to return tomorrow.

Statement of the Secretary of Defense

Secretary McNamara. Mr. Chairman, members of the committee, I greatly welcome this opportunity to appear before you in support of the fiscal year 1965 military assistance program. In my considered judgment, this program, and the foreign aid program generally, has now become the most critical element of our overall national security effort. It has long been recognized that the Communist threat to our security and the security of the entire free world is not only military but involves every area of human endeavor—it is political, it is ideological, it is economic, it is scientific, and it extends even into the cultural spheres. In such a struggle, great strategic nuclear power alone is not enough. Indeed, even great strategic nuclear power complemented by great conventional power alone is not enough. As Chairman Khrushchev warned us more than 3 years ago, the Communists, while rejecting global nuclear wars and even local wars, fully support the so-called wars of national liberation which we know from bitter experience as guerrilla wars and insurrections.

The Chinese Communists are even more militant in their support of aggression as an instrument of expansion. Indeed, one of the major differences in outlook between these two Communist powers is the degree of risk which each believes should be taken in pressing their expansionist policies. We believe that the actions we have taken to strengthen, protect and make more ready our strategic nuclear forces have convinced at least the leaders of the Soviet Union that a nuclear attack against us or our allies could not end in other than disaster for them. We believe the measures we have taken to rebuild, modernize, and supply more adequately our limited war forces have discouraged at least the Soviet Union from engaging in even a conventional war against the United States and its allies.

Collective defenses of the free world

But our global military strategy since the end of World War II, particularly in the limited war area, has always assumed the availability of allied forces. In other words, our strategy has long been based on the concept of the collective defense of the free world. And this means that our own security requires that we have strong allies around the world. We do in fact have strong allies, particularly in Western Europe. The great and growing strength of our NATO allies in that region stands as a monument to the success of our foreign aid programs in the post-World War II period.

But our allies in other areas of the free world have not yet succeeded in building up their economic strength to the point where they can make their full contribution to the collective defense. These allies still need our help, in many cases not only in the form of military assistance but economic assistance as well. The development of their economic and military strength in the context of the collective defense of the free world is obviously in our own national interests. Who can deny that the military strength of Greece and Turkey, the southern

bastion of NATO, is important to our own security? Who can say that the military strength of South Korea, the Republic of China, and South Vietnam is not essential to our position in the far Pacific? Who can deny that the survival of these nations as independent states on the very periphery of Communist power is vital to our own national security objective of preventing the further spread of communism, whether by overt or covert aggression? If these nations were to succumb to Communist aggression, would not the security of the entire free world be weakened, including our own?

In my own opinion, it makes no sense whatsoever to spend $50 billion a year on our own military forces and refuse to spend a mere 2 percent of that amount to support the forces of our allies who stand beside us in the collective defense of the free world. It is ironic, indeed, that at the very time the Communists are increasing their efforts in this new arena of the struggle—guerrilla warfare, insurrection, and covert aggression—not only against their neighbors but elsewhere in the world, we should be diminishing our efforts in this same arena. Certainly, it must be clear to all Americans that if we fail to support those free nations which need and want our help to maintain their independence, we will have to use our own forces if we are to prevent the expansion of communism through overt or covert aggression. As President Johnson recently stated, the foreign aid program is the best weapon we have to ensure that our own men in uniform need not go into combat.

BUDGET REQUEST FOR FISCAL YEAR 1965

We are well aware that the Congress, and perhaps the people of this country, are growing weary of the continued burden of the foreign aid program. President Johnson stated frankly that "it is going to be very tough to get a good foreign aid measure through the Congress this year," but, he added, "we are not going to pad our request * * * we will ask only what we need, and we hope to get what we ask." This is the approach the Department of Defense has taken in formulating the military assistance program we are presenting here today. We are asking for a total of $1 billion in new obligational authority, the same amount appropriated for this purpose last year. We are asking the reappropriation of $25 million, the amount of presently available funds which we estimate will remain unobligated at the end of the current fiscal year. In addition, we believe we can recoup, in fiscal year 1965, $135 million of prior year funds which have been reserved but not expended, as a result of price changes, cancellations, and slippages in prior year programs. From these three sources together, we would have a total military assistance program $1,160 million for fiscal year 1965 compared with a program of $1,200 million in fiscal year 1964, and about $1,600 million in fiscal year 1963, as shown on the third from the last line of the table attached to this statement.

BUDGETARY PLANNING RATIONALE

Last year when I appeared before this committee I stated that we hoped to reduce the military assistance program to about $1 billion a year by 1968. But neither I nor the Clay Committee believed that

our security could be properly protected by such a low level of appropriation in fiscal years 1964 and 1965. We are presenting a request of only $1 billion for fiscal year 1965 solely because the Congress has made it crystal clear to the executive branch that it is unwilling to appropriate a larger amount. There should be no illusions that the difference between what is required and what we are requesting can be made up by increased recoupments, by living off the pipeline, or by a greater use of excess materiel.

UNEXPENDED FUNDS FROM PRIOR YEARS

With regard to recoupments, the $135 million already reflected in our 1965 estimate is all we can expect to generate in the next fiscal year. In fiscal year 1964 we estimated recoupments of $125 million and it now appears that the actual amount recouped will be within 3 percent of our estimate. In fiscal years 1962 and 1963, as a result of an intensive effort to "shake out" the program, we recouped a total of $490 million. I am satisfied that we have shaken out about all we can.

With regard to financing future year programs by drawing down the so-called pipeline, I can assure you that such a course would simply result in robbing Peter to pay Paul. These unexpended balances, popularly called the pipeline, represent funds which have been obligated for goods and services which have not yet been delivered. Funds must be available to pay for these goods and services when they are delivered. Moreover, this unexpended balance for military assistance is shrinking. At the end of fiscal year 1962, the unexpended balance, for grant aid and credit assistance combined, was $2,784 million. At the end of fiscal year 1963, the balance had been reduced to $2,422 million. By the end of the current fiscal year we expect the balance to decline to $2,087 million. In fiscal year 1965, assuming the budget request of $1 billion in new obligational authority is appropriated and assuming our estimates of collections and expenditures for that year are realized, the unexpended balance will decline to about $1.9 billion—a total reduction of almost $900 million since the end of fiscal year 1962.

USE OF EXCESS STOCKS

Finally, with regard to the use of excess stocks, let me assure you that little relief can be expected from that source. We had originally anticipated using about $48 million of excess stocks for the current fiscal year program; it now appears that only $28 million of such stocks will be available. The remainder of the requirement will have to be met from new procurement or not met at all.

Thus, the future strength and combat effectiveness of the forces of our allies, forces upon which we depend to fight alongside our own in the event of war, will be determined by the actions of this committee and this Congress on our 1965 military assistance budget request.

MILITARY ASSISTANCE PROGRAM CATEGORIES

Now what will our 1965 military assistance program provide and why is it needed? We have tried during the last year to develop a

more meaningful format for the presentation of the military assistance program to the Congress and the Nation. What we believe would be useful is a format which shows more directly the connection between the individual country military assistance programs and our own national security objectives. Thus, this year I will present the military assistance program organized in terms of our own national security objectives rather than simply in terms of geographic areas. Accordingly, we have divided the program by country into six major categories: forward defense; Alliance for Progress security; military base rights; grant aid phaseout; free world orientation; and U.S. Forces and military assistance program administration.

FORWARD DEFENSE

The first category, forward defense, comprises the grant aid military assistance programs for 11 nations stretching along the southern and eastern perimeters of the Communist bloc—from Greece and Turkey in the Eastern Mediterranean to Korea in the Western Pacific. These 11 countries—Greece, Turkey, Iran, Pakistan, India, Thailand, Vietnam, Laos, the Philippines, the Republic of China, and Korea—maintaining more than 3½ million men under arms, account for $745 million, or two-thirds of the total fiscal year 1965 military assistance program amounting to $1,160 million. These nations, plus NATO in Western Europe, and Japan in the Western Pacific, are truly the free world's and our own Nation's front line of defense against Communist expansion through military aggression.

ALLIANCE FOR PROGRESS SECURITY

The next grouping, Alliance for Progress security, consisting in fiscal year 1965 of 15 Latin American nations, accounts for $66.2 million, less than 6 percent of the total 1965 military assistance program. Our primary objective here is, of course, to insure the security of the Western Hemisphere against Communist penetration.

MILITARY BASE RIGHTS

The third category, military base rights, for which $24.4 million is proposed, includes four countries, in each of which we have military base rights of vital importance to the global military operations of our own forces.

GRANT AID PHASE OUT

The fourth category, grant aid phaseout, includes, in the fiscal year 1965 program, only 3 countries—Denmark, Japan, and Norway—compared with 12 countries in fiscal year 1963. We plan to eliminate Japan, Denmark, and Norway from the program when our presently existing commitments to these countries are completed. This category accounts for $53 million of the fiscal year 1965 military assistance program or less than 5 percent.

WESTERN ORIENTATION

The fifth category, western orientation, includes, in the fiscal year 1965 program, seven countries whose continued independence and stability we believe is of great value to our own present and future

national interests. Altogether they account for only $15.2 million or only a little more than 1 percent of the total 1965 military assistance program.

U.S. FORCES AND THE MILITARY ASSISTANCE PROGRAM ADMINISTRATION

The final category, "U.S. Forces and the Military Assistance Program Administration," is essentially the "all-other" category and accounts for $256.2 million or 22 percent of the total 1965 military assistance program. However, about $76 million of this amount, for "Infrastructure" and "International Military Headquarters," actually represents the costs of supporting U.S. military forces which have by long-established custom been funded in the military assistance program. Also included in this category is $50 million for credit assistance which we expect will eventually be paid back to the United States. No contingency fund has been included in the 1965 budget request.

Other Defense witnesses who are scheduled to appear before this committee are prepared to discuss the military assistance program at whatever level of detail you desire. What I would like to do at this time is to highlight some of the major problems we have in terms of the six categories I have described.

Forward Defense Programs

This, as I pointed out, is the most important category and accounts for about two-thirds of the total fiscal year 1965 military assistance program. The 3½ million men under arms supported by the 11 countries in this category represent an increment of defensive strength which is essential to the success of our overall military strategy. These forces relieve us of the tremendous burden, in dollars and in manpower, which we would otherwise have to assume, either by deploying additional U.S. forces overseas or by holding additional forces in a central reserve in the United States and providing for the necessary airlift, sealift, and prepositioning of equipment.

In all of our contingency plans involving the areas of the world where these countries are located, we take into full account the availability of these indigenous forces. Moreover, the existence of reasonably adequate military forces in these nations on the periphery of the Sino-Soviet bloc reduces the temptation to the Communists to attack by eliminating the hope of a quick, easy, and cheap victory. Perhaps even more important, the ability of the indigenous forces to respond promptly to local aggression greatly reduces the risk of subsequent direct U.S. involvement in fulfillment of its mutual defense commitments and thereby the risk of escalation into larger wars.

TREATY COMMITMENTS

These commitments are embodied in a series of treaties with countries which form the free world defensive perimeter against aggression from the Communists. Of the 11 countries included in this category, Greece and Turkey are members of NATO. Turkey is also a member of CENTO together with Iran and Pakistan and is thus the hinge between NATO and CENTO. Pakistan is also a member of SEATO together with Thailand and the Philippines and is thus the hinge between CENTO and SEATO.

BILATERAL DEFENSE AGREEMENTS

The United States also has bilateral defense agreements with the Philippines, Korea, and the Republic of China, and we are presently engaged in assisting the people of South Vietnam in combating the covert Communist aggression in that country. We are also supporting the Government of Laos where the Pathet Lao are taking every opportunity to sabotage the coalition government. Finally, we are assisting the Government of India in strengthening its military forces against the threat of Chinese Communist attack from the north.

ESTIMATED MAP REQUIREMENTS FOR FISCAL YEAR 1965

The $745 million we have proposed in the fiscal year 1965 military assistance program for these 11 countries is considerably short of what would be required if we were to make a meaningful effort to modernize these forces. A recent study by the Department of Defense of seven of these countries on the periphery of the bloc, indicates that the total requirement for major equipment alone needed to maintain these forces at the level required by JCS planning would call for $700 million more than what would be available under this program. Operating costs alone are estimated to be on the order of $300 million per year for these seven countries. Since the proposed fiscal year 1965 military assistance program will permit the allocation of only about $500 million to these seven countries, only about $200 million will be available for equipment modernization.

The impact of this problem can best be understood in terms of individual country programs.

GREECE AND TURKEY

As I indicated earlier, Greek and Turkish military forces form the southern bastion of NATO, complemented by the U.S. 6th Fleet in the Mediterranean. NATO depends heavily on these two nations to hold the southern flank. They are faced by Soviet and Bulgarian forces. As I have informed other congressional committees ——— there has been a substantial improvement of Bulgarian forces along the border facing Greece and Turkey. Bulgaria now maintains about 10 divisions, some of which have been recently modernized and reinforced by the acquisition of Soviet medium tanks and tactical aircraft. Although we have no evidence of any enemy military action against Greece and Turkey, the Bulgarian buildup does increase the threat to the southern flank of NATO.

Turkey and Greece both face very serious economic problems in 1964. Both will continue to need financial assistance from other members of NATO, and, in this connection, Secretary Rusk at the NATO ministerial meeting last December strongly urged our NATO allies, who have made a small start in providing financial assistance to Greece and Turkey, to expand their effort greatly. But the United States will continue to have to make up the critical margin of support if these two NATO countries are to be expected to carry out their roles under present NATO military planning.

As shown on the attached table we have been forced to reduce military assistance to both Greece and Turkey, in the case of Turkey from

about $156 million in fiscal year 1963 to about ——— million in fiscal year 1965. The reduction in the ——— Greek program is ——— from $79.5 million in fiscal year 1963 to ——— million in fiscal year 1965. We hope that the other NATO allies will help to offset part of this cut but I would be less than candid if I did not tell you that the situation on the southern flank of NATO is serious.

You will recall that when I appeared before this committee last year I read a cable I had just received from General Lemnitzer, the Supreme Allied Commander, Europe, in which he expressed his concern with the deterioration of the military capabilities of the Greek and Turkish forces in the face of improving Communist capabilities across their borders. General Lemnitzer pointed out that the problem was not in the fighting caliber of the forces of either of these two countries but rather in equipment deficiences which the countries themselves could clearly not afford to correct.

Recently I received another communication from General Lemnitzer, again expressing his concern with the situation on the southern flank with regard to equipment deficiencies which have been caused by reductions in military assistance funds. He says ———.

He goes on to state ———.

BASIS FOR $1 BILLION REQUEST

Mr. ROONEY. Mr. Chairman, may I interrupt with a question at this point?

Mr. Secretary, these statements bring me back to the top of your page 5 where you say:

> We are presenting a request of only $1 billion for fiscal year 1965 solely because the Congress has made it crystal clear to the executive branch that it is unwilling to appropriate a larger amount.

Would you please tell us what is the basis for this conclusion?

Secretary MCNAMARA. Yes, sir. The request in fiscal year 1964 was for $1,405 million from the President to the Congress. The Congress authorized and appropriated only $1 billion of the requested $1,405 million.

Mr. ROONEY. I believe this committee appropriated about $1.6 billion, did it not?

Secretary MCNAMARA. No, sir.

Mr. ROONEY. With reappropriated unobligated balances and such things?

Secretary MCNAMARA. The request was for $1.405 billion of new obligational authority, and the Congress authorized and appropriated $1 billion against the $1.405 billion, cutting the President's request $405 million, and the Congress made very clear that it was unwilling to consider requests for amounts above that $1 billion level.

The problem was accentuated by the fact that the appropriation act was not signed until January 6 of this year. A cut of that magnitude so late in the fiscal year, in a program as complex as this, made the efficient management of the program very difficult indeed.

This year, therefore, in preparing for fiscal year 1965, we discussed with many Members of Congress their views as to the most effective approach we could take to the problem to avoid the very substantial reorganization of the program so late in the fiscal year, with attendant waste and inefficiencies. It was their strong opinion and

serious advice to us that we hold our request to $1 billion, even though we felt the need exceeds that. That is the reason for this level.

Mr. MINSHALL. Did you discuss this with any of the members of this committee?

Secretary MCNAMARA. Yes.

Mr. MINSHALL. Who were they?

Secretary MCNAMARA. I would rather not comment on it. I not only discussed it, but other members of the administration discussed it in both Houses of Congress.

Mr. PASSMAN. I think it appropriate to note that we try to do our job the way we think it should be done, and cooperate to the fullest extent we can.

I do recall that last year, after the other body had reduced the figure below $1 billion—and I am sure the Secretary recalls——

Mr. ROONEY. The chairman wound up fighting for your money.

Mr. PASSMAN. I wanted to make my word good. I am going to do what I think is right.

However, I should state that we have had more trouble determining the needs of the military assistance program than any other part of foreign aid. I believe it was the first year I was chairman of this subcommittee, for example, the testimony was so uncertain that we had to put some of the witnesses under oath. That year we reduced the MAP portion of the bill by 37.33 percent, and I think the committee was unanimous in cutting the military aid to that extent.

Notwithstanding that fact, the following year we found that some $538 million of unobligated funds were on hand which could not be used. And, along the way, we found out that for each $1 appropriated, they obligated $1.41; in another year it was $1.28. I am looking at page 40 of our committee report for last year. Taking up 2 years, fiscal years 1962 and 1963, the Congress appropriated in 1962, $1.6 billion; in 1963, $1.325 billion—for a total of $2.925 billion.

During the same 2 fiscal years, you were able to obligate $490,700,000 in excess of the appropriation.

The record certainly shows the facts of the MAP for 1 year do not back up the testimony of the previous year.

Secretary MCNAMARA. I would like to make a statement. I put forth a fair appraisal of the program, viewed from the national interest.

Mr. PASSMAN. You say here, on page 5:

> We are presenting a request of only $1 billion for fiscal year 1965 solely because the Congress has made it crystal clear to the executive branch it is unwilling to appropriate a larger amount.

UNEXPENDED BALANCES

Secretary MCNAMARA. I want to make it clear to the committee that it is my responsibility to present to them a complete appraisal, and not a one-sided appraisal, of the program, and that is the responsibility I am endeavoring to carry out.

First, you state one year of testimony does not back up the testimony of a previous year.

Mr. PASSMAN. That is correct.

Secretary MCNAMARA. I presume you are talking about years prior to 1961.

Mr. PASSMAN. I am talking, also, about your own statement.

Secretary McNAMARA. May I finish my statement, please?

I presume you are talking about years prior to 1961. I know of no statement that I have made in 1962, 1963, or 1964 that is contrary to a statement I made in the previous year.

Mr. PASSMAN. My reference primarily is to the actual figures submitted.

Secretary McNAMARA. The position we have taken in each subsequent year, to the best of my knowledge, will support and be complementary to the position we took in the previous year.

Next, as to the recoupments of fiscal years 1962 and 1963, and your interpretation that the fact that we recouped $490 million indicates previous or present mismanagement of the program—I assumed this committee was interested in the efforts we were making to eliminate from the program any funds that could not be effectively spent for the purpose for which they were authorized and appropriated. We made strenuous efforts, after President Kennedy was inaugurated, to review the unexpended unobligated balance. Not only this committee, but other committees of Congress, had on many occasions indicated they thought such a review should be undertaken.

It seems to me that having undertaken such a review and achieved recoupments of $490 million is a fact that should be to our credit, rather than an indication of mismanagement of the program.

AMOUNT REQUESTED COMPARED TO PROGRAM LEVEL, FISCAL YEAR 1963

Mr. PASSMAN. In fiscal year 1963 even after the congressional reductions, if we take selected countries in Latin America, you justified $39,671,000, but later you programed $60,072,000.

For nonregional, the budget was for $47,055,000. Your program was $97,248,000.

The grand total for Latin America and the regional budget request was $460 million, but your program was $684 million.

Secretary McNAMARA. That cannot possibly be right for Latin America.

Mr. PASSMAN. That is for the whole military assistance program.

For selected countries in Europe you requested $56 million. Yet, after the program was cut by the Congress, you spent $83 million.

For the selected countries in the Near East and southeast Asia, $68 million. You programed $135 million.

For selected countries in the Far East, $247 million. You programed $304,637,000.

Then, for selected Latin American countries, you requested $39,671,000. You programed $60,072,000.

Secretary McNAMARA. You know and I know that this program is presented to you—and as a matter of fact the Congress has asked it be so presented—on a preliminary basis, with the recognition that the Department will change it as the world changes in the year in which the funds are appropriated. If the Congress wishes to handle this in any other efficient way, we will be happy to do so. As the world changes during the period of appropriation, it seems wise to use, and I understand it has seemed wise to the Congress, the program be modified.

I would like to have the opportunity to insert in the record the reason for the changes you refer to.

Mr. PASSMAN. Please put in the record whatever you want to include.

Secretary MCNAMARA. I appreciate the opportunity.

(The following material was supplied subsequently:)

The "regional" figures referred to by the chairman are neither the total regional budget request for military assistance for fiscal year 1963 nor the total programs funded by region for that year. No source of data was cited by the chairman during the hearing, however, his figures do coincide with those which appear in a table on page 42 of the House Appropriation Committee report (H. Rept. 1040, 88th Cong., 1st sess.) which follows:

Military assistance program—Fiscal year 1963 budget estimates as justified to Congress compared with fiscal year 1963 program, as of Mar. 19, 1963

Country	Fiscal year 1963 budget estimate (justified March 1962)	Fiscal year 1963 program (as of Mar. 19, 1963)	Increase in fiscal year 1963 program over amount justified
Europe:			
X		$3,000	+$3,000
France	$1,768,000	4,048,000	+2,280,000
Germany	225,000	260,000	+35,000
Italy	33,194,000	37,442,000	+4,248,000
Norway	21,025,000	41,299,000	+20,274,000
Subtotal	56,212,000	83,052,000	+26,840,000
Africa:			
Libya	961,000	2,102,000	+1,141,000
Mali	683,000	1,258,000	+575,000
Tunisia	102,000	256,000	+154,000
Subtotal	1,746,000	3,616,000	+1,870,000
Near East and south Asia:			
India		60,002,000	+60,002,000
Iran	63,450,000	69,742,000	+6,292,000
Iraq	38,000	85,000	+47,000
Jordan	4,503,000	5,571,000	+1,068,000
Lebanon	85,000	87,000	+2,000
Syria		5,000	+5,000
Yemen		10,000	+10,000
Subtotal	68,076,000	135,502,000	+67,426,000
Far East:			
Y	8,906,000	10,327,000	+1,421,000
Cambodia	12,300,000	12,330,000	+30,000
Thailand	46,675,000	79,439,000	+32,764,000
Vietnam	[1] 179,600,000	202,540,000	+22,940,000
Subtotal	247,481,000	304,636,000	+57,155,000
Latin America:			
Bolivia	2,223,000	4,125,000	+1,902,000
Brazil	10,331,000	13,039,000	+2,708,000
Chile	[2] 6,269,000	8,940,000	+2,671,000
Colombia	[2] 5,195,000	10,011,000	+4,816,000
Costa Rica	348,000	490,000	+142,000
Dominican Republic	1,500,000	3,981,000	+2,481,000
El Salvador	389,000	1,584,000	+1,195,000
Guatemala	1,667,000	2,524,000	+857,000
Honduras	1,264,000	1,458,000	+194,000
Panama	425,000	498,000	+73,000
Paraguay	976,000	1,411,000	+435,000
Peru	[2] 7,489,000	8,513,000	+1,024,000
Venezuela	1,167,000	1,325,000	+158,000
Area program	428,000	2,173,000	+1,745,000
Subtotal	39,671,000	60,072,000	+20,401,000
Nonregional program	47,055,000	97,248,000	+50,193,000
Grand total	460,241,000	684,126,000	+223,885,000

[1] Includes $100,000,000 estimate in Far East regional program.
[2] Original estimate adjusted downward to reflect congressional failure to enact ship loan legislation.

In the interest of clarity, it should be noted that the above table is incomplete, including only those programs where requirements increased after the budget estimate was first presented. It omits entirely the reductions which had to be made in 39 other programs because of the reductions in appropriation and because of the very increased requirements which it does reflect. It should also be noted that the above table does not strictly conform to the budget estimates as actually presented by the Department of Defense. These variations in the cases of Vietnam, Chile, Colombia, and Peru have been corrected in the following table which reflects, to the extent security requirements permit, all program estimates actually presented to the committee, the actual programing as of March 19, 1963, and the major reasons for these changes:

Military assistance program—Fiscal year 1963 budget estimates as justified to Congress compared with fiscal year 1963 program, as of Mar. 19, 1963 (complete)

[In thousands]

Country	Fiscal year 1963 budget estimate (justified March 1962)	Fiscal year program (as of Mar. 19, 1963)	Increase or decrease in fiscal year 1963 program compared to estimate	Major reasons for changes
EUROPE				
Belgium	$7,408	$4,797	−$2,611	Deleted missile equipment.
Denmark	32,361	18,881	−13,480	Deleted combat aircraft.
France	1,768	4,048	+2,280	Increased supply operations.
Germany	225	260	+35	Increased training.
Italy	33,194	37,442	+4,248	Added 1 aircraft and technical assistance.
Luxembourg	56	50	6	Reduced training.
Netherlands	9,301	7,978	−1,323	Deleted HONEST JOHN rockets and missile components.
Norway	21,025	41,299	+20,274	Added aircraft, tanks, APC's, communication equipment and ammunition.
Portugal	19,505	12,875	−6,630	Reduced "Other equipment and supplies."
Spain	42,568	15,661	−26,907	Deleted combat aircraft, APCs' combat vehicles, special parts, and ammunition.
United Kingdom	21,951	6,244	−15,707	Deleted missiles, maintenance spares.
X		3	+3	Added training program.
XX	294	240	−54	Reduced training.
NATO infrastructure	82,000	62,000	−20,000	Reduction in estimate of project completion.
MWDP	10,000	1,500	−8,500	Program reduced to technical assistance only.
European area programs	32,750	24,490	−8,260	Deleted weapons production projects.
Total, Europe	314,406	237,768	−76,638	
AFRICA				
B	57	28	−29	Reduced training.
Cameroon	1,265	37	−1,228	All materiel deleted.
Congo		3,378	+3,378	Transferred from "Special Africa program."
Dahomey	(1)	54	+54	Do.
Ethiopia	11,471	11,349	−122	Reduced vehicles and ammunition.
Ghana	(1)	202	+202	Transferred from "Special Africa program."
Ivory Coast	(1)	152	+152	Do.
Liberia	2,030	2,027	−3	Pricing adjustment.
Libya	961	2,102	+1,141	Added mobility equipment and 1 transport aircraft.
Mali	683	1,258	+575	Increased training and training equipment.
Morocco	14,722	(2)		Reduced Air Force materiel and training.
Niger	(1)	49	+49	Transferred from "Special Africa program."
Nigeria	(1)	325	+325	Do.
Senegal	(1)	515	+515	Do.

See footnotes at end of table, p. 311.

Military assistance program—Fiscal year 1963 budget estimates as justified to Congress compared with fiscal year 1963 program, as of Mar. 19, 1963 (complete)—Continued

[In thousands]

Country	Fiscal year 1963 budget estimate (justified March 1962)	Fiscal year program (as of Mar. 19, 1963)	Increase or decrease in fiscal year 1963 program compared to estimate	Major reasons for changes
AFRICA—continued				
Tunisia	$102	(2)	----------	Supply operations and spare parts increased.
Upper Volta	(1)	$46	+$46	Transferred from "Special Africa program."
Africa area programs	----------	528	+528	Added area training.
Special Africa programs	6,269	----------	−6,269	Transferred to countries indicated above.
Total, Africa	37,560	33,164	−4,396	
NESA				
Afghanistan	924	126	−798	Reduced training.
Greece	96,632	89,583	−7,049	Reduced vehicles, ammunition, missiles, and engineer equipment.
India	----------	60,002	+60,002	Program established after Chinese Communist attack.
Iran	63,450	69,742	+6,292	Added aircraft, spares, and construction.
Iraq	38	85	+47	Increased training.
Jordan	4,503	5,571	+1,068	Added engineer and construction equipment.
Lebanon	85	87	+2	Price adjustment.
Pakistan	53,298	(2)	----------	Deleted training aircraft, spares, and ammunition.
Saudi Arabia	1,258	(2)	----------	Reduced training.
Syria	----------	5	+5	Added training program.
Turkey	200,989	167,887	−33,102	Deleted fighter aircraft, naval craft, HONEST JOHN rockets, communication equipment, construction, and training.
Yemen	----------	10	+10	Added training program.
NESA area program	1,759	1,043	−716	Reduced training.
Total, NESA	422,936	442,535	+19,599	
FAR EAST				
Cambodia	12,300	12,330	+30	Price adjustment.
China	178,758	93,983	−84,775	Deleted fighter aircraft, ship overhaul, missiles, vehicles, ammunition, and training.
Indonesia	32,706	16,386	−16,320	Deleted aircraft, naval craft, and vehicles.
Japan	41,415	17,832	−23,583	Deleted cost-shared production and communication equipment.
Korea	280,634	200,317	−80,317	Deleted fighter aircraft, tanks, howitzers, all ships, ammunition, communication equipment.
Laos	32,682	(2)	----------	Program reduced to maintenance only.
Philippines	29,086	19,945	−9,141	Deleted aircraft, naval craft, spares, and communication equipment.
Thailand	46,675	79,439	+32,764	Added ammunition, spares communication equipment, maintenance, and construction.
Vietnam	79,600	202,540	+122,940	Added aircraft, armored vehicles, weapons, ammunition, construction, communcaitions and training.
Y	8,906	10,327	+1,421	Presidential determination.
Logistical depot, Japan	−13,796	5,194	+18,990	Planned withdrawal of stocks reduced.
Far East area program	1,748	(2)	----------	Added special materiel support program.
Special southeast Asia program.	100,000	----------	−100,000	Distributed to countries.
Total, Far East	830,714	685,331	−145,383	

See footnotes at end of table, p. 311.

Military assistance program—Fiscal year 1963 budget estimates as justified to Congress compared with fiscal year 1963 program, as of Mar. 19, 1963 (complete)—Continued

[In thousands]

Country	Fiscal year 1963 budget estimate (justified March 1962)	Fiscal year program (as of Mar. 19, 1963)	Increase or decrease in fiscal year 1963 program compared to estimate	Major reasons for changes
LATIN AMERICA				
Argentina	$3,485	$1,759	−$1,726	Reduced training.
Bolivia	2,223	4,125	+1,902	Added excess aircraft and training.
Brazil	10,331	13,039	+2,708	Added excess aircraft.
Chile	17,019	8,940	−8,079	Deleted naval vessel activation.
Colombia	10,511	10,011	−500	Deleted aircraft and vessel activation.
Costa Rica	348	490	+142	Added vehicles and other materiel.
Dominican Republic	1,500	3,981	+2,481	Added aircraft, vehicles, spares, and training.
Ecuador	4,795	4,364	−431	Reduced training.
El Salvador	389	1,584	+1,195	Added vehicles and construction equipment.
Guatemala	1,667	2,524	+857	Added aircraft and vehicles.
Haiti	2,126	457	−1,669	Deleted aircraft, naval craft, vehicles, and ammunition.
Honduras	1,264	1,458	+194	Increased training.
Mexico	489	470	−19	Reduced training.
Nicaragua	1,407	1,334	−73	Reduced vehicles.
Panama	425	498	+73	Added utility boats and spares.
Paraguay	976	1,411	+435	Added construction equipment.
Peru	12,805	8,513	−4,292	Deleted ship, ship overhaul, and reduced training.
Uruguay	3,619	2,164	−1,455	Deleted naval craft and aircraft.
Venezuela	1,167	1,325	+158	Increased training.
Latin American area program.	428	2,173	+1,745	Added excess aircraft for civic action.
Total, Latin America	76,974	70,620	−6,354	
Nonregional	47,055	97,248	+50,193	Added aircraft for centralized training and transferred items from "Country programs" for accounting purposes.
Total, worldwide	1,729,645	1,566,666	−162,979	

[1] Justified in fiscal year 1963 presentation and included in "Special Africa program" which totaled $6,269. Actual requirements in these 7 countries plus the Congo only amounted to $4,721, and thus represents net decrease in original estimate.
[2] Classified.

The second table makes clear two basic facts which are not readily discernible from the chairman's remarks or the table which he presumably used as a source. They are:

1. The military assistance program was reduced $163 million as a result of a reduction in appropriations.

2. In addition to the cuts in country programs as a result of reduced appropriations, unforeseen requirements necessitated increases in some country programs in excess of the original estimates. Three countries accounted for over two-thirds of all such increases. They were India, Vietnam, and Thailand where overt Communist aggression and insurgency was involved.

The fiscal year 1963 program data have been further updated as of January 25, 1964, together with explanation of changes and were provided to the committee on March 25, 1964.

GREECE AND TURKEY

Secretary McNamara. All I can tell General Lemnitzer is what I am telling you; namely, that we are allocating to Greece and Turkey all that is feasible within a military assistance program budget of a billion dollars in new obligational authority.

GREECE

Of the ——— million which we have included for Greece in the 1965 program, only about one-third will be available for investment and practically all of that will be used for the Air Force. Significant modernization of the ground forces must be deferred.

TURKEY

The Turkish armed forces are in the same straits. Major elements of the Turkish ground forces are short approximately one-third of their major unit equipment. More than 60 percent of the 1965 program for Turkey will be required for operating costs leaving less than 40 percent for investment. In order to provide minimum army force improvements in the fiscal year 1965 program in the form of vehicles and armored personnel carriers, it will be necessary to defer spare parts, training ammunition and attrition replacement. Like that of Greece, much of the equipment in the Turkish ground forces is of World War II vintage, repair parts are no longer available and maintenance costs have become prohibitive.

The present difficulties between Greece and Turkey over Cyprus should not be permitted to obscure the fact that both of these countries are loyal and dedicated members of NATO and the continued military strength of both is essential to the execution of NATO military strategy.

INDIA

Iran, Pakistan, and India form the bastion of the free world's defense against Communist encroachment in the Near East and south Asia. The Chinese Communists' attack on the northern provinces of India in October of 1962 provided a classic example of the danger of military weakness in the nations bordering the Sino-Soviet bloc. Here was clear proof that military weakness tempts Communist aggression and that neither neutrality nor political accommodation insures security against the Communist threat.

This attack brought home to the Government of India the importance of maintaining strong military forces along their northern borders. The United States and the British Commonwealth nations responded to India's urgent request for assistance with a program of $120 million, of which the United States provided half from fiscal year 1963 military assistance funds. In fiscal year 1964 we have programed another increment and we have included an additional amount in the fiscal year 1965 program. In addition, we are providing in the 1964 program some excess stocks, including some radar and communications equipment. We also plan to continue the modernization of mountain divisions and to provide certain other assistance.

We believe that the United Kingdom and the Commonwealth countries will also continue their support of the Indian armed forces.

Our military assistance to India has deeply troubled Pakistan, as you are well aware. Nevertheless, it is important to the entire free world, including Pakistan, that India be able to defend itself against Chinese Communist aggression. The United States has taken great pains to assure the Government of Pakistan that our aid to India will

not be at the expense of Pakistan's security to which we are committed under our mutual defense agreements. General Taylor, in his recent visit, again endeavored to reassure Pakistan of our continued interest in, and support of, its national integrity.

PAKISTAN

We have included for Pakistan a total of ——— million in the fiscal year 1965 military assistance program. While much has been done to improve the capabilities of the Pakistan army, equipment deficiences still exist.

To meet some of these deficiencies, the fiscal year 1965 program emphasizes ground force improvements.

IRAN

With respect to Iran, our objective has been to help build up its military forces to the point where they can insure internal security and provide at least an initial defense against an overt Soviet attack Although the Iranian military forces, with our aid, have improved significantly during the last decade, they are still not, and never can be, a match for Soviet forces presently deployed along the Iranian borders, even though the terrain favors the defense.

Despite its strategic vulnerability, it seems quite unlikely that the Soviet Union would, in view of our mutual cooperation agreement with Iran, deliberately undertake a major aggression against that country in the near future. The more likely contingency is a covert or ambiguous aggression using dissident elements in Iran or neighboring nations to pave the way for ultimate Communist takeover. In Iran, as elsewhere in the world, the best defense against the spread of communism is a steady improvement in economic and social conditions, which is the primary aim of our economic assistance efforts. In this connection, the assurance of a continued substantial level of military assistance support has enabled the Shah to concentrate on reforms leading to economic and social progress throughout the country.

The fiscal year 1965 military assistance program provides ——— million for Iran, compared with ——— million in fiscal year 1964 and $67.5 million in fiscal year 1963. Included in the 1965 program are ——— aircraft to continue improvement of Iran's air defense capabilities. Also included is equipment required to support the reorganization of the Iranian armed forces which is now underway.

SOUTHEAST ASIA

Included in the forward defense category are three southeast Asian countries—Vietnam, Thailand, and Laos. The continued independence of Vietnam is essential to the defense of southeast Asia for which we have included ——— million in the fiscal year 1965 military assistance program, compared with ——— million in fiscal year 1964 and ——— million in fiscal year 1963. There is a serious question in my mind as to whether the amount provided for 1965 will be sufficient. Since we have not included a contingency fund in our 1965 budget request, any increase in the Vietnam program—and I am reasonably

sure an increase will be required—will have to be made at the expense of other country programs, or will have to be provided by transfer from economic aid. This is the case in the current year's program for which we are planning a $50 million transfer of economic aid funds under section 610 of the law.

TRANSFER OF FUNDS BETWEEN COUNTRIES AND PROGRAMS

Mr. GARY. In the event you find it is not enough money to take care of Vietnam, would you then transfer funds from the other countries over to Vietnam to take care of the situation?

Secretary MCNAMARA. I believe so, sir. We would have to consider the circumstances at the time that affected the other country programs, but that would be our present plan. That is, in effect, what we did and are doing in fiscal year 1964.

Mr. GARY. And if it should develop you did not need it in Vietnam, if the situation cleared up there, then you would use those funds in other countries; is that correct?

Secretary MCNAMARA. Yes; because this year, as I explained, $1 billion is inadequate in total to meet our force requirements in these other countries, particularly in such countries as Greece and Turkey. So, if there were any savings possible in Vietnam—and I think quite the contrary will be the case—we would wish to apply them to additional equipment for Greece and Turkey particularly.

Mr. GARY. The point I make is, these figures are not necessarily a set figure for those countries that will not be changed if the emergencies make it desirable?

Secretary MCNAMARA. You are quite correct. Vietnam is a perfect illustration of the problem. Our expenditures for ammunition there are at a rate far in excess of the provisions for ammunition in the fiscal year 1965 program. Perhaps between now and fiscal year 1965, the ammunition expenditures will decline. It begins to look rather unlikely. If they do not decline, we will have to increase the expenditures for Vietnam substantially above the levels in the program.

In order to fund that, we will have to take from other country programs.

Mr. PASSMAN. You could always transfer out of the economic portion of the program; could you not?

Secretary MCNAMARA. If there are funds available in economic aid; yes. But because the economic aid program also has been cut very substantially, it is unlikely that economic aid funds will be available for that purpose.

Mr. PASSMAN. Also, you have the President's contingency fund, and I want the record to show that we fattened up the President's contingency fund by $17 million more than what was actually authorized.

USE OF SECTION 510

Mr. CONTE. You also have in section 510 special authority for $300 million.

Secretary MCNAMARA. May I comment on that.

Section 510, when it was enacted in the 1961 bill, was intended to serve as a safety valve in the event emergencies developed that were

not anticipated, and for which funds had not been provided. I doubt very much that it can function, however, as it was originally intended.

You will recall that when equipment is transferred from Defense Department stocks into the military assistance program under the provisions of section 510, that equipment must be replaced in the domestic stocks by subsequent appropriations for military assistance. Because of the huge cuts in the requested programs for military assistance, any claim in the future of this kind, we feel, will simply act to restrict further future programs, and we are very, very reluctant to use section 510 as it was initially intended.

That is why we did not use it, or are not using it, in fiscal year 1964, and it is why we would be reluctant to use it in fiscal year 1965.

Mr. CONTE. You could use it, and then come in for a supplemental.

Secretary MCNAMARA. You are quite right. But our problem is indicated by the fiscal year 1964 situation. When the fiscal 1964 program was cut 30 percent, you can imagine the situation we would have been in had we had a portion of the funds for fiscal year 1964 previously committed to replace equipment that had been transferred in fiscal year 1963 under provisions of section 510.

Mr. CONTE. It would seem to me from reading this law, it is contract authority, and if you did have to dip into this fund, it would be the responsibility of the Congress to come up with the funds.

Secretary MCNAMARA. I believe the section starts:

During fiscal year 1964, 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 II, subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance.

Mr. ROONEY. That is to reimburse our own Department of Defense?

Secretary MCNAMARA. It means we must come back to the Congress in subsequent appropriations and obtain funds under the military assistance program to reimburse the military departments for the stocks, which simply means that with these huge cuts in military assistance we would be placing future programs in jeopardy by the use of section 510. This is a restriction on us for the use of section 510 for emergencies of the kind about which we are talking. However, an emergency may become so severe in fiscal year 1965 that we would nonetheless use it.

Mr. CONTE. It would be a safety valve.

Secretary MCNAMARA. That is true.

USE OF UNOBLIGATED AID FUNDS FOR THE MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. As in the past, we expect there will be some unobligated funds across the board. As of June 30, 1963, the total aid program had some $402 million in unobligated and unreserved funds and the Congress reappropriated all of the unobligated funds. What part of that money could be transferred over to and used in the military program?

Secretary MCNAMARA. Transfer authority is limited, as you know, because under section 610 no more than 10 percent of any appropriation account can be transferred out and the appropriation account re-

ceiving the transferred funds cannot be increased by more than 20 percent.

Mr. PASSMAN. They could have transferred out of these unobligated funds into the military, had the President so decided.

Secretary MCNAMARA. The President had economic aid programs for which the funds had not yet been obligated, but programs which would require those funds.

Mr. PASSMAN. Most of these funds actually would have lapsed, but the Congress reappropriated the money. You could have transferred out of the purely unobligated funds prior to June 30 into the military up to the amount allowed by law. You contemplated a transfer, and you never did do it.

Secretary MCNAMARA. You show me anything where we contemplated transferring that amount——

Mr. PASSMAN. You contemplated requesting $20 million. You canceled the request.

Secretary MCNAMARA. Mr. Chairman, this is exactly in accordance with the instructions of this committee.

Mr. PASSMAN. I did not say it was otherwise. I just asked if it was not true that you could have requested part of the unobligated funds.

Secretary MCNAMARA. Those funds were needed, in the President's mind, for programs not yet acted on.

Mr. PASSMAN. They would have lapsed if they had not been reappropriated.

Secretary MCNAMARA. They either had to be reappropriated, or requested again in a subsequent year. They were authorized and appropriated by Congress for economic aid programs. The President believed they were necessary for economic aid programs, and under those circumstances——

USE OF CONTINGENCY FUND FOR MILITARY ASSISTANCE

Mr. PASSMAN. I want the record to show they did not originally ask that these funds be reappropriated. Also, and I want to say again that in the contingency fund the Congress allowed the President about $27 million more than was authorized. Could you not have transferred out of the contingency fund, indirectly if not directly?

Secretary MCNAMARA. The contingency fund provisions are very clear. That contingency fund is not set up for military aid purposes. Perhaps we should stop here and have read into the record the provision for the contingency fund.

Mr. PASSMAN. You could have transferred indirectly.

Secretary MCNAMARA. We can only transfer up to 10 percent of that contingency fund. The contingency fund, by a statement of Congress, is not provided for military assistance. It specifically states that in the provision of law.

Mr. PASSMAN. That is true, but military funds were transferred into the Congo indirectly. They were transferred into the U.N., and then from the U.N. into the Congo. You could have, if necessary, transferred out of the economic aid into the military and out of the contingency fund into the economic aid and accomplished the same purpose.

I want the record to show out of the sum that was reappropriated for this fiscal year, in case of an emergency you could have used some of those funds, 10 percent in and 20 percent out, or, in dire emergency, you could use section 510.

Secretary McNAMARA. Yes.

Mr. PASSMAN. You could not have used this?

Secretary McNAMARA. We could not have used that properly.

Mr. PASSMAN. What do you mean by "properly"?

Secretary McNAMARA. It was authorized and appropriated by Congress for economic purposes; second, the purpose for which it was appropriated still existed and would have to be met by funds from the following year's budget if these funds had been used for military assistance purposes.

Mr. PASSMAN. Mr. Secretary, if the President in his budget request did not ask that these funds be reappropriated, but the Congress decided to reappropriate the funds, could you have used the unobligated funds, had they been available?

Secretary McNAMARA. As a matter of policy, not when those funds were clearly required for the economic aid program.

TRANSFERRING FUNDS FROM THE ECONOMIC TO THE MILITARY PROGRAM

Mr. PASSMAN. Say there was an emergency which was of more importance than there was, for instance, a ditch in Algeria. Under such conditions, do you have any way whatsoever that you can transfer from economic aid to the military program?

Secretary McNAMARA. We can transfer on the 10 and 20 formula.

Mr. MINSHALL. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Certainly.

EXPLANATION FOR HOLDING FISCAL YEAR 1965 REQUEST TO $1 BILLION

Mr. MINSHALL. Mr. Secretary, on page 18 of your statement regarding South Vietnam you say that there is a serious question in your mind as to whether the amount provided for 1965 will be sufficient.

Secretary McNAMARA. Yes.

Mr. MINSHALL. You say, "Since we have not included a contingency fund in our 1965 budget request, any increase in the Vietnam program—and I am reasonably sure an increase will be required"—I do not think you are being honest with yourself or with the American people when you say that you have limited your budget to a billion dollars because you felt that is all the Congress would give you. If you need more money, why not ask for it?

Secretary McNAMARA. I would be happy to explain again why we limited the request to a billion dollars. Last year we requested $1,450 million in new obligational authority. The Congress cut this by 30 percent to $1 billion in new obligational authority. The final appropriation bill was passed on January 6, after almost 7 months of the fiscal year had passed.

At that time it became necessary to completely realine the entire fiscal 1964 program. You can imagine that this introduced inefficiencies, disorder, and probable waste into the program.

To avoid that situation this year, we sought to obtain from Members of Congress their advice on what we could expect from the Congress

and on the best and most effective approach to the Congress. In a series of discussions with Members of both parties in both Houses, we reached the conclusion that by requesting a billion dollars, even though that is less than we believe we need, would lead to the most effective action on our request and would lead to the least realinement following the start of the fiscal year.

ACTION CONTEMPLATED TO COPE WITH POSSIBLE DEFICIENCIES

Mr. MINSHALL. How do you plan to pick up the deficiency that you reasonably expect or that you are reasonably sure will be required?

Secretary MCNAMARA. We will first endeavor to offset any necessary increase in the Vietnam program by making reductions in other country programs, if that is at all possible, within the fiscal year. If that is not possible, we will then have to consider either transfers from other portions of the foreign aid program or the application of section 510.

ESTIMATED ADDITIONAL EXPENDITURES FOR VIETNAM

Mr. MINSHALL. How much do you anticipate you are going to have to increase your Vietnam program on a dollar basis since your trip out there? I have read in the public press where you plan to increase the military effort in Vietnam.

Secretary MCNAMARA. It is very difficult to estimate what the expenditures will be in Vietnam. We were looking ahead 15 months in a highly volatile situation.

The ammunition component of the expenditures is running pretty close to twice what we have in the fiscal 1965 budget. If ammunition expenditures continue at that rate, we will need another ——— million or so for that.

Mr. MINSHALL. There is certainly no chance of their declining, is there?

Secretary MCNAMARA. I hope they will decline.

Mr. MINSHALL. Is that not wishful thinking?

Secretary MCNAMARA. I do not wish to predict it at this point. There is ——— million we would need. It is entirely possible that the program which we worked out with General Khanh for further strengthening the military and paramilitary forces of Vietnam will add to our expenditures for military assistance to Vietnam for items connected with additional manpower and will also increase the weapons requirements. There may be another ——— million there.

I would say that today the best estimate I could give would be an increase of something on the order of $60 million for Vietnam.

Mr. MINSHALL. What percentage would that be?

Secretary MCNAMARA. About 40 percent for military assistance. It is in at $143 million.

Mr. MINSHALL. You certainly have not presented an accurate budget figure to us here.

Secretary MCNAMARA. We have presented the best we could do. This estimate is as of early January this year. The program must constantly change. This is an example of the reason the program is changing, and it is my understanding it is the intent of Congress that it shall change as conditions change.

REASON FOR NOT PROPOSING CONTINGENCY FUND FOR MILITARY ASSISTANCE PROGRAM

Mr. MINSHALL. What was the reason for not asking for a contingency fund this year?

Secretary MCNAMARA. I do not believe in contingency funds for this purpose if we can possibly avoid them. The Congress has indicated it did not believe in them, either, by the very fact that it excluded military assistance from the use of the existing contingency fund in foreign aid. We have not asked for one.

Mr. MINSHALL. Thank you.

USE OF SECTION 510 AUTHORITY

Mr. RHODES. Section 510 is a contingency fund, is it not?

Secretary MCNAMARA. It is not a contingency fund. It is an emergency escape valve but only if the Congress would look favorably upon adding to the following year's military assistance program the funds necessary to offset that section 510 usage. To be quite frank, we fear Congress would not look with favor upon such a request and, therefore, use of section 510 would be a further reduction of subsequent years' programs. We do not like to saddle the future with such a liability.

Mr. RHODES. What is section 510 available for? Is it merely for transfer of materiel?

Secretary MCNAMARA. Primarily, that is correct but defense services are also covered.

Mr. RHODES. From our own forces?

Secretary MCNAMARA. From our own DOD stocks, but the section states that our own stocks must be replenished through the use of funds appropriated in subsequent years for military assistance.

This is exactly our problem, you see. Therefore, if we use section 510 in fiscal 1965, we must come back for fiscal 1966 and get, not only the 1966 appropriation, but also enough to offset the transfer under section 510 made in fiscal 1965.

Mr. RHODES. You think you might be putting a mortgage on the future of the program if you used section 510?

Secretary MCNAMARA. Exactly. I fear doing that when we are restricted as much as we are. It is still a desirable section because if an emergency is great enough, we will have to use it and let the future take care of itself.

Mr. RHODES. Thank you.

Mr. PASSMAN. Now, Mr. Secretary, we invite you to continue with your statement.

CURRENT REPORTS ON VIETNAM

Secretary MCNAMARA. Last week a statement was issued by the White House, summarizing General Taylor's and my report to the President and the National Security Council on the situation in Vietnam. But I want to emphasize again that we intend to provide whatever amounts of economic aid, military training, and logistics support that are required to maintain the independence of the Republic of Vietnam. In all of the millions of words that have been spoken in recent months on the subject of Vietnam, one issue stands out above all others, and that is: Can a nation on the borders of the Sino-Soviet

bloc maintain its independence in the face of Communist-supported armed insurgency? Can a free government supported by other free world nations succeed in suppressing such armed insurgency supported by its neighbors? This is the crucial question, not only in Vietnam, but in all of the newly emerging and weaker nations of the world. This is the issue which must be resolved in South Vietnam by the people of South Vietnam, with our economic, training, and logistics support.

We must demonstrate to both friend and foe alike that an independent people, given the will to remain independent and given the will to fight and struggle and sacrifice for their independence can, with the economic, technical, training and logistics support from other free world countries, sustain their independence and suppress armed insurgency, even if supported from the outside. As I stated at the outset, Chairman Khrushchev put us on notice 3 years ago that the kind of struggle now taking place in Vietnam is precisely the kind of war the Communists favor and will strongly support in the future. Either we confront this problem in Vietnam and prove to the Communists that this type of armed aggression will also fail or we will have to face the same problem increasingly in other areas. And it cannot be avoided so long as the Communists continue to view this kind of aggression as the key to their policy of expansion.

PROGRAM IN THAILAND

Our military assistance objectives with respect to Thailand are closely related to those for South Vietnam. The loss of either country to the Communist bloc would endanger the independence of neighboring nations and seriously jeopardize U.S. security interests.

LAOTIAN PROGRAM

For Laos, we have included ——— million in the 1965 program, compared with ——— in fiscal year 1963. The United States is continuing to provide military assistance to the Royal Lao Government at that Government's request and thus in full accord with the Geneva agreements to maintain military forces at the minimum level necessary to prevent the Pathet Lao/Viet Minh forces from advancing into non-Communist territory. Our aid to Laos has been designed to provide minimum operating essentials for the neutralist and conservative forces.

THE PHILIPPINES

Both the geographic location of the Philippines and the long history of close cooperation and mutual good will between the United States and the only independent state which was once its possession make that nation a key ally associated with us in the common defense not only bilaterally but also as a member of SEATO. The objective of our military assistance to the Philippines, amounting to ——— million in 1965, is to enhance the capabilities of its military and paramilitary forces, to prevent or defeat Communist insurgencies and to help develop forces deployable within the SEATO area for mutual defense tasks. Attainment of these objectives and continuing close association between the United States and the Philippines in collective security undertakings are very much in our national interest.

SOUTH KOREA AND THE REPUBLIC OF CHINA

Two other key countries on the Sino-Soviet periphery which complete the arc of free world forward defense—South Korea and the Republic of China—are directly exposed to the threat of Communist aggression. Although Red forces in the Far East do not yet have the full range of capabilities of the Soviet military machine, their very number and expendability represent massive power subject to the will of an avowedly belligerent adversary. To deter the exercise of that power against our security interests and those of our allies in the area, we count heavily upon the combat effectiveness of the sizable forces maintained by the Republics of China and Korea.

Adequate military assistance to the armed forces of South Korea and the Republic of China not only helps to protect our security interests in the Far East, but far more important, it substantially reduces the risk of an emergency requirement for direct intervention by the United States. In this connection, it is pertinent to note that our fiscal year 1965 program for Korea, is less than 1 percent of the direct military costs we incurred in the Korean conflict in 1950–53. The cost in terms of American casualties suffered in that conflict cannot, of course, be reduced to dollars and cents. The 1965 program for the Republic of China is ——— million. It would be highly imprudent of us not to insure that the troops on the free world side of the 38th parallel and the Taiwan Straits have conventional weapons at least as effective as those of their opponents.

REPUBLIC OF CHINA

As members of this committee are aware, the Chinese Communists have never given up their goal to add Taiwan and the Pescadores to their empire. They can be prevented from achieving this goal only by a combination of the strength of United States and Nationalist Chinese forces defending the Taiwan and the Pescadores—a course of action to which the United States is committed by treaty with the Republic of China. Military assistance to the Republic of China has strengthened those forces.

Nearly two-thirds of the value of the fiscal year 1965 program will be required to maintain these forces, leaving only about ——— million for equipment and training.

The United States has, within available funds, made considerable efforts to maintain qualitative superiority of the Republic of China Air Force over that of the Chinese Communists, but the F–86 aircraft which constitute the bulk of the fighter force are becoming obsolete.

The program for the Republic of China Army includes ———.

Most of the Republic of China naval ships are 20 years old or more and have had hard usage. Qualitative improvement is badly needed to meet the mission requirements. The naval capability is essential, of course, for defense as the main effort of any invasion by the Chinese Communists must be made by sea.

ALLIANCE FOR PROGRESS SECURITY PROGRAM

This major objective category accounts for less than 6 percent of the total 1965 military assistance program—$66.2 million spread over

15 countries. As you can see from the attached table there were 20 countries included in this category in fiscal year 1963. Of the $66.2 million, 52 percent is for internal security programs, 24 percent for naval defense, 15 percent for civic action, and the remaining 9 percent for general training and programs which have not yet been developed in detail.

The military assistance program for Latin America is an integral part of the entire Alliance for Progress effort. As the recent experience of Venezuela so clearly demonstrates, internal security is essential to the development of democratic government in Latin America. In the light of the avowed objectives of Communist policy, we can expect that the attempts made in Venezuela to overthrow the legitimate government by subversion and armed insurrection will be repeated elsewhere in Latin America. While military assistance alone is certainly not the whole solution to the problem of stable government and economic development in Latin America, it does make a very important contribution toward that goal.

MILITARY BASE PROGRAM

This category includes only four countries ——— in all of which we have bases or facilities of great importance to the global operations of our own forces. The total amount of money involved is relatively quite small, $24.4 million or about 2 percent of the total 1965 program. In Spain we have valuable naval and air bases including the new POLARIS base at Rota. In the case of Portugal, we have the air facilities in the Azores which are extremely important to our transatlantic airlift operations. In Libya we have the Wheelus Air Base which is important both for air transport and for the training of certain of our forces in Europe.

The formal agreement permitting the United States to use the facility in the Azores has expired but we continue to operate there on an informal basis pending renegotiation of the agreement with the Portuguese.

GRANT-AID PHASEOUT PROGRAM

In consonance with our policy to phase out of the military assistance grant-aid program all of those recipient countries which have achieved adequate levels of economic strength, the number of countries in this category has been reduced from 12 as late as fiscal year 1963 to only 3 in the program now before you. Military assistance to these three remaining countries is limited to the fulfillment of prior commitments and to training. These commitments take the form of U.S. participation in cost-sharing undertakings which generate increases in the recipient nations' defense budgets and thus contribute to the strengthening of the common defense as well as increases in purchases from the United States. The total amount proposed for fiscal year 1965 to fulfill these commitments is $53 million or about 5 percent of the total program. No new commitments will be made to these countries and they have been so informed.

FREE WORLD ORIENTATION

Slightly more than 1 percent of the total proposed military assistance program is designed to preclude or minimize Communist bloc

influence in seven countries. These programs provide modest amounts of military assistance to underdeveloped and emerging nations where it is important to the security interests of the United States and the common defense of the free world to preserve and encourage resistance to the extension of Communist influence. In some cases, programs are designed to establish or maintain a U.S. influence in the military forces—often a potentially important factor in the local power situation. In other cases, the amount of U.S. military assistance furnished to uncommitted nations is considerably smaller than that provided by the Soviet Union. These programs represent, in many cases, a calculated risk in that they may not succeed in their main objective. But the amounts are so small and the potential for gains to the cause of freedom is so large that the risk seems well worth taking.

U.S. FORCES SUPPORT AND MILITARY ASSISTANCE PROGRAM ADMINISTRATION

As I have indicated earlier, we have continued to include in the military assistance program the costs for the NATO Infrastructure and International Military Headquarters which, although they could more properly be considered costs of the U.S. forces, have traditionally been funded in this program. Accordingly, had there not been a military assistance program, these costs would have had to be borne in the regular defense budget.

PROGRAM ADMINISTRATION

Another item included here for want of a better place to put it, is the $50 million for credit assistance which we anticipate will eventually be repaid to the U.S. Treasury. Other Defense witnesses will discuss with you supply operations and regional costs for which we have included in the 1965 program $84.7 and $22.1 million, respectively; but I would like to discuss very briefly the $23.5 million included for program administration. You will notice on the attached table that we have reduced program administration costs from $24.9 million in fiscal year 1963 to $24 million in fiscal year 1964. Now we are reducing it another one-half million dollars, notwithstanding the fact that salary scales have increased. This is part of our overall effort to reduce civilian employment in the Department of Defense which as you may know will be brought below the 1 million level for the first time since 1950.

SUPPORTING ASSISTANCE

Although supporting assistance is not properly a part of the military assistance program and is included in the economic assistance request, I would like to emphasize that the $335 million requested for this purpose in the President's 1965 budget is of great importance to the success of the military assistance program. Of the total program, $240 million is being requested for Vietnam, Korea, and Laos alone. This assistance is essential to the maintenance of the military forces in those countries and also provides some of the economic support required to underpin the military effort in those countries. Vietnam alone will consume over one-third of the total supporting assistance requested in the 1965 budget and I can personally testify that at least that amount of funds is absolutely essential to our effort in that country.

CONCLUSION

Chairman Passman and members of the committee, I believe that with this fiscal year 1965 military assistance budget request we have come to a critical decision point. Unless we are assured of at least a billion dollars a year for military assistance over the next several years, the military strength we have helped to build up around the periphery of the Communist bloc will quickly melt away. Even with a billion dollars a year we will have to consider carefully the advisability of reducing the size of these forces and their active duty manpower. This may well be necessary in order to achieve a better balance between the size of the forces and the quality of their equipment. Combat effectiveness, as you well know, is not only a function of numbers of men but of their equipping and training as well.

Anything less than $1 billion a year in new military assistance funds will inevitably require a reassessment of our entire policy of depending on indigenous forces in preparing our own contingency war plans and, accordingly, in the size and character of our own military forces. I believe it is obvious to all of us that any attempt to offset the loss of combat effectiveness in those allied forces supported by the military assistance program by increases in our own forces is bound to cost far more for the same amount of combat capability. Yet if we are to provide adequately for our national security and the collective defense of the free world, we will have to make these additional expenditures.

Therefore, Mr. Chairman, I appeal to you and to your colleagues on this committee to give this budget request for $1 billion in new obligational authority for fiscal year 1965 military assistance your full and unequivocal support. I believe the security of our Nation demands it, and my opinion is shared by all the senior military and civilian officials of the Department of Defense. Thank you very much for the opportunity to present this statement.

(The attachments to Secretary McNamara's statement follow:)

DEPARTMENT OF DEFENSE

Military assistance program

[In millions of dollars]

	Fiscal year		
	1963 actual	1964 estimate	1965 proposed
Forward defense	973.1	806.3	745.0
Alliance for Progress	65.4	65.9	66.2
Military base	35.6	51.9	24.4
Grant aid phaseout	90.0	70.7	53.0
Free world orientation	55.3	15.4	15.2
U.S. force support and MAP administration:			
Infrastructure	50.0	50.0	60.0
International Military Headquarters	13.7	14.0	15.9
Supply operations	137.2	116.6	84.7
Regional costs	103.7	−14.8	[1] 22.1
Program administration	24.9	24.0	23.5
Credit assistance	50.3	----------	50.0
Subtotal	379.8	189.8	256.2
Total obligational authority	1,599.2	1,200.0	1,160.0
Less recoupments and reappropriations	274.2	[2] 200.0	160.0
New obligational authority	1,325.0	1,000.0	1,000.00

[1] Includes operation and maintenance of the MAP installations and storage and maintenance of MAP stockpiles which are shown as supply operations costs in fiscal year 1963 and fiscal years 1964.
[2] Anticipates $50,000,000 transfer from economic aid funds.

Mr. PASSMAN. Thank you, Mr. Secretary.

Secretary MCNAMARA. Mr. Chairman, I wonder if you would like to hear a brief statement from General Taylor at this time, which is complementary to mine.

Mr. PASSMAN. Yes, we would be happy to hear General Taylor's statement.

STATEMENT OF THE CHAIRMAN, JOINT CHIEFS OF STAFF

General TAYLOR. Mr. Chairman and members of the committee, I am very glad to appear before you again in support of the military assistance program for fiscal year 1965. As you know, this represents a $1 billion request for funds.

Before commenting on the fiscal year 1965 program, I would like to say a few words about the effect of the reduction of the fiscal year 1964 submission from $1,405 million to $1 billion. I can assure you that the consequences of this action have been serious. The overall effect has been to permit only piecemeal funding of force improvement items after the payment of the fixed costs of the program. As a result, there has been a drastic reduction of progress in equipping and improving the combat readiness of the forces of our allies.

I should like to remind you, as I did last year, how the Joint Chiefs of Staff develop the requirements of the military assistance program. We use precisely the same strategic planning documents for this purpose as for the establishment of the worldwide requirements for U.S. forces. This is logical and essential, since the two forces—our own and those of our allies—should, in combination, support our global military strategy. As the Joint Chiefs have just completed our exhaustive annual review of requirements, the shortcomings of the current $1 billion MAP program are fresh in my mind. A continuation of military aid at this level indefinitely will offer us but three options: A gradual reduction of indigenous military capability in strategically important areas of the free world; a buildup of U.S. forces at a far greater cost to compensate for the loss in indigenous strength; or the acceptance of inadequate military strength to support our national interests in some quarters of the world. I can assure you that there are no reserves in the pipeline or elsewhere which can make any substantial contribution to relieving the requirement for the appropriation of substantial new funds by the Congress.

I would say that the experience of the current year has demonstrated the inadequacy of the reduced level. May I read to you some typical specific comments by our unified commanders overseas.

Support for the (Latin American) * * * navies has been cut below the danger point * * *.

The armies and navies (of Greece and Turkey) will not be able to hold even their present level of overall equipment since there is insufficient force maintenance money to replace attrition.

I anticipate that combat effectiveness of these forces (in Asia) will slowly but surely decline and will result in a serious setback to our forward defense strategy of augmenting U.S. forces with MAP supported forces.

Such comments as these convince me that the fiscal year 1964 program has been inadequate to permit the development of friendly forces which are required in our own national interest. With this experience in mind, the 1965 program of $1 billion can only be regarded as a holding operation of borderline adequacy. Although

testifying strongly in support of this program, I would be less than candid with the committee to leave you with the impression that I believe that we can can get along with a level $1 billion program over the midterm without a serious loss of military effectiveness in many countries which it is in our interest to support.

SUPPORT OF CAMPAIGN IN SOUTH VIETNAM

There is a special factor which is having a great impact upon our military assistance program; namely, the prosecution of the counter-insurgency campaign in South Vietnam. As you know, Secretary McNamara and I have just returned from a visit to that country where we made a comprehensive review of the requirements for success against the Vietcong. Personally, I am convinced that success can be attained if we show the necessary determination and make the necessary efforts. As you know, the financing of our contribution depends largely upon the availability of military assistance program funds. This is an awkward, and in many ways, undesirable way to finance a paramilitary operation, but it can be and is being made to work insofar as fiscal procedures are concerned. However, since precise requirements are hard to anticipate in advance, there must be considerable flexibility in funding to permit us to meet emergencies arising out of the development of military operations. Under a $1 billion ceiling, we can support South Vietnam adequately only at the expense of other programs, particularly when unbudgeted emergencies arise. As the committee addresses our request for military assistance funds for 1965, I hope that you will bear in mind that you are allocating the resources which will bear vitally upon success or failure in South Vietnam.

In closing, I wish to state that from my viewpoint as Chairman of the Joint Chiefs of Staff, the sharply reduced fiscal year 1964 military assistance program was a significant exception to the strong support the Congress has ordinarily given to our national defense programs. In my opinion, a further reduction of the fiscal year 1965 program below $1 billion would be a tragic emasculation of a program vital to our national security interests. The fiscal year 1965 program before you has the strongest support of the Joint Chiefs of Staff, and on their behalf, I urge the authorization and appropriation of the full program submission.

Thank you, Mr. Chairman.

ADEQUACY OF THE FISCAL YEAR 1965 MAP BUDGET

Mr. PASSMAN. Thank you, General Taylor. And thank you, Mr. Secretary.

Of course, the record speaks for itself. We cannot add to it or take from it.

The representations about this military assistance program are just about the same every year. Therefore, I would ask, if you feel with regard to the program as your statement indicates, and as the Secretary has made it clear that he believes, that this request is inadequate, then why did you not request of the Congress larger amounts? We should like to hear your answer when we return from a brief recess.

(Brief recess.)

Mr. PASSMAN. The committee will come to order.

Now, General Taylor, may we hear your answer to the question that I asked?

General TAYLOR. I think the Secretary already has answered this for the record. I would point out that the Joint Chiefs of Staff do not cast up the dollar figures for submission to Congress. They deal in terms of force requirements, materiel, and so forth. These force and material recommendations are then translated into dollars for them by the Office of the Secretary of Defense.

I will say, however, that I observed the confusion and disruption of the 1964 program caused by the delayed appropriation and by the need to revise the program at the end. There is every reason, from the point of view of the Joint Chiefs of Staff, to get to the field early a program on which all can depend for planning.

Mr. PASSMAN. Of course, this billion-dollar MAP budget clears many stations before it finally reaches the Hill, including the President's Office, of course, and the Director of the Budget.

General TAYLOR. I am not sure——

EVOLUTION OF THE FISCAL YEAR 1965 MAP BUDGET

Mr. PASSMAN. Is it your understanding, Mr. Secretary, that the figures go through the Budget Bureau before they get to the President?

Secretary MCNAMARA. The Bureau of the Budget simply renders an opinion on it for the President. It does not go through the Bureau of the Budget in the sense of being changed there. It goes from me directly to the President.

Mr. PASSMAN. The Bureau of the Budget makes recommendations on certain expenditures, do they not?

Secretary MCNAMARA. To the President.

Mr. PASSMAN. That is what I thought. They have a recommendation for the benefit of the President?

Secretary MCNAMARA. No, sir; they express their opinion to the President, but the recommendations——

Mr. PASSMAN. What is the difference between expressing your opinions and making a recommendation?

Secretary MCNAMARA. It does not go through the Bureau of the Budget for modification in the Bureau of the Budget. It goes directly from me to the President.

Mr. PASSMAN. When does it actually reach the Director of the Budget for study and evaluation?

Secretary MCNAMARA. He participates in the analysis of them as they are developed in the several months of the year prior to December 1.

Mr. PASSMAN. When does the President have a final look at these figures before they come to Congress?

Secretary MCNAMARA. Normally in the month of December.

Mr. PASSMAN. So the billion dollars for the MAP, which is pending before the legislative committees and the Committees on Appropriations, is the amount the President requested?

Secretary McNAMARA. The President requested a billion dollars; that is quite correct.

Mr. PASSMAN. Thank you, Mr. Secretary.

Secretary McNAMARA. May I add to the answer to the question, since you addressed it partially to me? To review the facts, let me say this: President Kennedy requested new obligational authority for fiscal 1964 of $1,405 million. In the seventh month of the fiscal year 1964 the Congress appropriated $1 billion, a 30-percent cut. This created disorder and waste, as the entire program in all of its detail had to be or realined to that lower figure.

I think we can all agree that we cannot possibly achieve maximum efficiency in a program when that is cut back 30 percent in the seventh month of the fiscal year, retroactive to the first of the fiscal year.

Therefore, it was our objective in fiscal 1965 to develop the details of a program that would more closely approximate the amount that would be appropriated by Congress. To determine what that amount might be, we discussed the matter with the leading members of both parties in both Houses. It was their conclusion that Congress would authorize and appropriate approximately $1 billion, that our program should be designed to that figure, and that, further, Congress would act more promptly and more enthusiastically on such a program if it were submitted at that level rather than at a higher figure.

For those reasons we submitted the billion-dollar program even though it is less than we believe is required for fiscal 1965.

Mr. PASSMAN. As chairman of this subcommittee, which handles the request, I was not consulted at any level about it, nor, so far as I am aware, were other members of the committee.

Secretary McNAMARA. May I respond to that, Mr. Chairman. You spoke to me about the time we were working on this.

Mr. PASSMAN. We did not discuss your fiscal 1965 budget.

Secretary McNAMARA. We did not, but you discussed military assistance in general with me, and you made it very clear to me that a billion dollars was as much as you thought should be appropriated for military assistance, so I feel that I know your views.

Mr. PASSMAN. Mr. McNamara, if you want to get yourself out on a limb, that is your business. We did not discuss the 1965 budget, either directly or indirectly.

Secretary McNAMARA. We discussed your views on military assistance, Mr. Chairman, and they did affect my decision on the 1965 budget.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Please do.

FORCE REQUIREMENTS FOR MILITARY ASSISTANCE PROGRAM IN FISCAL YEAR 1965 BUDGET

Mr. RHODES. General Taylor, were your force requirements met in this budget?

General TAYLOR. No; they were not.

Mr. RHODES. Although the Joint Chiefs did not put any dollar sign on the budget as such, you did indicate your force requirements for the whole program.

General TAYLOR. That is correct.

Mr. RHODES. Could you give us some idea as to the proportion that the amount of money asked bears to that amount of money which would be required to meet your force requirements?

General TAYLOR. I really could not, because, as I say, one never costs out these forces. We talk in terms of units and equipment.

Mr. RHODES. I will ask Secretary McNamara if he could furnish this information.

Secretary MCNAMARA. I would be happy to. I would say that to even approximate the recommendations of the Chiefs would require a 40-percent increase in the level we propose without taking into account possible future emergencies in Vietnam or elsewhere.

Mr. RHODES. In the neighborhood of $1.4 billion?

Secretary MCNAMARA. Yes.

Mr. RHODES. This would be requirements not only for maintenance but for force improvement?

EQUIPMENT LEVELS

Secretary MCNAMARA. Yes; force improvement but not to the full level of modernization of forces, but to take account of the specific deficiencies that the unified commanders emphasized cause serious reductions in our effectiveness. If I may take a moment, I can indicate to you in respect to two countries what those deficiencies are. I will deal with Greece and Turkey. The statements I make are based upon General Lemnitzer's analysis of the Greek and Turkish situation.

As to Greece, only ——— percent of the authorized army equipment for Greece is on hand. That includes ——— percent of the equipment for the Armored Divisions and ——— percent of the Infantry Division equipment.

Second, most equipment on hand is World War II vintage.

Third, approximately ——— percent of the army's mobility depends on equipment nearly 20 years old.

Fourth, communications capacity is limited by equipment produced in World War II and with only a small percentage of recently equipped communications equipment on hand.

Fifth, at the end of the fiscal 1965 program, after taking account of the appropriations in that program, the proposed appropriations, the Greek Army will be short ——— trucks, ——— M–113's, armored personnel carriers, ——— trailers, ——— helicopters, scores of tanks, howitzers, and other items of equipment.

Sixth, the Greek Army today, compared to the Bulgarian Army, is at a considerable disadvantage in mobility, particularly in tanks, and it is outnumbered and outranged in artillery. The Bulgarian Army has had its ——— divisions modernized in recent years, and you can see the position of the Greek Army versus the Bulgarian Army by comparison of certain equipment such as this.

The Bulgarian Army has ——— medium tanks. The Greek Army has ———. Included in the Bulgarian Army's ——— tanks are about ——— of the most modern Soviet tanks. The Bulgarian Army has ——— support guns and tank destroyers, and the Greek Army has ———. The Bulgarian Army has ——— howitzers and field artillery pieces while the Greek Army has ———. The Bulgarian Army has ——— antiaircraft artillery pieces while the Greek Army has ———.

I cite this simply to indicate to you why the Chiefs recommended equipment in excess of what we provided in the budget and, therefore, the degree to which our budget fails to provide for achieving the equipment levels required.

FORCE IMPROVEMENT FOR THE GREEK ARMY

Mr. RHODES. Am I to gather there is no money in this billion dollars for force improvement for the Greek Army?

Secretary MCNAMARA. There is money for the Greek Army force improvement but not nearly as much as is required. There is ——— million for Greek MAP program. My recollection is that includes ——— million to ——— million for force improvement (investment costs), which is far less than is required.

Mr. ANDREWS. Will the gentleman yield?

Mr. RHODES. Yes.

POSSIBILITY OF SHOOTING WAR ON CYPRUS

Mr. ANDREWS. Mr. Secretary, while we are talking about Greece and Turkey, there is a dangerous possibility that they might get into a war; is that correct?

Secretary MCNAMARA. There is a risk of that; yes, sir. I think it is less today than it was. I really believe that the reason they are not in a war is that they are both members of NATO and that——

Mr. ANDREWS. When the blood gets hot about a local issue, they forget all about NATO and the United States.

Secretary MCNAMARA. About a religious issue in particular.

Mr. ANDREWS. We all hope there will not be a war, but if they were to get into a shooting war, would they not be fighting and killing each other with weapons we had given to each of them? That is what frightens me.

Secretary MCNAMARA. In a shooting war almost certainly they would be using U.S. weapons. I think that is correct.

Mr. ANDREWS. I notice you stated that the trouble they were having there now did not make any difference about plans for fiscal 1965 as far as military assistance is concerned. You know far more about it than I do. I was just thinking while they are fussing at each other, as I say, there is a dangerous possibility of a shooting war, it might be in order for our people to tell them we are not going to give them any equipment before they settle their problem. If they do get into a shooting war, they will be killing each other with weapons which we gave them.

Secretary MCNAMARA. Sir, I think the fact that they are not in a war today is largely the result of the work of our people in discussions with them, particularly General Lemnitzer.

Mr. ANDREWS. I agree, but there is that possibility. I would hope as long as there was that possibility of a shooting war that they could not look to us for any assistance so that each would be in a better position to knock out the other.

Secretary MCNAMARA. I think they understand that. I think they also recognize that their long-term security, like ours, depends on their remaining effective members of NATO. There is every indication now that they will do so.

Mr. MINSHALL. I think you can say the same thing for Pakistan and India.

Mr. CONTE. May I ask the Secretary a question?

Mr. PASSMAN. Surely.

TYPE OF MILITARY EQUIPMENT SENT TO GREECE AND TURKEY

Mr. CONTE. I was interested in your statement that the military equipment in Greece and Turkey is somewhat antiquated and of World War II vintage. I notice in the cumulative part of the justifications that we have provided over $1,300 million to Greece and $2,354 million to Turkey. That is a sizable sum of money. Why was not up-to-date equipment bought?

Secretary MCNAMARA. It was, but that is over a period of nearly 15 years.

Mr. CONTE. Fourteen years.

Secretary MCNAMARA. Fourteen or fifteen years. They have armies, for example, that together approximate 500,000 or 600,000 men.

It is impossible to equip an army of such size and maintain it, plus the air force and the navy, for such a figure as $3.6 billion. We are not anywhere near able to do that with our own and we cannot do it with theirs, either.

Mr. CONTE. It just seems like a tremendous amount of money.

Secretary MCNAMARA. Yet you recognize we are spending over $50 billion a year to maintain our own forces—$50 billion per year. So when you think of $3.6 billion for these three services, army, navy, air force, for 14 years, for roughly 400,000 in the Turkish Army alone, it does not seem a large sum.

GREEK DEFENSE EFFORTS

Mr. FORD. What percentage of their annual budget for personnel, O. & M., procurement, and otherwise, have the Greeks paid and what percentage have we contributed?

Secretary MCNAMARA. Roughly, today, Mr. Ford, they are spending about $160 million out of their own defense budget and we are providing military assistance of $70 to $80 million. Previously they obtained supporting assistance funds—they are no longer to obtain supporting assistance funds. I think you can say they are spending roughly 70 percent of their own funds, they are financing 70 percent of the total for their defense effort. Considering the fact that their gross national product is as low as it is, on the order of $440 per capita, this is really an extraordinary contribution.

Mr. FORD. Are they spending it in the right proportion? Are they putting too much in certain kinds of forces and too little in others?

Secretary MCNAMARA. No, they are spending almost entirely in accordance with our advice. We have a very good MAAG there. The Greeks are very responsive to both the MAAG and to SACEUR. Greece has a large percentage of its people in its forces. It has, for example, 18 men per thousand males and females in the population in its armed forces which is——

Mr. FORD. Eighteen per thousand in the armed forces?

Secretary MCNAMARA. Yes, sir. To give you an idea, that compares with about 14 for France, and about 8 for the United Kingdom, and West Germany. They have twice as high a proportion of their population in the armed forces as do most of the Western European nations.

Mr. FORD. Could you put a list showing this for all nations involved in the record?

Secretary MCNAMARA. Yes, sir.

(Confidential information has been supplied to the committee.)

TOTAL FUNDS AVAILABLE, FISCAL YEARS 1964 AND 1965

Mr. PASSMAN. Dealing directly with the amount of money available, the justifications submitted January 25, showing the recapitulation, indicate a transfer of $50 million into the military program. Taking page 7 of the military assistance program, fiscal years 1960 to 1964, it shows you have a 1964 program of $1,200 million made up of new obligational authority of $1 billion, reappropriations of $22.3 million, transfers of $50 million, deobligations, listed here as recoupments, of $127,700,000, for a total grant program of $1,200 million. Is that correct?

Secretary MCNAMARA. Yes; $50 million, as I explained earlier, is a proposed transfer, it has not yet taken place.

Mr. PASSMAN. According to the book, it has taken place. You anticipate that it will?

Secretary MCNAMARA. We hope that it will.

Mr. PASSMAN. For fiscal 1965 you have a total program of $1,160 million, made up of $1 billion—although the book shows $1.1 billion in new obligational authority—reappropriations of $25 million, deobligations, listed as recoupments, of $125 million, for a total of $1,160 million, less NOA for credit financing of $50 million, or a total grant aid program of $1,110 million.

I only want the record straight.

USE OF CONTINGENCY FUNDS

Read from page 17 of the mutual security act, chapter 5, contingency fund, section 451(a):

> There is hereby authorized to be appropriated to the President for the fiscal year 1964 not to exceed $160 million for use by the President for assistance authorized by part I in accordance with the provisions applicable to the furnishing of such assistance, when he determines such use to be important to the national interest.

The President can transfer out of his contingency fund into any branch of economic aid. A percentage could be transferred out of the economic program into the military.

Secretary MCNAMARA. That is correct. I think it is clear from that provision you read, particularly the reference to part I, that only 10 percent of the contingency fund can be transferred to military assistance.

Mr. PASSMAN. Of course.

Now we go to page 797 of our hearings of last year, Monday, July 1, 1963:

Mr. PASSMAN. The committee will come to order.

Mr. TENNANT. Mr. Chairman, could I correct an item that I told you the other day that turned out to be different than actually occurred?

Mr. PASSMAN. Yes.

Mr. TENNANT. You inquired about the possible transfer of funds from the contingency to the military.

And I testified a few days ago that on June 22, the President had signed the determination to transfer $20 million from contingency to the MAP fund.

Well, during the week, the military, in going over their deobligations, accrued greater deobligations than they had anticipated.

And there were a few changes in their program, dropouts, and so forth. In any case, they found they did not need the $20 million that was authorized for transfer, so that money, therefore, will lapse and stay in the contingency fund.

Whether transfer had been made directly or through economic aid, this could have been carried out, had the need been there.

Secretary MCNAMARA. The need was there. We found it possible to recoup more than we had previously anticipated, and we therefore canceled the request at that point. I think it is entirely in accordance, if I understand it properly, with the view of this committee that late in the fiscal year one should not make changes in the program. We are endeavoring to follow that principle. We did so there.

Mr. PASSMAN. This was July testimony.

Secretary MCNAMARA. It was June, actually, that you are referring to. The testimony was July.

Mr. PASSMAN. It was July 1.

Secretary MCNAMARA. He referred specifically to June 22.

Mr. PASSMAN. I am talking about the date he appeared before the committee.

However, it is perfectly obvious that no person or 100 people or 1,000 people could master all the details in all these programs.

We have to rely a great deal on your supporting witnesses for information. You have people who will later testify for their particular regions, do you not?

Secretary MCNAMARA. If you wish them to, we will be happy to have them testify.

Mr. PASSMAN. That has been the practice every year, and it will be the practice this year.

Shall we discount what these people say, or shall we assume they know what they are talking about?

Secretary MCNAMARA. You should apply the same standard to them that you apply to me. When their testimony is contrary to the fact, you should discount it. We have corrected testimony in the past. The record is clear. It seems to me you should accept the testimony on the same basis that you accept mine.

Mr. PASSMAN. Do we have the right to feel that you might not acquire in 3 years as much knowledge as some of these people have acquired in 30 years? We have to take someone's word. I do not believe any single individual can have all the answers.

Secretary MCNAMARA. I am simply stating to you that the standard of acceptance is not whether a man is a civilian or a military officer, or whether he has been 3 years or 18 years on the job, but whether he

is speaking in accordance with the facts. There are ways to check the facts, and I assume, therefore, you will wish to check the facts of the witnesses appearing before you, and when other witnesses with greater authority and greater access to the facts contradict an earlier witness, I am sure you will accept the later witness.

Let us be clear on one thing. I do not stand alone on any important part of this testimony. I do not stand alone in supporting this program. I am not at variance with the senior military or civilian leaders of the Department. I do not wish the record to indicate that I am.

Mr. PASSMAN. You are guessing what I am going to read into the record.

Secretary MCNAMARA. You will try to read into the record that I am testifying contrary to the testimony of other senior officials of the Department. It is not the case this year; it was not the case last year; and it will not be the case in the future.

Mr. PASSMAN. Let the record speak for itself.

Secretary MCNAMARA. I will let my record speak for itself.

Mr. PASSMAN. I am not trying to win an argument. We are trying to find out facts about this program.

CONTRADICTORY TESTIMONY ON THE ADEQUACY OF MAP IN GREECE AND TURKEY

We were concerned last year after your testimony. Page 41 of last year's report reads as follows:

> The Secretary specifically mentioned Greece and Turkey in his testimony as being harmed by the reduction in the appropriation request. Subsequently, the Secretary supplied information for the record which indicated that other countries close to the border of the bloc, such as Pakistan, Korea, the Philippines, and the Republic of China, were also affected.
>
> Subsequent testimony by General Fuqua, the Director responsible for administration of the Near East, south Asia, and Africa region military assistance program, is as follows:
>
> "In connection with the Greek MAP program:
>
> "Mr. PASSMAN. At least, you have $219 million. Did you find you had a sufficient program for Greece in fiscal year 1963? Your requirements were taken care of reasonably well?
>
> "General FUQUA. I believe so, sir.
>
> "In connection with the Turkish MAP program:
>
> "Mr. PASSMAN. You have a satisfactory program going in Turkey?
>
> "General FUQUA. I believe so.
>
> "Mr. PASSMAN. You do not know of any serious deficiencies which would frighten you at this time?
>
> "General FUQUA. None that would frighten me; no, sir.
>
> "Mr. PASSMAN. Thank you very much."

We have pages and pages of similar testimony. There is no use bringing these people in here if they do not know what they are talking about.

Secretary MCNAMARA. He did not. I told you so last year. I provided the material you mentioned. General Lemnitzer told you the facts which showed General Fuqua did not know. I reported the facts this year. You are distorting the record.

Mr. PASSMAN. I am not distorting the record.

Secretary McNAMARA. You are distorting the record of the status of our security as a nation if you endeavor to indicate that the Greek and Turkish forces are adequately equipped today based on General Fuqua's testimony. You have the testimony of General Norstad and General Lemnitzer and General Taylor, and you have the record that I reported to you a moment ago, showing you the equipment deficiencies. There is absolutely no question——

Mr. PASSMAN. This is only one place.

Secretary McNAMARA. May I finish?

Mr. PASSMAN. Take as much time as you need.

Secretary McNAMARA. Thank you very much.

There is absolutely no question but what the Greek and Turkish forces are deficient in equipment and no amount of verbal distortion will change that fact.

Mr. PASSMAN. I am not using any verbal distortion. I am reading direct answers to direct questions.

Secretary McNAMARA. And you know General Fuqua was wrong.

Mr. PASSMAN. I do not know that he was wrong.

Secretary McNAMARA. Three general officers of four-star rank, plus the Secretary, have indicated so, and the facts support our conclusions.

General TAYLOR. The Joint Chiefs of Staff would not support General Fuqua's testimony.

Mr. PASSMAN. He answered these questions after you appeared before the committee. You look at the record.

Secretary McNAMARA. You look at the record. I read it before I came over here. That is why I was able to predict you were going to insert it. It is wrong. The leading military and civilian authorities in the Defense——

TOTAL AID APPROPRIATIONS FOR FISCAL YEARS 1963 AND 1964

Mr. PASSMAN. In fiscal year 1963, the Congress appropriated approximately $3.928 billion for this overall program.

Secretary McNAMARA. I can only speak for the military assistance portion of it. The Congress gave $1.325 billion in new obligational authority for military assistance.

Mr. PASSMAN. Do you object if I let the record show the exact amount? The Congress appropriated $3,928,900,000 for new obligational authority. For fiscal year 1964 the total appropriation for new obligational authority amounted to $3 billion. Is that your understanding?

Secretary McNAMARA. It included $1 billion for military assistance. I cannot speak to the other.

PROPOSED TRANSFER OF UNOBLIGATED FUNDS FROM ECONOMIC AID

Mr. PASSMAN. I mentioned earlier, Mr. Secretary, that you could have transferred out of the unobligated funds a certain percentage into the military program. I believe you replied that to do so would have had an adverse effect on the economic programs in a subsequent year, or years.

Secretary McNAMARA. I did.

Mr. PASSMAN. If you could not transfer out of the economic category when the total was $3,928,900,000, would you think you would have more trouble transferring out of the program when the total was only $3 billion?

Secretary MCNAMARA. I think it depends on the other elements of the program, Mr. Chairman.

Mr. PASSMAN. You propose at this time to transfer $50 million out of the economic aid into the military program.

Secretary MCNAMARA. We are fighting a war in Vietnam.

Mr. PASSMAN. You were fighting a war last year.

Secretary MCNAMARA. We were not fighting it under as rigid MAP funding restrictions last year as we are this year. The ammunition requirements are way up; the ammunition we provided for in the fiscal year 1964 program presented last year was far less than half of what we are expending. We must put in the balance against the economic programs this emergency in Vietnam. For that reason we have requested the transfer of $50 million.

Mr. PASSMAN. There were unobligated and unreserved funds the administration did not originally request to be reapropriated, but the Congress did reappropriate the money, which otherwise would have lapsed.

That year the appropriation was $3.928 billion. For this year, the total appropriation is $3 billion. You propose to transfer $50 million out of economic into military aid. Where are we going to find out whether or not it will not affect the program adversely in fiscal year 1964 as you indicated it would have done in fiscal year 1963, had you used the money?

Secretary MCNAMARA. It will definitely affect the economic program.

Mr. PASSMAN. Any more so in fiscal year 1964 than in fiscal 1963?

Secretary MCNAMARA. We are talking about an ammunition emergency in Vietnam, on the one hand, versus an economic effect on the other, in fiscal year 1964. We did not face the same situation in fiscal year 1963.

USE OF RECOUPED FUNDS TO MEET CONTINGENCIES

Mr. PASSMAN. Do you not possibly have sufficient money in the amount you will deobligate to take care of the increased funding for South Vietnam?

Secretary MCNAMARA. No, sir. We planned on the deobligation. We presented to the committee at the time we proposed the fiscal year 1964 program, a recoupment estimate of $125 million. We believe now the recoupments will approximate that same figure: $127.7 million to be exact.

RETIREMENT OF GENERAL FUQUA

Mr. PASSMAN. I learn that General Fuqua is now retired. How old a man is General Fuqua? Was it for health reasons?

General TAYLOR. I am not aware of the circumstances.

Mr. PASSMAN. I understand he has resigned.

Secretary McNAMARA. I do not know. This is the first time I have heard it if he has.

Mr. PASSMAN. I heard he resigned last fall shortly after he testified before the committee. I hope the courageous manner in which he testified before this subcommittee did not have anything to do with his resignation.

General WOOD. He had 30 years' service as a permanent colonel. The law and regulations require retirement then. He had known that for at least 2 years. He was a temporary brigadier general.

PROPOSED $50 MILLION TRANSFER FROM ECONOMIC AID

Mr. PASSMAN. I note, on page 7 of the justifications, that your fiscal year 1964 program has received a transfer of funds in the amount of $50 million. Subsequent to the reading of that item earlier, you indicated you contemplated a transfer. That has not been made final?

Secretary McNAMARA. That is correct.

Mr. PASSMAN. Will it be based upon need?

Secretary McNAMARA. Yes.

Mr. PASSMAN. When will that determination be made?

Secretary McNAMARA. Sometime before the end of the fiscal year.

Mr. PASSMAN. Thank you.

DURATION OF THE MILITARY ASSISTANCE PROGRAM FOR INDIA

Included in the 11 forward defense country estimates of $744,955,000 is ——— million for India?

Secretary McNAMARA. Yes, sir.

Mr. PASSMAN. I believe that the military assistance program for India started with fiscal year 1963. Up until that time, it had been strictly economic aid.

Secretary McNAMARA. Yes.

Mr. PASSMAN. You have had a military program for India for 2 years, fiscal year 1963 and fiscal year 1964. Do you contemplate terminating this in the foreseeable future, or will it be a permanent annual request?

Secretary McNAMARA. I do not believe it will be a permanent request, but I think it will continue for more than the 3 years, fiscal years 1963, 1964, and 1965.

Mr. PASSMAN. Have we concluded our aid commitment as contemplated by the Nassau agreement?

Secretary McNAMARA. The Nassau agreement did not cover the future in detail. It merely stated the intention of both the United Kingdom and the United States to assist India in meeting the threat resulting from the invasion of Indian territory by the Chinese.

Mr. PASSMAN. Did Great Britain fulfill her commitment?

Secretary McNAMARA. Yes, sir; the basic elements of the Nassau agreement were, that we would together supply $120 million of aid to India, of which the United States would supply $60 million and the United Kingdom and Commonwealth $60 million. This has been fulfilled by both parties.

Mr. PASSMAN. Please insert in the record at this point the total amount of aid to India.

Secretary MCNAMARA. Surely.

(The information supplied follows:)

	Fiscal year 1963	Fiscal year 1964 (estimated)
Military assistance to India:		
United States	$60.0	
United Kingdom/Commonwealth	60.0	

CUBA SHIPPING AMENDMENT

Mr. PASSMAN. If I remember correctly, either late last year or early this year, I read in the papers that the President had cut back on certain military grant-aid assistance to some of the European countries because of their continuation of trade with Cuba. Is it true that they were cut back?

Secretary MCNAMARA. The President indicated in a determination that except for France, the United Kingdom, Spain, Morocco, and one other country, all aid recipient countries had complied with the terms of the legislation requiring they terminate the use of their vessels——

Mr. FORD. I think it was Yugoslavia.

Secretary MCNAMARA. That is right; under the terms of which they were required to terminate the use of their vessels for shipments to and from Cuba, and terminate the use of their airlines for such shipments.

Subsequently, it was determined that Spain complied with the terms of the legislation. France and the United Kingdom continued to fail to comply. No new commitments for military assistance have been made to them for a considerable period, and the effect on the military assistance program will be very small.

Mr. PASSMAN. It will develop in the future?

Secretary MCNAMARA. That is correct.

MILITARY AID TO EUROPEAN COUNTRIES

Mr. PASSMAN. We have been told by some witnesses, and it is in the record, that we were continuing certain military aid to certain European countries only because we had entered into those commitments prior to their economic recovery.

Would it not appear we are more or less deluding ourselves to indicate that we are going to reduce military aid in the future?

Secretary MCNAMARA. No, sir. This was a determination by the President.

Mr. PASSMAN. Did you cancel out any prior year appropriations?

Secretary MCNAMARA. No, sir.

Mr. PASSMAN. You will not make any commitments in the future?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. We were told time and time again, before this committee, that we were only continuing certain military aid to certain wealthy European countries only because we had entered into these

commitments before their phenomenal economic recovery, and that we were obligated to go through with it.

Secretary McNAMARA. Let me put in the record the specific provisions in the law by which the President made the determination.

Mr. PASSMAN. You may do so.

(The information supplied follows:)

SECTION 620(a)(3) FOREIGN ASSISTANCE OF 1961, AS AMENDED

No funds authorized to be made available under this act (except under sec. 214) shall be used to furnish assistance to any country which has failed to take appropriate steps, not later than 60 days after the date of enactment of the Foreign Assistance Act of 1963—

(A) To prevent ships or aircraft under its registry from transporting to Cuba (other than to U.S. installations in Cuba)—

(i) Any items of economic assistance,

(ii) any items which are, for the purposes of title I of the Mutual Defense Assistance Control Act of 1951, as amended, arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, or items of primary strategic significance used in the production of arms, ammunition, and implements of war, or

(iii) any other equipment, materials, or commodities,

so long as Cuba is governed by the Castro regime; and

(B) to prevent ships or aircraft under its registry from transporting any equipment, materials, or commodities from Cuba (other than from U.S. installations in Cuba) so long as Cuba is governed by the Castro regime.

SITUATION WITH REGARD TO YUGOSLAVIA

Mr. FORD. How did this determination affect Yugoslavia? I would like the record to show the facts. In the case of Yugoslavia, they wanted to buy some spare parts. It was not a grant program.

Secretary McNAMARA. That is correct.

May I insert in the record the exact status of that? I do not believe we have had any orders from Yugoslavia in the recent past. I would want to check that. The orders were very, very small. It was on the order of $1 million for spare parts for the F–86 aircraft. I do not believe we have had any recently, but I will check and insert the answer in the record.

(The information supplied follows:)

Grant military aid to Yugoslavia was terminated in December 1957, and in 1959 the United States and Yugoslavia entered into a mutual security military sales agreement permitting Yugoslavia to purchase military equipment and supplies of U.S. origin. Such sales were "direct sales" in accordance with section 507 of the Foreign Assistance Act.

In January 1962, U.S. sales policy toward Yugoslavia was revised to limit Yugoslav purchases to spare parts and services necessary to maintain equipment of U.S. origin in the Yugoslav inventory. Subsequently, section 620(f) of the Foreign Assistance Act of 1962 prevented any sales or other assistance to Yugoslavia in the absence of Presidential findings and a Presidential determination under section 614 of the act. Furthermore, since section 614 applies olny to funds made available for use under the act, it was not legally possible to waive the applicability of section 620(f) to sales under section 507. Consequently, in order to continue sales to Yugoslavia, it was necessary to utilize military assistance funds in accordance with section 503 and section 508 of the act. In May 1963, President Kennedy made the necessary findings and determination to authorize such sales of up to $2 million of spare parts and services to Yugoslavia to maintain its equipment of U.S. origin.

Following this determination, sales of about $789,700 were authorized in fiscal year 1963. Yugoslav orders in fiscal year 1964 resulted in additional sales authorization of approximately $1,205,000 up to February 14, 1964. As of that

date, sales orders were no longer accepted, since Yugoslavia had failed to take "appropriate steps," required under section 620(a)(3) of the Foreign Assistance Act of 1963, to prevent the carriage by its ships of items to or from Cuba. Authorized sales to Yugoslavia under the $2 million fiscal year 1963 Presidential determination have therefore totaled approximately $1,995,000.

Mr. FORD. Thank you, Mr. Chairman.

RECOUPMENTS FOR FISCAL YEARS 1964 AND 1965

Mr. PASSMAN. Mr. Secretary, last year the committee report indicated its concern about the reservation and reobligation procedures in the MAP program. If I recall correctly, you stated your best estimate for recoupments was from $100 to $125 million. What is your best estimate as to the amount of recoupments at this time for fiscal years 1964 and 1965?

Secretary MCNAMARA. $127 million for fiscal 1964 and $135 million for fiscal 1965.

Mr. PASSMAN. How much of your present estimate of the $127.7 million of deobligations in fiscal 1964 is due to price changes and how much is due to other factors such as program cancellation? You may insert that information in the record.

Secretary MCNAMARA. Very well.

(The information supplied follows:)

Of the $127.7 million recoupments in fiscal year 1964, $32.8 million is estimated to come from price changes, and the balance is due to other factors.

TERMINATION OF GRANT-AID ASSISTANCE

Mr. PASSMAN. In how many countries did we have a military aid program for fiscal 1963?

Secretary MCNAMARA. We had 64 for fiscal 1964 and 53 for fiscal 1965, a reduction of 11.

Mr. PASSMAN. In 1963?

Secretary MCNAMARA. For fiscal 1963 I believe it was 66.

Mr. PASSMAN. How many do you plan for fiscal 1965?

Secretary MCNAMARA. Fifty-three, of which 40 will receive materiel and training, and 13 training only.

Mr. PASSMAN. As to the difference, have you canceled military programs or is it a phaseout?

Secretary MCNAMARA. It is a phaseout. It is what we predicted last year and what should be expected. We deleted these 11 countries in fiscal 1965: Jamaica, Belgium, France, Luxembourg, Germany, United Kingdom, Italy, Yemen, Cambodia, ———, and ———.

As to the European countries, we predicted we would delete Belgium, Luxembourg, France, Germany, the Netherlands, Italy, and the United Kingdom. We told you last year.

Mr. PASSMAN. Did you indicate that fact last year?

Secretary MCNAMARA. We indicated we were making no new commitments to European countries. They would phase out as soon as deliveries had been completed.

Mr. PASSMAN. At what time last year did you make that statement? Was it before the committee?

Secretary MCNAMARA. Before this committee. On May 22, 1963, we told you we were not making new grant-aid commitments to five

European countries and I testified on April 8, 1963, before the House Foreign Affairs Committee that I had informed the Defense Ministers of Italy, Belgium, the Netherlands, Norway, and Denmark that we would make up no grant-aid commitments to those countries. Deliveries have been completed on past commitments to several European countries. The fiscal 1965 program makes no provision for military assistance to Belgium, France, West Germany, Italy, and the United Kingdom, in addition to other countries.

Mr. PASSMAN. Primarily because of their present financial condition?

Secretary MCNAMARA. Yes, they are economically capable of financing their own defense budgets.

U.S. MILITARY PERSONNEL IN MAP COUNTRIES

Mr. PASSMAN. In all countries where we have a military program we also have military personnel, do we not?

Secretary MCNAMARA. There may be one or two very minor programs that are handled by embassy personnel, but in all countries with military assistance programs of any size we have military personnel, either attachés or mission personnel or MAAG personnel, supervising administration of the program.

Mr. PASSMAN. Would it be classified if I ask the number of military personnel, the total, assigned to Korea, South Vietnam, and Taiwan?

Secretary MCNAMARA. Yes, sir; it would be classified.

Mr. PASSMAN. You mean the total would be classified?

Secretary MCNAMARA. Because we have combat forces in some of those countries.

Mr. PASSMAN. If you put the three together?

Secretary MCNAMARA. Yes.

EFFECT OF BUDGET ON BALANCE OF PAYMENTS

Mr. PASSMAN. How much of the fiscal 1965 program of $1,110 million is to be spent for procurement of goods and services overseas?

Secretary MCNAMARA. $138.5 million for total oversea spending, offset by procurement in this country of $393 million of materials, to be used on military assistance-sponsored programs abroad; therefore, leading to a net favorable foreign exchange balance associated with military assistance programs of about $254.5 million.

CIVIC ACTION PROJECTS

Mr. PASSMAN. Of the total of $1,111 million MAP funds for fiscal 1965, do you recall the amount that is going to be allocated to civic action projects?

Secretary MCNAMARA. Yes, about $15 million.

Mr. PASSMAN. Those really would qualify as straight-out economic assistance programs, would they not?

Secretary MCNAMARA. No, sir, I do not believe so.

They are for assignment of equipment to military units, those military units are subsequently used in part on civic action programs. I think probably Congress would not like to see that military-type equipment, which is to be assigned to military units, financed out of

economic aid. If the Congress would wish to see it done that way, we would be happy to do it.

Mr. PASSMAN. This money is almost entirely for equipment or training of military personnel who, in turn, work on civic action programs, including highways.

General TAYLOR. Thereby they get very good military training, I might say.

Secretary MCNAMARA. If you would like to see that equipment for military units financed by economic aid funds, we would be happy to consider it.

Mr. PASSMAN. I am interested in trying to understand what is economic aid and what is military.

Secretary MCNAMARA. We supply military trucks to military units, those military units use those military trucks to haul dirt in the construction of highways.

EXCESS STOCKS

Mr. PASSMAN. Last year it was testified that you had approximately $48.7 million in excess stocks during fiscal 1964. What do you estimate now to be the amount of excess stocks?

Secretary MCNAMARA. In the fiscal 1965 program we estimate about $27 million.

REHABILITATION COSTS

Mr. PASSMAN. The only cost to the country is the rehabilitation cost, is it not?

Secretary MCNAMARA. Yes, that is correct.

Mr. PASSMAN. That cost is charged against this appropriation?

Secretary MCNAMARA. That is right.

Mr. PASSMAN. Would the $48.7 million be the rehabilitation cost?

Secretary MCNAMARA. No, the $48.7 million, if I remember the figure correctly for fiscal year 1964, was acquisition cost of the material now declared excess, which was to be supplied under the terms of the program. The rehabilitation cost would run about 30 percent of that original acquisition cost.

UNFILLED U.S. COMMITMENTS FOR MILITARY ASSISTANCE

Mr. PASSMAN. Mr. Secretary, could you supply to the committee a list of your commitments unfilled, by country?

Secretary MCNAMARA. We can furnish you commitment information. I am not entirely clear as to what kind you wish. We can furnish commitments for years beyond fiscal 1965 that have been made in negotiations between governments, United States and foreign governments, all of which commitments, of course, are subject to authorization and appropriation of funds by the Congress. We can also furnish to you undelivered material on programs prior to fiscal 1965, really prior to 1964, because we have not yet completely finished reworking the 1964 program to the lesser figure appropriated by the Congress.

Mr. PASSMAN. You do not have to project it into the future. All we are interested in is the commitments you have; that is, orders unfilled.

Secretary McNamara. We will be happy to do it. We should do it as of July 1, 1963.

(Information supplied to the committee.)

Mr. Passman. We find that for each dollar appropriated you reserve or obligate $1.42, and some other year you will obligate $1.24 or $1.18.

CONGRESSIONAL REDUCTIONS BELOW BUDGET ESTIMATE, FISCAL YEARS 1956–64

I think that for the past 9 years for the military assistance program the average cut has been about 21 percent. I am going to put a sheet in the record. It will show the percentage cuts below the budget estimate every year since I have been chairman of this subcommittee.

(The data follows:)

Total economic and military assistance—9 years

	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
Fiscal year:				
1956	$3,266,641,750	$2,703,341,750	−$563,300,000	17.24
1957	4,859,975,000	3,766,570,000	−1,093,405,000	22.50
1958	3,386,860,000	2,768,760,000	−618,100,000	18.25
1959	3,950,092,500	3,298,092,500	−652,000,000	16.51
1960	4,429,995,000	3,225,813,000	−1,204,182,000	27.18
1961	4,275,000,000	3,716,350,000	−558,650,000	13.07
1962	4,775,500,000	3,914,600,000	−860,900,000	18.03
1963	4,961,300,000	3,928,900,000	−1,032,400,000	20.81
1964	4,525,325,000	3,000,000,000	−1,525,325,000	33.71
Total	38,430,689,250	30,322,427,250	−8,108,262,000	21.10

Economic assistance only—9 years

	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
Fiscal year:				
1956	$2,141,641,750	$1,998,341,750	−$143,300,000	6.69
1957	1,859,975,000	1,749,070,000	−110,905,000	5.96
1958	1,786,860,000	1,428,760,000	−358,100,000	20.04
1959	2,150,092,500	1,783,092,500	−367,000,000	17.07
1960	2,829,995,000	1,925,813,000	−904,182,000	31.95
1961	2,725,000,000	1,916,350,000	−358,650,000	15.76
1962	2,890,500,000	2,314,600,000	−575,900,000	19.92
1963	3,461,300,000	2,603,900,000	−857,400,000	24.77
1964	3,120,325,000	2,000,000,000	−1,120,325,000	35.90
Total	22,515,689,250	17,719,927,250	−4,795,762,000	21.30

Military assistance only—9 years

	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
Fiscal year:				
1956	$1,125,000,000	$705,000,000	−$420,000,000	37.33
1957	3,000,000,000	2,017,500,000	−982,500,000	32.75
1958	1,600,000,000	1,340,000,000	−260,000,000	16.25
1959	1,800,000,000	1,515,000,000	−285,000,000	15.33
1960	1,600,000,000	1,300,000,000	−300,000,000	18.75
1961	2,000,000,000	1,800,000,000	−200,000,000	10.00
1962	1,885,000,000	1,600,000,000	−285,000,000	15.12
1963	1,500,000,000	1,325,000,000	−175,000,000	11.67
1964	1,405,000,000	1,000,000,000	−405,000,000	28.83
Total	15,915,000,000	12,602,500,000	−3,312,500,000	20.81

Secretary McNamara. Mr. Chairman, may I respond to that point for a minute?

Mr. Passman. Yes.

EQUIPMENT SHORTAGES IN MAP COUNTRIES

Secretary McNamara. The purpose for which you put the figures in the record, I presume, is to indicate that in past years the military assistance requests of the executive branch have been cut substantially by the Congress with, presumably, no ill effects. I think before that conclusion is drawn, the record should show that today the forces of the free world, facing the forces of the Communist bloc on the borders of Greece, on the borders of Turkey, on the borders of India, on the borders of Iran, on the borders of South Korea, are seriously deficient because of lack of military assistance funds.

In the case of South Korea, for example, the North Korean Air Force far exceeds in strength the South Korean Air Force. That is true both in numbers and also quality of fighters. The North Korean Air Force has ——— jetfighters. The South Korean Air Force has ———. The North Korean Air Force includes in its ——— jetfighters, which in total is some ——— percent that of the South Korean Air Force ——— MIG–21's, the latest Soviet fighters, for which there is no comparable counterpart in South Korea.

I spoke earlier of the deficiencies of the Greek forces vis-a-vis the Bulgarian forces. I should like to add to the record at this point the deficiencies of the Turkish forces.

First, except for missile units, all major components of the Turkish ground forces are short a substantial part of their major mission equipment.

Second, much of the Turkish Army equipment is below minimum NATO standards. Much of it is World War II or earlier, for which repair parts are no longer available or on which maintenance costs have become prohibitive to continued operation.

Three, much of the outdated equipment will not satisfy requirements in a combat situation.

Four, at the end of fiscal 1965 program, taking account of the expenditures in all programs through that date, the Turkish Army equipment shortages will approximate ——— trucks, ——— trailers, ——— M–113's armored personnel carriers, ——— M–48 tanks, ———, radios, ——— helicopters, scores of howitzers, mortars, et cetera.

Fifth, maintenance cost of most ships in the Turkish Navy are very high in relation to their combat contribution. Deactivation is actually scheduled for ——— percent of the units currently in operation.

Sixth, U.S. military assistance helped to save Turkey from Soviet demands in the immediate postwar period for the ceding of two northeastern provinces and the sharing of control of the straits. The Turks know these same demands and pressures would recur if the balance were to shift sufficiently in favor of the Communists.

Mr. Rooney. According to the statement of General Taylor, I take it that this is most important. He covered the subject all the way around in his quotations from the area commanders.

Secretary McNamara. Exactly.

Mr. PASSMAN. You are testifying in support of a budget for a billion dollars. I do not intend for this committee to take responsibility for any deficiencies you may read into the record. This is what the President asked the Congress for—$1 billion.

MAP REDUCTIONS IN PRIOR YEARS

Secretary MCNAMARA. Mr. Chairman, the record I read reflects the failure to meet the President's request for fiscal 1964 and prior years. The security of the West, the security of this country is being adversely affected by cuts in the military assistance program. I would like to repeat again that the security of the West and the security of this country is being adversely affected by the cuts in the military assistance program.

That is my belief and it is the belief of the Joint Chiefs of Staff, it is the belief of every one of our unified commanders.

Mr. PASSMAN. What sum is the President requesting to offset those deficiencies brought about by reductions in the past?

Secretary MCNAMARA. He is requesting a billion dollars.

Mr. PASSMAN. For new programs in future years?

RATIONALE FOR $1 BILLION REQUEST

Secretary MCNAMARA. For which we strongly solicit the support of this committee. I urge seriously that you support the billion dollar request.

Mr. MINSHALL. Let me repeat, you do not feel yourself that is enough, and neither does General Taylor; is that correct?

Secretary MCNAMARA. That is correct. We will be very pleased, frankly, if we get that authorized and appropriated by the Congress because of the history of cuts in the past.

Mr. MINSHALL. It seems to me you should have asked for more.

Mr. PASSMAN. If you needed it.

Mr. MINSHALL. I believe you have done the American people a disservice by not doing so.

Mr. ROONEY. Will the gentleman kindly yield?

Mr. PASSMAN. Mr. Rooney.

Mr. ROONEY. Of course, if you were to get the requested billion dollars—and I am going to vote for it—you can always come back for a supplemental if the situation changes along the way in the course of the coming fiscal year.

Secretary MCNAMARA. We can indeed. If we were to request $1.4 billion and get only $1 billion, we would not be able to spend that billion dollars as effectively and efficiently as would be the case had we requested the billion dollars and received a billion dollars.

Frankly, this is why we requested a billion dollars. This was after full consultation with the leaders of both parties in both Houses.

Mr. PASSMAN. I told you last year that I would support a billion dollars, and we successfully did so after the other body had reduced the amount.

I want to say that the MAP reduction, fiscal 1956 through fiscal 1964 averaged 20.81 percent. Last year you said it was 30 percent,

but it actually, according to my records, was a reduction of 28.83 percent for fiscal year 1964.

There are a lot of inconsistencies in the presentation of the program.

ESTIMATED UNOBLIGATED FUNDS

The economic aid people say the same thing, that we are wrecking the program. Nevertheless, Congress cut more than $8 billion from the requests in the past 9 years, and I will gamble that you are again going to have a substantial amount of unobligated funds in the overall foreign aid program this year that will lapse unless we reappropriate them.

Secretary McNAMARA. Not in the military program.

Mr. PASSMAN. You will have $25 million even if you do not transfer the $50 million.

Secretary McNAMARA. $25 million is the minimum that you could expect to have left without forcing obligations through at the end of the fiscal year period and we are not doing that. We usually end each fiscal year with $25 million unobligated and ask your approval to reappropriate that.

Mr. RHODES. Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes.

Mr. RHODES. You are asking for a billion dollars for both authorization and appropriation for the military program for fiscal year 1965?

Secretary McNAMARA. Yes, sir.

SUPPLEMENTAL FOR MAP

Mr. RHODES. I wonder at your answer to the question of the gentleman from New York when you agreed that you could ask for a supplemental. How can you ask for a supplemental if you do not have the authorization?

Secretary McNAMARA. We would have to ask for a continuing authorization. We are asking for a continuing authorization this year. This is a proposed change in this year's legislation compared to fiscal 1964.

Mr. PASSMAN. You have asked for that type of authorization in previous years, have you not, you or your predecessors?

Secretary McNAMARA. My predecessors may have. We asked for a continuing authorization in 1961. Congress granted a 2-year authorization.

Mr. PASSMAN. I think this military program is 17 years old.

Secretary McNAMARA. I think so.

Mr. PASSMAN. Have you ever received a supplemental appropriation?

Secretary McNAMARA. Not during the period I have been associated with it.

REVISED FISCAL YEAR 1964 MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Mr. Secretary, last year your fiscal 1964 program of $1.530 billion included the following: Fixed charges, $370.3 million;

force maintenance, $532.5 million; force improvements, $626.2 million; total of $1,530 million.

Subsequently the Congress reduced your program to $1 billion, plus the reappropriation. How is your revised program for fiscal year 1964 now allocated as it would apply to the items I have enumerated?

Secretary McNamara. I have it allocated by country, Mr. Chairman.

Mr. Passman. Do you have the totals you had in the estimate?

Secretary McNamara. I do. I have the country total as it was originally presented to Congress and the country total as it presently stands. I will be happy to read it or insert it.

Mr. Passman. You had it in three items: Fixed charges, overall, force maintenance, worldwide program, force improvement worldwide, a total of $1,553 million.

Secretary McNamara. Surely.

Mr. Passman. If you will allocate the amounts just opposite these charges, that will be all that is necessary.

Secretary McNamara. I will be happy to do that.

(The information supplied follows:)

Fiscal year 1964 worldwide program

[In millions of dollars]

	Fiscal year 1964 congressional	Fiscal year 1964 as of Jan. 25, 1964
Essentially fixed charges	370.3	307.3
Force maintenance	533.5	483.8
Force improvement	626.2	408.9
Total	1,530.0	1,200.0

REDUCTIONS BY COUNTRY

Secretary McNamara. Mr. Chairman, since I am dealing with a cut of such a substantial magnitude, I would like to indicate major country cuts, which are seven—Greece, Pakistan, Turkey, China, Korea, Philippines, Thailand—and the major items that were cut out of the programs for those seven countries.

Mr. Passman. The committee is familiar with those facts.

Secretary McNamara. I realize that, but you stated earlier I could insert in the record anything I wished to, and I would like to insert this in the record since we are talking about cuts.

Mr. Passman. Insert it if you wish to do so.

(The information supplied follows:)

Effect of Reduction in Fiscal Year 1964 Military Assistance Program

CONGRESSIONAL REDUCTIONS

The fiscal year 1964 administration request for military assistance was reduced from $1,405 million to $1 billion by action of both the House and Senate in the authorizing legislation. The House Foreign Affairs Committee reported an authorization of $1,225 million which was reduced to $1 billion by floor action. The Senate Foreign Relations Committee recommended $1,300 million, which

was cut to $1 billion on the floor of the Senate. The appropriation was $1 billion, the full amount authorized.

The fiscal year 1964 reduction continues a trend of congressional reductions in military assistance as indicated by the following table:

[Dollars in millions]

	Executive branch request	Authorized	Appropriated	Percent of request appropriated
Fiscal year 1960	$1,600	$1,400	$1,300	81
Fiscal year 1961	2,000	(1)	1,800	90
Fiscal year 1962	1,885	1,700	1,600	85
Fiscal year 1963	1,500	[2] 1,700	1,325	88
Fiscal year 1964	1,405	1,000	1,000	71

[1] Continuing authorization under Mutual Security Act of 1959.
[2] Foreign Assistance Act of 1961 authorized for fiscal year 1963 as well as fiscal year 1962.

FISCAL YEAR 1963 REDUCTION AGGRAVATED EFFECT OF FISCAL YEAR 1964 REDUCTION

As a result of the $175 million reduction in the fiscal year 1963 military assistance program, and additional unforeseen requirements generated by emergency actions in fiscal year 1963 (increased India program of $60 million and increased Vietnam program by over $100 million) important force improvement projects for many countries had to be deferred from the fiscal year 1963 program; $219.5 million was taken from four fiscal year 1963 country programs—Greece, Turkey, Korea, and the Republic of China. These sharp cuts in these country programs necessitated by the fiscal year 1963 congressional reductions, plus the requirement for Vietnam and India, warranted appropriation of the full request of $1,405 million so that some of the items deferred from the fiscal year 1963 program could be funded in fiscal year 1964.

FISCAL YEAR 1964 REDUCTION AFFECTED KEY PROGRAMS DISPROPORTIONATELY

However, only $1 billion was authorized and appropriated. The fiscal year 1964 reduction in military assistance was primarily made by reduction in the programs proposed for the 11 country programs (Greece, India, Iran, Pakistan, Turkey, Republic of China, Korea, Laos, Thailand, Philippines, and Vietnam) which constitute the major contribution of military assistance to forward defense. Because these programs represented about 70 percent of the total fiscal year 1964 MAP presented to the Congress, there was no alternative to substantial reductions amounting to two-thirds of the net fiscal year 1964 reduction being applied here. Of these 11, 4 country programs—those for Greece, Turkey, Korea, and the Republic of China, were reduced the most—a total of $178.7 million. From the level presented to the Congress, the Greek program was reduced by 25 percent; the Turkey program was reduced by 22 percent; the Republic of China program by 36 percent; and the Korea program by 31 percent. That's where the largest proposed programs were, and that's where the largest reductions had to be made in order to remain within the funds expected to be available.

And these funds, it should be noted, include the planned use of $50 million to be made available by transfer from economic programs. Without this transfer, the fiscal year 1964 congressional cuts would have had an even more drastic effect.

SOME PROGRAMS COULD NOT BE CUT

The following fiscal year 1964 programs were essentially irreducible:

Vietnam.—The fiscal year 1964 proposed program for Vietnam was ——— million; ($43 million additional was presented as a nonregional amount as a special Asia program). The present program is ——— million—an increase of $46.2 million or ———. The Vietnam effort has been treated as top priority in the competition for MAP resources. As a result, development of forces elsewhere has been reduced to permit full support of Vietnam within the sharply reduced fiscal year 1964 appropriation.

Laos.—Continuation of our efforts to prevent Communist control of Laos is requiring ——— an increase of ——— million from the ——— million program presented to the Congress.

Iran.—Fiscal year 1964 was the third year of a 5-year U.S. commitment to Iran under which Iran agreed to reduce its armed forces and effect a more efficient organization. Consistent with this commitment, it was necessary to hold the Iran program to approximately the level presented to the Congress.

Pakistan.—Under aide memoires signed in 1954, 1960, 1961, and 1962, the United States has agreed to furnish maintenance, support and modernization training and equipment for specific units of the Pakistani armed forces. Because of the importance of ——— Pakistan and the importance of continuing to assure Pakistan of the U.S. commitment to its security, it was necessary to hold the Pakistan program for fiscal 1964 at a level ———.

India.—The ——— level presented to the Congress was an estimate of the most austere level consistent with out continuing effort to assist India in resisting Chinese aggression.

Support of U.S. forces.—The United States, like all other NATO members, is committed to pay a share of the costs of NATO infrastructure and headquarters. The U.S. percentage of use of the facilities is roughly proportionate to the U.S. share of the costs. In fiscal 1964 these costs were $64.0 million.

Norway and Denmark.—The programs for Norway and Denmark represent prior U.S. commitments which have been pegged to and have resulted in significant increases in the defense budgets of both countries (fiscal year 1964 request, $52.8 million; fiscal year 1964 actual, $57.1 million).

Administrative costs.—The costs of administering military assistance are essentially fixed (fiscal year 1964 request, $25 million; fiscal year actual, $24 million.

Recap—What couldn't be cut

[In thousands of dollars]

Country activity	Fiscal year 1964 request	Fiscal year 1964 actual	Differences
Vietnam	———	———	———
Special Asia program	———	———	———
Laos	———	———	———
Iran	———	———	———
Pakistan	———	———	———
India	———	———	———
Support of U.S. forces (NATO)	———	———	———
Norway and Denmark	———	———	———
Administration	———	———	———
Total	$532,315	$510,573	−$21,742

* Decrease in infrastructure costs.

LATIN AMERICA AND AFRICA

The fiscal year 1964 military assistance request included $24.5 million for programs in Africa. Careful cutting of this amount permitted reduction to $19.2 million ———.

The program for Latin American countries was reduced by $6.8 million to $70.5 million—a level which General O'Meara and the JCS consider inadequate to meet our security objectives in Latin America.

WHAT HAD TO BE CUT

Greece and Turkey—ground forces

Soviet bloc forces confronting Greece and Turkey have increased in capabilities during the past 2 years, particularly in Bulgaria. Bulgarian Army force structure has changed from one of defensive posture consisting of rifle divisions and armored brigades to one consisting of motorized and armored divisions with offensive capabilities. Greek and Turkish forces facing these units require improved firepower, mobility, and communications.

Some of the funds to improve mobility, firepower, and communications for Greek and Turkish forces were not included in the fiscal year 1963 military assist-

ance program because of the combined effect of a congressional reduction in the administration request and increased requirements in Vietnam and India. It was hoped that some of the most vital requirements could be met within the $1.405 billion request for fiscal year 1964; however, the congressional reduction to $1 billion forced a cut ———.

Reduced military assistance available for Greece and Turkey comes at a particularly undesirable time as the economic capabilities of these countries have not yet reached the point where they can purchase the equipment required to modernize their forces. The demands on these countries for funds for their domestic nonmilitary budgets is increasing as a result of the phasing out of economic assistance. Both countries are critical to NATO posture in southern Europe and provide valuable facilities for the United States.

THAILAND

The congressional reduction in the new obligational authority request for fiscal year 1964 military assistance caused reductions in the program for Thailand. The major change resulting from these reductions were the deletion of ——— aircraft, ———, and ——— from the program.

THE REPUBLIC OF CHINA AND REPUBLIC OF KOREA

The fiscal year 1964 program for Korea was reduced by $63.3 million as a result of the reduced fund availabilities following the sharp reduction in the new obligational authority. This reduction seriously affected planned improvements in all three services and will have a significant effect on Korean military posture. Of ——— aircraft in the proposed fiscal year 1964 program, only ——— can be included at the reduced level. The deletion of ——— F–5 aircraft extends the period of modernization for the Korean Air Force.

The program for the Korean Navy was almost completely eliminated, all ——— vessels included (none of which required ship loan authority) were dropped in the reduced program. In addition to its present forces, there is a need for additional coastal patrol and mine warfare vessels as well as modernization of existing vessels. In discussing these deficiencies, Admiral Felt has reminded us of the 6 days delay encountered at the Wonsan landing during the Korean conflict due to the crude North Korean mine-laying effort.

When the full magnitude of the reductions in fiscal year 1964 military assistance for the Far East became known, Admiral Felt recommended a ——— reduction in his program for vehicle replacement in order to provide for ———. This action was taken during fiscal year 1964 but the replacement of vehicles has thereby been delayed. Other program reductions included deletion of ——— howitzers, ——— mortars, ——— rifles and carbines, over ——— pistols and ——— machineguns.

Because much of the planned force improvement expenditures for Korea were deleted from the fiscal year 1963 program due to reductions in the administration request, the fiscal year 1964 reduction continues a trend toward increasing obsolescence of Korean forces.

The reduction of $48.8 million in the Republic of China program, in addition to eliminating the planned navy program, has caused the total planned force improvement program to be sharply reduced.

The ships in the GRC Navy are for the most part over 20 years old and of many different types. Admiral Felt feels that essential modernization of the Chinese Navy requires ———.

The entire fiscal year 1964 increment for replacement of the obsolete, frequently rebuilt, ——— was deleted from the program. Reductions were also absorbed by a general deterioration of the support provided to insure the continued value of our past investments by providing maintenance and training. Although there are a large number of World War II vehicles available in the Republic of China, they have been rebuilt two or three times ———.

Summarizing, within the $1 billion appropriation for fiscal year 1964, we have been able to continue minimal programs for Africa and Latin America, fund our national and international commitments, and the requirements of the conflict in Vietnam. Our mission, as expressed in congressional legislation, is to deter Communist aggression or defeat it should it come. Certainly we continue to deter overt Communist aggression, but in the key countries of Greece, Turkey, Korea, and China, we are taking a calculated risk as a result of our inability to modern-

ize the forces of those countries as rapidly as would appear prudent. Our only alternative has been to stretch out and defer deliveries. This situation continues with the $1 billion request for fiscal year 1965.

FINANCIAL TABLE

Fiscal year 1964 military assistance

[In millions of dollars]

	Fiscal year 1964 presented to Congress	Change—Fiscal year 1964 shown in fiscal year 1965 presentation	
New obligational authority	$1,405	$1,000.0	−$405.0
Reappropriations	25	22.3	−2.7
Transfers from economic aid or contingency fund		50.0	+50.0
Recoupments	125	127.7	+2.7
Total obligational authority	1,555	1,200.0	−355.0
Less amount for credit assistance	25		
Total grant aid	1,530	1,200.0	−330.0

Fiscal year 1964 reduction—Forward defense countries

[In millions of dollars]

	Request	Actual	Change	Percent change
Greece	———	———	———	———
India	———	———	———	———
Iran	———	———	———	———
Pakistan	———	———	———	———
Turkey	———	———	———	———
Republic of China	———	———	———	———
Korea	———	———	———	———
Laos	———	———	———	———
Thailand	———	———	———	———
Philippines	———	———	———	———
Vietnam (SEA fund)	———	———	———	———
Total	1.092	878.6	−213.4	−19.5

MAP FISCAL YEAR 1965 BUDGET RECOMMENDATION TO THE PRESIDENT

Mr. PASSMAN. How much did you recommend to the President for fiscal 1965?

Secretary MCNAMARA. It is not customary to discuss the recommendations of individual Cabinet officers to the President, Mr. Chairman.

Mr. PASSMAN. We have been given the answers before. If it is not customary for you to do it, perhaps we might find out some other way.

Secretary MCNAMARA. Thank you.

Mr. PASSMAN. Do you have a long-term program for each country?

Mr. ROONEY. When we say the President, we mean the President's Bureau of the Budget—what you asked his Bureau of the Budget for?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Let me clear the record. We have been able to get this information. It has been inserted in the record right down to the last dollar. Last year on page 139 of the hearings—request submitted to the Bureau of the Budget, fiscal 1964, $1,477 million.

Secretary McNAMARA. Who was testifying?

Mr. PASSMAN. Secretary McNamara.

Secretary McNAMARA. I do not remember——

Mr. PASSMAN. Perhaps there are others things, too, which you do not remember.

Secretary McNAMARA. May I please say what I am saying?

Mr. PASSMAN. Please do.

Secretary McNAMARA. I am saying this year we did not submit to the Bureau of the Budget requests for military assistance. We submitted them directly to the President.

Mr. PASSMAN. I thought you said a moment ago you submitted the request the same way every year.

Secretary McNAMARA. I think we have.

Mr. PASSMAN. Here, however, is what you put in the record last year.

Mr. MINSHALL. What is the reason? Is there some classified reason that we cannot put it in the record?

Mr. PASSMAN. I do not know of any.

Mr. ROONEY. A conversation between a member of his Cabinet and the President is a privileged conversation.

Mr. MINSHALL. Sure, it is a privileged conversation, but this committee appropriates the money and is entitled to know.

He should waive the privilege. This is a political budget, not a real budget.

Mr. PASSMAN. This information was given to us last year.

Mr. ROONEY. It is evident you do not like this military assistance budget, Mr. Minshall.

Mr. MINSHALL. It is evident you do not like it either.

Mr. ROONEY. But, I do. I think it is realistic.

Secretary McNAMARA. Let me examine this, gentlemen.

Mr. MINSHALL. He said it is not enough. Per se it's phony.

Mr. PASSMAN. In previous years we have obtained this information.

This year could it be that maybe all the way around, you, the President, the Joint Chiefs of Staff, everybody, decided on a billion dollars?

Secretary McNAMARA. Mr. Chairman, I think you recognize from your long experience in Congress that recommendations from a Cabinet officer to the President are privileged. It is not customary to discuss them with Congress.

Mr. PASSMAN. I am not pressing for it. You gave the information to us in previous years.

Mr. MINSHALL. There was no previous disinclination to give it to us down in the Defense Appropriations Subcommittee when we requested it.

Mr. PASSMAN. Did you give us the information last year?

Secretary McNAMARA. I am trying to read the record to see.

Mr. PASSMAN. It says: "Secretary McNamara" just above those figures there.

Secretary McNAMARA. I think it was supplied for the record, as a matter of fact. Let me read what the record says. It says:

Secretary McNAMARA. I would like to supply it for the record.

Mr. PASSMAN. You did not say that this year. Do you want to supply it for the record?

Secretary MCNAMARA. It depends on whether we send it to the President or to the Bureau of the Budget. My recollection is that we sent it to the President. If that be the case, I think it is privileged and should not be divulged.

Mr. PASSMAN. That would be different then, than has happened in the past. I thought you said earlier you thought you had handled it the same way every year.

Secretary MCNAMARA. I would like to read the record and check it.

Mr. RHODES. Would you ask the President if he would object to your divulging to the committee figures comparable to those you had divulged in past years?

Secretary MCNAMARA. I would be happy to do so.

Mr. RHODES. I think the President would probably consent.

Mr. MINSHALL. I have the highest regard for the Secretary, but I hate to see him hiding behind Executive privilege on so important a matter as this.

Secretary MCNAMARA. This is not Executive privilege, this is custom and tradition, gentlemen.

Mr. PASSMAN. Let me read this——

Secretary MCNAMARA. Mr. Chairman, may I simply respond to this? I think it will be of interest to you.

Downstairs in the Defense Subcommittee you imply that I state to you my recommendations to the President. I never do.

Mr. MINSHALL. The Chiefs do and everybody else.

Secretary MCNAMARA. The Chiefs make recommendations to me. I send the recommendations to the President. I never state to a congressional committee my conversations with the President, including my informal recommendations.

Mr. MINSHALL. This year there is a great reluctance to divulge these figures.

Secretary MCNAMARA. No, sir. This has been the case for 3 years in your Defense Subcommittee.

Mr. MINSHALL. We have always gotten the figures. Whether we added them or how, what we came out with was a cumulative total.

Secretary MCNAMARA. You never got a statement from me of what I stated to the President or his reply to me. I have told you what I have cut out of the budget submitted by the Chiefs and by the services. Not only have I told you, but I supplied——

Mr. MINSHALL. Here you come up with a request, you say you are not getting enough, you already admitted you gave a much higher budget figure to the President than he allowed you to put in for a final budget figure.

Secretary MCNAMARA. I have not commented on it.

Mr. MINSHALL. It is obvious.

Secretary MCNAMARA. I want to make it clear it is customary for Cabinet officers not to report to the Congress recommendations they make to the President.

Mr. MINSHALL. I wish you would take Mr. Rhodes' suggestion and ask the President if he would divulge it on his own.

Mr. PASSMAN. This is on page 139, part II of the hearings of last year:

Mr. ANDREWS. The budget before this subcommittee for foreign military assistance is $1.405 billion. Could you tell me what the original request for this budget was and how much you cut it? If you can't do it now, supply it for the record.

Secretary MCNAMARA. I would like to supply it for the record accurately. I will give you my impression now. General Wood says $1.7.

Secretary MCNAMARA. May we stop there? This has nothing to do with what went to the President.

Mr. PASSMAN. I shall continue:

Mr. ANDREWS. You cut the original estimate in your shop by $300 million?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. Please insert in the record for the past 8 years, fiscal years 1956 through 1963, the amounts the Bureau of the Budget reduced the MAP below the military requests.

Secretary MCNAMARA. If the information is available; yes, sir.

(The information requested follows:)

You gave it for 1956 through 1964, inclusive. The last year, fiscal year 1964, the request submitted to the Bureau of the Budget was $1,477 million, but the executive branch request came to Congress at $1,405 million, which was $72 million below the amount originally submitted.

We have not asked you to tell us anything about what you said to the President or what he said to you, but we are interested in knowing whether or not there has been a meeting of minds on this matter at all levels.

Secretary MCNAMARA. I think you are misreading the answer to Mr. Andrews' question because he said, "You cut the original"——

Mr. PASSMAN. I have never won an argument with the Secretary.

Secretary MCNAMARA. The specific question is: "Could you tell me what the original request for this budget was and how much you cut it?"

The original request to me was something on the order of $1.7 billion. I cut it to $1.4 billion-plus. I think that is very clear; that is the question and answer.

Mr. PASSMAN. A while ago you were confused about this item, but now you are certain that we are in error.

Secretary MCNAMARA. I am just reading you the question.

Mr. PASSMAN. I read it, and when you have a caption here——

Secretary MCNAMARA. I believe you have misinterpreted it, Mr. Chairman.

Mr. PASSMAN. I believe otherwise.

Secretary MCNAMARA. You interpret Mr. Andrews' question as relating to the request to the President or the Bureau of the Budget.

Mr. PASSMAN. What good is the data?

Secretary MCNAMARA. I have not finished, if I may, Mr. Chairman. The next question, which is your question, is:

Please insert in the record * * * the amounts the Bureau of the Budget reduced the MAP below the military requests.

Someone inserted it in the record. I do not believe it is correct.

Mr. PASSMAN. Who is responsible, if you inserted something which is not correct?

Secretary MCNAMARA. I did not insert it. We inserted it. I am saying my Department inserted something which I do not believe is correct.

Mr. PASSMAN. Somebody put the caption there. I shall read it all into the record now.

Secretary MCNAMARA. Please do.

Mr. PASSMAN. Thank you; I am going to. Page 139 of part 2 of hearings for fiscal year 1964:

Fiscal year; request submitted to Bureau of the Budget; executive branch request; appropriation. 1956, not available. Fiscal 1957, $3,024,800,000; requested, $3 billion; Congress gave you $2,017,500,000.

1958, request submitted to the Bureau of the Budget, $2,500 million; executive branch request, $1,900 million; Congress gave you $1,340 million.

1959, request submitted to the Bureau of the Budget, $1,950 million; executive branch request, $1,800 million; Congress gave you $1,515 million.

1960, request submitted to the Bureau of the Budget, $2 billion; executive branch request, $1,600 million; Congress gave you $1,300 million.

1961, request submitted to the Bureau of the Budget, $2,346,800,000; executive branch request, $2 billion; Congress gave you $1,800 million.

1962, request submitted to the Bureau of the Budget (not available); executive branch request, $1,885 million; Congress gave you $1,600 million.

1963, request submitted to the Bureau of the Budget, $1,700 million; executive branch request, $1,500 million; Congress gave you $1,325 million.

1964, request submitted to the Bureau of the Budget, $1,477 million; executive branch request, $1,405 million; Congress gave you (not available). This was not filled in because the bill had not passed, but it turned out to be $1 billion.

Secretary MCNAMARA. It is the last 2 years, I believe, that are in question.

Mr. PASSMAN. You have 1963 and 1964 in here.

Secretary MCNAMARA. I question the accuracy of those figures.

Mr. PASSMAN. You question the accuracy, although the information was inserted for you. If you could provide to the committee the same type of information for fiscal year 1965 as you have given for all the other fiscal years indicated, we would be very grateful.

Secretary MCNAMARA. I will check the record and see if that is possible.

Mr. PASSMAN. If it is not possible, there has been some change in the rules.

Secretary MCNAMARA. There may have been a change in the procedure by which the budget is submitted.

Mr. RHODES. Could we have a corrected table, in lieu of the table on page 139 of last year's hearings?

Secretary MCNAMARA. Yes.

(The table supplied follows:)

[In millions]

	Estimate submitted to Bureau of the Budget	Executive branch request	Appropriation
Fiscal year:			
1956	(1)	$1,442.2	$1,022.2
1957	$3,024.8	3,000.0	2,017.4
1958	2,500.0	1,900.0	1,340.0
1959	1,950.0	1,800.0	1,515.0
1960	2,000.0	1,600.0	1,300.0
1961	2,346.8	2,000.0	1,800.0
1962	(2)	1,885.0	1,600.0
1963	1,700.0	1,500.0	1,325.0
1964	1,477.0	1,405.0	1,000.0
1965	1,000.0	1,000.0	

[1] Not available.
[2] Estimate to Bureau of the Budget was combined with other assistance and the military assistance portion was not separately identified.

Mr. MINSHALL. Who would be responsible for erroneous figures?

Secretary MCNAMARA. Undoubtedly someone who was reading the record and filled in the request for insertion in the record.

Mr. MINSHALL. Would that be someone in your office?

Secretary MCNAMARA. Someone in my office, undoubtedly.

Mr. PASSMAN. Mr. Secretary, I think this committee is entitled to know at what levels you considered this request—your office, the Bureau of the Budget, and the President. It is not quite fair to the committee and the Congress to have the President come down and ask for $1 billion and then have the record show it is an inadequate amount. I think we should clear this matter up.

Secretary MCNAMARA. I think it is clear.

Mr. PASSMAN. Not as far as I am concerned.

NEW OBLIGATIONAL AUTHORITY FOR FISCAL YEAR 1964

Secretary MCNAMARA. Let me clarify for you. The record is very clear that the executive branch for several years has requested more funds than the Congress authorized and appropriated. Specifically, last year the President requested $1.405 billion and the Congress appropriated $1 billion. There can be no responsibility for the cut of $405 million other than on the shoulders of Congress.

Mr. PASSMAN. I share that part partially, because you had $1.2 billion.

Secretary MCNAMARA. We had $405 million less than the executive requested.

Mr. PASSMAN. I want the record to show that, with your overcharging in the past, you had a squeezeout.

Secretary MCNAMARA. Let me rephrase——

Mr. PASSMAN. I am going to say it is a statement of fact. It is right here in the book. It shows your total grant-aid military program was $1.2 billion. If that is not a statement of fact, they are your figures and not mine.

Secretary McNamara. It is not a statement of fact. The implications is we requested $1.405 billion and we have $1.2 billion. That is definitely not the fact. The fact is, we requested $1.405 billion in new obligational authority. We disclosed to the committee at the time we expected recoupments of $125 million. We requested the committee at the time to reappropriate approximately $25 million, and therefore we were talking about a program of $1.555 billion. We were cut $405 million, taking it down to $1.150 billion. That is the program today.

We hope to have a transfer of $50 million from economic aid to military assistance, which will make a total of $1.2 billion. That is a $355 million reduction after the transfer of $50 million, from the program presented to the Congress.

That is the fact, and that is the proper way to state the fact.

Mr. Passman. You state it as you wish. I reserve the same privilege. I state you have $1.2 billion in new obligational authority for fiscal year 1964 if you get the $50 million.

Secretary McNamara. We do.

Mr. Passman. That is all I said.

Secretary McNamara. That is $405 million less than was requested by the President.

Mr. Passman. I made one statement. I read into the record that you had $1.2 billion, and I did not elaborate beyond that point. You said I had not made a statement of fact.

QUESTION OF ADEQUACY OF MAP FINANCING

Secretary McNamara. I want the record clear that the amount we have today is $405 million less than the President requested for fiscal year 1964. That is statement No. 1. Statement No. 2 is that we face serious deficiencies, worldwide, particularly on the borders of Greece, Turkey, Iran, India, South Korea, and the Republic of China, in free world forces versus Communist bloc forces. This is not solely my opinion. This is the opinion of our unified commanders. It is the opinion of the Joint Chiefs of Staff.

I fully recognize that last year this committee appropriated $1 billion against an authorization of $1 billion. I am not charging this committee with failures in the past, and I am not predicting failures in the future. I am stating that the military assistance program of this Nation has not been adequately financed.

I think your interest is as great as mine in maintaining the security of this Nation. Neither you nor I will serve our Nation if we confuse the picture. The fact is, national military security of this Nation in terms of military assistance is not being properly maintained, and whatever you may say, Mr. Chairman, about my responses to your questions cannot distort that point. I think your interest is as mine—to throw light on the facts.

The facts are that the military assistance program has been inadequately financed. We have serious material deficiencies in it, worldwide. This statement is supported by all of the senior military and civilian officials of our Government.

Mr. Passman. With reference to points of contention today, tell us where this train stops and when it starts again.

Secretary McNamara. You know very well the point we are talking about in the presentation to the Bureau of the Budget is a minor technical problem. General Fuqua's statement on the condition of our allied forces is not a minor technical problem. General Taylor has testified to the seriousness of deficiencies in allied forces. So have General Norstad and General Lemnitzer; and I have testified to it. Every one of us has indicated the Greek and Turkish forces are deficient. It is a military fact. It is a fact that you, as a citizen of this country, should be aware of.

If there is any question on this, we should spend the rest of the week discussing it, because I do not believe any one of you wish our Nation ill defended. We are ill defended today in that area of the world.

Secondly, as to General Fuqua's retirement, I know nothing about it. General Wood has told you the circumstances. It has nothing to do with his testimony, erroneous as it was.

I have no desire to argue minor points. I do not think you do, either. I will stay as long as necessary, whether it is 1 day, 1 week, or 1 month before this committee to discuss the major points.

It seems to me the record ought to concentrate on the major points and not the minor points. The major points are, the military assistance program of past years has not adequately provided for the defense of our allies and, therefore, it has not adequately provided for our own defense. It seems to me that is the issue you face, that is the issue we are discussing, and I would like to see a thorough discussion of that, and we are willing to stay as long as necessary for that purpose.

Mr. Rhodes. You have scared me to death, literally.

You come in here and do something I never thought I would see you do. You are saying you have substituted someone else's decision for your own. You have told us that the $1 billion is not adequate for this program, and yet that is all you are asking for. You say in your judgment this is all you can get, and you would come closer to getting this full amount than you would if you asked for more.

I do not know what you use for a crystal ball. This Congress is just as worried about our defense as anyone could possibly be. If we need $1.4 billion, as you stated, to provide for the force requirements for our situation as far as the MAP is concerned, I do not know of anyone who would not vote for it. We cannot appropriate that amount as long as you come up here and say you need $1.4 billion, but you will only ask for $1 billion.

I suggest you ask the President to prepare a message which adequately portrays the need of the military assistance program, and let Congress decide whether or not you are correct.

Secretary McNamara. We have done that in previous years. The cuts were so serious that we achieved less with the program as it was passed than we would have had we gone in with it as the original program.

Mr. Rhodes. How can you be sure of this?

Secretary McNamara. There is no question about that.

Mr. Rhodes. I think there is a definite question.

Secretary McNamara. We had 6 months of the fiscal year past when we were cut 30 percent on a program with as much detail as this.

Mr. RHODES. You are like the preacher who preached to his congregation about more people coming to church. The ones that were there were not the ones he needed to preach to. This committee gave you $1 billion last year, which is every cent we were authorized to appropriate.

Secretary MCNAMARA. You did.

Mr. ROONEY. I was for more.

Mr. RHODES. I would have been for more, also.

Mr. CONTE. Jerry Ford and I fought for more.

Mr. ROONEY. I think Mr. Ford, you and I were the only three who felt that way.

Mr. PASSMAN. I supported the $1 billion.

Mr. RHODES. I, for one, believe if you say that the $1 billion is not adequate for the defense of this country, you mean exactly what you say.

Secretary MCNAMARA. That is correct.

Mr. RHODES. I am completely uneasy about an executive program which does not ask the Congress to do those things which are adequate for our defense.

Secretary MCNAMARA. The Congress can authorize and appropriate in excess of that amount.

Mr. RHODES. But this committee cannot appropriate any more than is authorized.

ADDITIONAL FUNDS FOR FISCAL YEAR 1965 SUGGESTED

Secretary MCNAMARA. All I ask is, that you support wholeheartedly the $1 billion. I was told by two members of this committee 40 minutes ago the chances are we are not going to get the $1 billion, not necessarily by action of this committee but by action of the Congress. All I ask of you gentlemen is that you give us your wholehearted, earnest, effective support through the authorizing and appropriation process for $1 billion.

Mr. PASSMAN. Then you are satisfied with $1 billion?

Secretaray MCNAMARA. I have told you already, Mr. Chairman, that we need more than $1 billion to meet the equipment requirements.

Mr. PASSMAN. How much more?

Secretary MCNAMARA. We need at least $400 million more. I want to emphasize that I would prefer to request $1 billion and receive $1 billion, by far, than to request $1.4 billion and receive $1 billion. I cannot effectively manage a $1 billion program when in the seventh month of the fiscal year the program is cut from a request of $1.4 billion to $1 billion. It is absolutely impossible to manage efficiently a program with as much detail in it as this one, on that kind of basis.

This is what we have discussed with leading Members of Congress. They have told us there isn't any chance of getting $1.4 billion; and that we would be lucky to get $1 billion. If that be the case, you will be better served, and our public will be better served, if we ask for $1 billion and receive $1 billion. This is one of the elements of sound management.

Mr. PASSMAN. In the past you have asked for a large amount, knowing it would be cut. This year you come along and ask for a substan-

tially lower amount, expecting it to be cut, because you have so indicated. It does not add up.

Would it be possible for you to get what figures were discussed before you finally came up with the $1 billion request? If this is as important as you indicate, and $1 billion is not adequate, would it not be better to shift the money from economic aid to the military part? The President can amend the request.

Secretary McNamara. Mr. Chairman, I am confident we are following the recommendations of leading Members of Congress. I propose to stay with the $1 billion.

Mr. Passman. I think our record is made.

Mr. Rhodes. I am still disturbed that the Secretary is taking the judgment of some people, whom he calls the leaders of Congress, as against his own. You are the expert in this field of military assistance, and you are the only one who can tell us what we need.

You have come to the committee and told us that although the program you put forward is not enough for the safety of the country, nevertheless, you will give up adequacy for what these so-called congressional leaders call a greater certainty as to the amount to be appropriated. Aren't you beaten before you start, since even if you get everything you ask for, its not enough? Is this advantageous to the program?

Secretary McNamara. I have told you that I cannot spend $1 billion optimumly or efficiently unless I have notice that that $1 billion is to be available to me before the seventh month of the fiscal year and unless I have planned the details of the program around $1 billion by the seventh month instead of around $1.4 billion. We just cannot manage a program with as much detail as this efficiently when we are cut 30 percent in the seventh month retroactive to the first month. It cannot be done. This is our problem.

If you feel it can be done, I would like to have you show me how.

Mr. Rhodes. I hope these leaders of Congress did not tell you we were going to be in session as long as we were last year.

Secretary McNamara. They said if you come in at $1.4 billion, it will be cut to $1 billion. If that be the case, we should come in with $1 billion and plan a program at that level. I think it is wrong, and I do not mean to appear critical of your procedures, to receive budgets time and time and time again and cut them 30 percent. This leads to padding of budgets, or alternatively, in our case, complete recasting of programs late in the process, and without adequate consideration. It is wasteful.

Mr. Rhodes. I agree. I think the authorization was too low last time. But, except as one Member of Congress, 1 out of 435, I had nothing to do with it, and neither did the members of the subcommittee. We gave the $1 billion which we were authorized to give.

It would have warmed my heart, Mr. Secretary, if you had come to us and said, "You gave us everything we asked for last year. We are asking for what we think is an absolute minimum for the force objectives for this program, and we hope you will repeat last year's performance."

Secretary McNamara. It would have warmed my heart had I been able to do it. If we had had an appropriation of $1.405 billion last year, we would not be in this problem today.

REDUCTION IN FISCAL YEAR 1965 BUDGET BY DEPARTMENT OF DEFENSE

Mr. RHODES. Let me ask you this question. Did the cut from $1.4 to $1 billion occur in your shop, or in the White House?

Secretary MCNAMARA. My shop.

Mr. PASSMAN. I want to say, Mr. Secretary, that the reason this program has been cut was because, according to the record, it has been overfinanced in previous years.

Here is one year [indicating] where the MAP budget was reduced by 37.33 percent. In the following year it was cut by $982,500,000. That was the year, I believe, when you had unobligated funds in the amount of $538 million.

I do not agree with you that the program has been underfinanced. There is no record that will back it up.

I think it is plain why the President asked for only $1 billion. If you gentlemen are so very determined you need more money, we are entitled to the information as to your reasons.

Secretary MCNAMARA. It is my responsibility to go into the details by country. I did so. I went into them sufficiently to determine that we are short of equipment in important areas. The Chiefs of Staff did the same, I might add.

Mr. PASSMAN. Thank you for now, gentlemen. We shall ask you, Mr. Secretary, to be with us again tomorrow.

Secretary MCNAMARA. Yes, sir.

Mr. PASSMAN. We shall recess until tomorrow at 1 p.m.

TUESDAY, MARCH 24, 1964.

Mr. PASSMAN. The committee will come to order.

I have spoken to every member of the subcommittee, with the exception of, I believe, three, asking whether or not they had been consulted subsequent to the passage of the foreign aid appropriation bill last year about the fiscal 1965 budget request and those with whom I talked, wihout exception, said they had not been approached concerning the matter by the executive department. And certainly at no time since the fiscal year 1964 appropriation bill passed the House have I been approached by any individual in the executive branch requesting my views or opinions as to the dollar magnitude of the military assistance program for fiscal 1965. We conduct hearings which are intended to get all the pertinent facts that we can, and I think that we have a most reasonable subcommittee of 11 members and a full Committee on Appropriations of 50 members.

We are certainly going to continue, as in the past, to evaluate this program in the light of the testimony presented and other available facts, and we hope that in the end whatever amount the committee recommends for the entire program will be adequate to meet the needs.

SUMMARY OF VIETNAM SITUATION

Mr. Secretary and General Taylor, I might address this request jointly, because only recently you made a trip to South Vietnam, accompanied by Mr. Bell, the AID Administrator. If you would com-

ment briefly on the situation in Vietnam, the committee would be pleased to hear from you.

Secretary McNamara. I will be very happy to, Mr. Chairman.

Mr. Passman. Thank you.

Secretary McNamara. The situation as we found it is as follows: We believe that the military tools and the concepts which the Government of South Vietnam and the United States have employed are generally sound and adequate. We think some improvements are required, as I will mention in a moment.

We believe that the U.S. policy in reducing U.S. military personnel in South Vietnam as the Vietnamese become capable of carrying on the logistical training and other programs which we are presently supplying to them is sound and should be continued.

As to the situation itself, I believe it has been unquestionably growing worse since last September. This deterioration can be measured in a variety of ways.

In terms of Government control of the countryside, for example, while very difficult to measure and perhaps open to question in any specific detail, I believe that about ——— percent of the countryside is either under Vietcong control today or under their predominant influence and this percentage rises above ——— percent in that very important crescent of provinces south of Saigon.

In that area the percentage of area controlled by the Vietcong, I emphasize area as opposed to population, may be somewhere between ——— and ——— percent.

Second, as to another indication of the deterioration, I think that there are large groups of the population today that are showing signs of apathy and indifference. You can measure this in terms of desertion rates or in terms of draft dodging or in terms of the obvious morale or lack of morale of the militia forces.

I think in the past 90 days there has been some noticeable weakening of the Government position; that is to say, since roughly the first of November, or mid-November———

(Discussion off the record.)

Secretary McNamara. Another factor affecting the present situation that must be recognized is that the political control structure in a country which extends from Saigon down through the provinces and the districts and into the hamlets has, in certain cases, practically disappeared following the November 1 coup and you can measure the deterioration of the political control structure by such factors as the shifts in the number of provincial governors.

(Discussion off the record.)

Secretary McNamara. Furthermore, almost all of the major military commands have changed hands twice since the first of November. You can imagine, therefore, the disorder and confusion that resulted because of these administrative changes.

Another factor of importance in the present situation is the very strong, continued support of the insurgency movement by the North Vietnamese. You can measure this in various ways. One of the significant facts is we have encountered in the last few months weapons of higher caliber than we had seen previously—weapons supplied by

the North Vietnamese, including 75 millimeter recoilless rifles, manufactured by the Communist Chinese, large stocks of machineguns and ammunition of Chinese manufacture.

We captured in one attack on the 24th of December 5 tons of ammunition, 90 percent of which was of Chinese Communist manufacture. I think the greatest factor of uncertainty in the present situation, at least when we arrived in South Vietnam, was the untested Khanh government. You recall he took control on January 30. We feared that his control might be weak and subject to change at almost any time. Investigation on the scene, including consultation with all of the leading U.S. representatives, military and civilian, convinced us that General Khanh does have the general support.

(Discussion off the record.)

Secretary McNamara. On the positive side there are many favorable factors. Khanh himself, I felt, based on previous trips, is one of the most active, most aggressive, most imaginative, ablest of the senior military leaders in South Vietnam. He is only 37 years old. He has had little political experience, but despite those handicaps he brings an active, imaginative, energetic personality to the position of head of state. He has already instituted a number of reforms. He has laid out a national mobilization plan. He is taking his story to the people. He recognizes that the defeat of the Vietcong in the long run depends on political and economic action, at least as much as it does on military action.

We discussed with him and agreed upon a program of increased effort by the Vietnamese, and increased support by the United States.

This program would include, for example, increasing the strength of the regular and paramilitary forces. It would include reorganizing certain of the paramilitary forces. It would include changing the compensation of some of the forces in order to improve the pay of those who are actually bearing the brunt of the casualties today. It would include substantially improving the Vietnamese Air Force. It would include additional forms and quantities of equipment for both their army and their air and naval forces. It would particularly include action to increase the productivity of their rice farms, by adding fertilizer in quantities above those previously programed.

There are a number of other actions that we proposed as well.

All of these have been approved by the President and action is presently underway to implement them. This course of action we proposed was one of four we considered. Some critics of our present policy have suggested we should withdraw from Vietnam. We think that would be disastrous to our own security. The Domino theory has been expressed before but it is as true today as it was when President Kennedy mentioned it publicly a year or two ago. If South Vietnam accommodates itself to the Communists, almost surely the effects would be felt throughout the rest of southeast Asia, as far west as Pakistan, as far east as the Philippines, and down through Indonesia.

A second possible course was to negotiate a neutral position. This is tantamount to withdrawal. It is inconceivable that the Chinese Communists would support or allow neutralization of North Vietnam without neutralization of South Vietnam, negotiations leading to

neutralization of South Vietnam would be tantamount to turning over control of that country to the Communists.

We discard any thought of that solution.

Another alternative is to engage in a bigger war to carry the war to the north, to attack in North Vietnam, either using South Vietnam Forces or U.S. Forces. This course of action—its implications and ways of carrying it out—has been carefully studied.

As General Khanh himself expressed his policy, he felt it was essential we give priority at present to securing the rear base area.

(Discussion off the record.)

Secretary McNamara. This, then, led us to the program of expanded effort by the South Vietnamese in South Vietnam and expanded assistance by this Government.

I think, Mr. Chairman, that completes my brief summary. I am sure you would like to hear from General Taylor.

Mr. Passman. We certainly would. General Taylor, may we hear from you?

General Taylor. I have very little to add, Mr. Chairman, except I came back feeling the cause is by no means lost in South Vietnam. I think there has been perhaps an undue pessimism expressed in our press and sometimes in our discussions here in Washington. I found in time of war that the confidence is always highest in the frontline, and usually diminishes as you go back to the rear posts. I think we are in somewhat of a similar relationship here in Washington as we view the problem in South Vietnam.

Clearly there is a possibility of improving what we have been doing in the past by taking the measures within the country itself which the Secretary has recommended to the President.

(Off the record).

Mr. Passman. Thank you very much, General Taylor. I think the American public to a very large extent shares the views expressed by the Secretary and yourself, and I think that the support that you need and have asked for will be forthcoming.

I either read in the press or heard from some source that a statement was made to the effect we were losing the war in South Vietnam because of the actions of this committee. Although I did not pursue the matter, I thought possibly we should indicate for the record at this point a statement made on February 2, 1964, and I think it was by General Taylor, and I quote:

> Our whole approach to the problems as you indicate is we are there to advise and counsel and in some cases to provide equipment which cannot be transferred immediately to South Vietnam.

Mr. Andrews. Are the local officers following the advice of our troops?

General Taylor. In the vast majority of the cases although the problem is a somewhat difficult one. Our officers cannot command. They can advise, persuade and by their professional competence, earn the loyalty of local commanders. In the vast majority of cases that is being done. For that reason we are very selective in sending out our advisory personnel.

Mr. PASSMAN. General Taylor, I shall quote from your testimony before the Department of Defense Subcommittee on February 18, 1964, in support of the fiscal year 1965 defense appropriation request:

> I always ask General Harkins when I go out there, and by mail, is there anything in the United States that you need, that you have not got? There has never been a request from South Vietnam that has not been granted.

I thought we would like to have that information in the record. It certainly indicates that we have been fair and there has been no shortage of anything that has been needed.

Secretary MCNAMARA. Mr. Chairman, may I add to that, however, so the record will be completely clear——

Mr. PASSMAN. What have I left out that was not clear? I read this verbatim.

Secretary MCNAMARA. You did not read the remaining portions of the record.

Mr. PASSMAN. I did not, of course, read all the testimony before the Defense Appropriations Subcommittee.

Secretary MCNAMARA. You did not read the remaining portions of the testimony before that same committee which bear on this particular matter.

Mr. PASSMAN. Go ahead and add to it, as you see fit.

Secretary MCNAMARA. Thank you. Admiral Felt recommended ammunition for South Vietnam for fiscal year 1964 in the amount of, if I recall correctly, ——— million. Because of the cut in President Kennedy's request for military assistance from $1,405 million to $1 billion, Admiral Felt's recommended expenditure of ——— million could not be financed in my opinion, at the time within the limits of the billion dollars. Therefore, I cut his ammunition proposals for South Vietnam in half. However, recognizing that we must have on the scene adequate ammunition, and recognizing that if necessary we should have to finance that ammunition outside of the limits of the military assistance program, even though it is the clear intention of Congress that that military assistance program shall be the source of such funds, I instructed the Army to deviate from the accepted procedures, if necessary, to ship the Army's ammunition stocks, financed by the other portions of the Defense budget, to South Vietnam and to be prepared to make those available to General Harkins. I cite this because it is very clear to us that we cannot finance the fiscal year 1964 South Vietnamese military program within the limits of the $1 billion military assistance program unless we are either to do serious violence to other military assistance programs, for which we have outstanding commitments, or alternatively, deviate from accepted procedures within the Department, as I have just outlined.

This statement I made to the committee on the same day as they heard the testimony you have just inserted in the record.

Mr. PASSMAN. It would appear that in fiscal year 1963 you had an estimate for South Vietnam of ——— but you programed more than twice that amount.

In 1964 you had an estimate of ———. You have programed much more than that amount. That is the record. I cannot change it.

Thank you very much.

Secretary McNamara. I think in order to understand that record you must recognize that when we are dealing with a war we are dealing with an unpredictable situation. As I have already told you, we have included in the fiscal year 1965 program of $1 billion, approximately $143 million for South Vietnam. I doubt very much that will be adequate. I am sure you would not wish us to stop fighting the war if it proves inadequate.

Mr. Passman. I do not think I said that, Mr. Secretary.

Secretary McNamara. May I continue?

Mr. Passman. We want you to continue.

Secretary McNamara. May I state I do not believe this committee would wish us to stop fighting the war if the fiscal year 1965 estimate for Vietnam, which we discussed yesterday at great length, proves inadequate.

If it does prove inadequate, we will have to increase it.

Our national interests require it. We cannot leave U.S. military personel out there without providing adequate firepower and ammunition to the forces they are advising. I shall certainly increase the amount for Vietnam by one means or another. Funds are not available within the billion dollars requested to increase that amount without seriously and adversely affecting the military assistance programs applied to other countries or alternatively, without deviating from accepted procedures by transferring U.S. domestic stocks as we have prepared to do in fiscal year 1964. So the fact that in fiscal year 1963 an unanticipated war situation caused us to increase the expenditures higher than were estimated 12 or 15 months beforehand and that the same thing happened in fiscal year 1964, and that in my opinion the same thing will happen in fiscal year 1965, in no way casts doubt upon the integrity of the military assistance program presented to the Congress by the President.

Mr. Passman. Mr. Secretary, there has been a war in South Vietnam in fiscal 1963 and there has been a war in South Vietnam during fiscal year 1964. There is a war in South Vietnam now. I just want to know if I read into the record the correct figures; that in 1963 you did submit an estimate to the Congress for ——— and you programed $202.5 million. In fiscal year 1964 you submitted an estimate to the Congress for ——————— and you have programed $205.3 million.

Secretary McNamara. I do not believe so, Mr. Chairman.

I believe that the correct figures for fiscal year 1963 is $211.5 million.

Mr. Passman. Do you have this figure, $205.5 million that you submitted to the Congress? I am taking this figure out of the justifications. The ——— million estimate for 1964 actually is now $205 million or $211 million.

Secretary McNamara. No. I said for fiscal year 1963, Mr. Chairman.

Mr. Passman. For fiscal 1963 the estimate was ———.

Secretary McNamara. That is correct.

Mr. Passman. And you programed——

Secretary McNAMARA. I stated it was $211.5 million.

Mr. PASSMAN. $211.5 million even?

Secretary McNAMARA. Yes, sir.

Mr. PASSMAN. In 1964, am I correct in stating you had an estimate of ———?

Secretary McNAMARA. It was ——— million something, I believe that is correct.

Mr. PASSMAN. All right. That is good enough.

Your program shows $205.3 million. When you finalize the program, what will it be?

Secretary McNAMARA. We believe that to be the best estimate available at the time. It is now $209.2 million.

Mr. PASSMAN. Last year when they gave us the estimates for fiscal year 1963 they gave us ———.

Secretary McNAMARA. Yes. That was before the end of the fiscal year and the final figures showed $211.5 million. You asked if the figures were correct.

Mr. PASSMAN. I wanted to get the latest correct figures in the record.

Secretary McNAMARA. We will be happy to insert them.

NOTE.—The correct figure is that given by Secretary McNamara during the hearings.

Mr. PASSMAN. Thank you very much, sir, and thank you very much for your statement, General Taylor. What you have said is quite reassuring.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Yes, of course.

Mr. RHODES. In your summary for fiscal year 1965, you show for Vietnam $143.1 million. Is that firm as far as you know at this time?

Secretary McNAMARA. It is the best estimate we can give, Mr. Rhodes. ———. There is in the $143.1 million something on the order of $——— for ammunition, and we are expending today at the rate of ——— million a month, ——— million a year, so very clearly either the $143.1 million is wrong, and will have to be raised, or alternatively, the level of ammunition expenditures will have to drop significantly.

Mr. RHODES. I could not help but wonder why you cut the item of ammunition for Vietnam a higher percentage than the total cut bears to the total appropriation. You cut that item 50 percent.

Secretary McNAMARA. Yes.

Mr. RHODES. And the total appropriation cut was about 30 percent.

Secretary McNAMARA. Yes, because we felt we could provide some insurance more easily in relation to that ammunition expenditure than we could, let's say, for aircraft that had been programed for South Korea, and I therefore asked the Department of the Army, working with Admiral Felt, to realine our ammunition stocks owned by the Army, not financed by MAP, in such a way as to make them readily available to South Vietnam in the event we ran out.

General TAYLOR. I might interject this comment, going back to the quotation you read to me, Mr. Chairman, obviously General Harkins never knows how these things are done back in Washington. He re-

ceives the end product. He does not know the very complex fiscal arrangements sometimes necessary to support him.

Mr. MINSHALL. Who is this, General Harkins?

General TAYLOR. Yes.

Mr. RHODES. You will recall a few years ago, Mr. Secretary—you were not in the Government at that time—the U.S. Navy received a rather drastic cut in certain parts of their appropriation and instead of closing up something that was not strategically important they pulled a crusier off of the DEW line and thereby dramatized the situation. If I wanted to dramatize a cut in this total appropriation, I would cut down on ammunition for a hotspot like Vietnam. That is the only reason I point this up. I would not accuse you of this.

Secretary MCNAMARA. I think that is a very reasonable question: Did we choose the ammunition in order to dramatize the situation? The answer is, "Absolutely not." We chose it because it was an item for which we could provide reasonable insurance more readily than if we were to cut such an item as ——— aircraft for Korea.

As you know, the ammunition cut was something on the order of 50 percent. The average cut was 30 percent. So it is not very far out of line, and, moreover, the other cuts which we discussed briefly yesterday—I have a complete list of these—were all the kinds of items we could not reduce and yet provide "insurance" in the way we are protecting against a potential ammunition shortage.

Mr. RHODES. You say it is not far out of line. It is ——— million out of a total item of ——— million.

Secretary MCNAMARA. Yes.

Mr. RHODES. That is rather sizable.

Secretary MCNAMARA. But if you look at these other items, there was just no possible way of protecting free world security without providing them from the military assistance program: APC's, MK–44 torpedoes, helicopters, 105-millimeter howitzers, vehicles, caliber .30 rifles, and similar items. There is no way of protecting against a shortage of them in the way we are protecting against a shortage of ammunition with U.S. stocks.

Mr. RHODES. I would like to go off the record a minute.

Mr. PASSMAN. Yes, sir.

(Discussion off the record.)

SITUATION IN VIETNAM

Mr. MINSHALL. Back on the record a minute. Mr. Secretary, you made a statement in response to the chairman's query about how things were going in South Vietnam. You said that they are unquestionably worse since last September. I presume from that you meant they were deteriorating and are deteriorating today, but yet you say our concepts are sound and adequate. These seem like inconsistent statements to me.

Secretary MCNAMARA. I think not. The basic approach we have to counter guerrilla operations is sound. It is a combination of political, economic, and military activities. The situation has deteriorated because of the instability in the Government. There have been three governments in 4 months. I outlined to you the number of changes

in both the political administration and the military administration that have been associated with those changes in governments. In our minds, this is the primary factor that has caused the situation to deteriorate.

Mr. MINSHALL. They are all factors, and when you consider whether we are winning or losing the war, whether we are winning or losing in the battlefield, or winning or losing the government end of it, based on that overall picture, are we winning or losing the war today in South Vietnam?

Secretary MCNAMARA. I think that Khanh is giving the political, economic military programs more aggressive leadership than his predecessors did.

Off the record.

(Discussion off the record.)

Mr. MINSHALL. What is going to bring that change about?

Secretary MCNAMARA. The programs which General Khanh presently has underway.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. MINSHALL. As you well know, Mr. Secretary, I have interrogated all the Chiefs on this same question, when they were before our Defense Appropriations Subcommittee, from McDonald and Wheeler and LeMay and Greene and they all agreed, and I think, to quote General LeMay, he said, "We are swatting flies when we should be going after the manure pile."

They all were of the opinion that unless we did something over there in the matter of the next several months that we were going to be in very serious shape.

(Discussion off the record.)

Mr. MINSHALL. Today's March. You are going to give——

Secretary MCNAMARA. I would say a matter of months. I am not going to predict an exact date.

Mr. MINSHALL. I hope you don't put political considerations on this.

Secretary MCNAMARA. No.

Mr. MINSHALL. I am sure you wouldn't. This is too vital to our national interest. I am not insinuating that you would. I want to make that very clear.

Off the record.

(Discussion off the record.)

Mr. MINSHALL. General, would you care to comment on that? You have talked to your cohorts on this.

General TAYLOR. Many times. This is a subject of almost daily consultation.

(Discussion off the record.)

Mr. MINSHALL. May I ask you the same question I asked the Secretary? Do you feel we are winning or losing the war in South Vietnam?

General TAYLOR. It is too early to say. The Vietnamese situation has gone downhill in the period following each of the two coups. I have the feeling that General Khanh has the capability of reversing this trend. He is a good leader.

Mr. MINSHALL. As of the day of this hearing we are still going downhill?

General TAYLOR. I would not say that. I do not know. There are too many indicators which conflict.

Mr. PASSMAN. Mr. Andrews?

CAMBODIAN INCIDENT

Mr. ANDREWS. Mr. Secretary, recently a town, I believe it was 4 miles over the Cambodian border, was attacked. What has been the repercussion of that? I noticed where our Secretary of State has apologized. Was it deliberate or a mistake? What could you tell us about it?

Secretary MCNAMARA. It was an error in interpreting the maps with which the troops were equipped, Mr. Andrews. The South Vietnamese had undertaken an extensive clearing operation along the Cambodian border to attempt to move out of the area Vietcong elements which appeared to have their bases there from which they moved further into South Vietnam. It was an active, energetic, aggressive act to take the war to the Vietcong instead of waiting to be hit by them. The border is not marked, of course. They simply misinterpreted the map and their relationship to the border. As soon as they discovered their mistake, they withdrew. Certain air operations carried on under the same illusion.

We have expressed our regret to the Cambodian Government, as have the South Vietnamese.

Mr. ANDREWS. Do you think that will be the end of it?

Secretary MCNAMARA. I cannot say. The Cambodian Government appears to recognize that it was an honest mistake and discussions relating to that border and possible control of it are going on right now between representatives of the South Vietnamese and the Cambodians.

Mr. ANDREWS. Thank you.

Mr. MINSHALL. Mr. Chairman, I would like to say off the record——

(Discussion off the record.)

INFORMATION PREVIOUSLY SUPPLIED ON MAP BUDGET REDUCTIONS

Mr. PASSMAN. We asked yesterday about the requests going to the Budget Bureau or the Executive and the information which was inserted in the record. Did you ascertain whether or not the insertions were correct?

Secretary MCNAMARA. Yes; I did, Mr. Chairman. I do not believe they are correct.

Mr. PASSMAN. Who inserted the information in response to our request?

Secretary MCNAMARA. I believe it was representatives of the Defense Department. I do not know the name of the individual but I assume——

Mr. PASSMAN. If they are incorrect——

Secretary MCNAMARA. May I?

Mr. PASSMAN. I am asking, if the figures are incorrect, do you not think the committee is entitled to know who inserted them?

Secretary McNamara. Yes. If you had allowed me to complete my sentence, I would have stated that I do not know the specific name of the individual. It isn't possible to find it from the papers in our files, but I personally assume full responsibility for the actions of all people in the Department.

You can therefore charge the responsibility to me.

AMOUNT OF DEPARTMENT'S FISCAL YEAR 1965 ESTIMATE FOR MILITARY ASSISTANCE

Mr. Passman. We asked you yesterday if you were in position to ascertain whether or not the committee could find out the amount at different levels, at least the budget request.

Secretary McNamara. The——

Mr. Passman. Corresponding with the same information we requested last year.

Secretary McNamara. As I told you, Mr. Chairman, the information as it is printed in the record is not correct. I would be quite happy to correct it for you now if you wish.

Mr. Passman. Let us deal now with fiscal year 1965.

Secretary McNamara. You will have to understand the previous years, Mr. Chairman, in order to understand my answers to fiscal year 1965.

Mr. Passman. Insert whatever you want to in the record. But, for now, are you privileged to give us the amount of the original budget request for fiscal year 1965?

Secretary McNamara. The budget request was not given to you for prior years. The figures that are alleged to be budget requests are estimates furnished by the Defense Department for general financial planning purposes. I will be very happy to give you the same figure for fiscal year 1965.

Mr. Passman. What is that figure?

Secretary McNamara. The figure is $1 billion.

Mr. Passman. $1 billion?

Secretary McNamara. Yes, sir.

Mr. Passman. So that——

Secretary McNamara. May I refer to the document in which that was presented to the Bureau of the Budget?

Mr. Passman. Insert it in the record if you would like.

Secretary McNamara. I would like to refer to it if I may. It was a letter from me to the Director of the Bureau of the Budget, January 10, estimating that the military assistance program for fiscal year 1965 would require a billion dollars in new obligational authority.

Mr. Passman. So the estimate submitted by you to the Budget Bureau or the Executive was $1 billion?

Secretary McNamara. That is right.

Mr. Passman. That is the amount that came to Congress.

Secretary McNamara. That is right.

Mr. Rhodes. Was that January 10, 1964?

Secretary McNamara. Yes, sir.

Mr. Rhodes. Wasn't there a previous figure for planning purposes?

Secretary McNamara. No, sir; I do not believe so. I haven't in the limited time available fully checked all of the records. This is the same letter that carries the estimates for the rest of the Defense Department.

Mr. PASSMAN. You tell the committee that with regard to inaccuracies you will take the responsibility and we, therefore, do not know the name of the individual. We do not know the reasons why they put inaccurate information in the record.

Secretary MCNAMARA. Mr. Chairman, it was a misunderstanding. I can clear it up for you very readily if you will allow me the opportunity to do so.

Mr. PASSMAN. You have never been deprived of an opportunity of such nature. You may proceed.

Secretary MCNAMARA. Thank you very much. The misunderstanding arose because of the use of the word "request" submitted to the Bureau of the Budget. The figures that are inserted in the record are not requests submitted to the Bureau of the Budget. They represent estimates submitted to the Bureau of the Budget for financial planning purposes.

Mr. PASSMAN. Are the figures correct so far as the estimates are concerned?

Secretary MCNAMARA. The figures represent the estimates submitted to the Bureau of the Budget by the DOD.

Mr. PASSMAN. So far as they go, the figures were correct. If they had changed the heading they would have been correct?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. How should the heading read?

Secretary MCNAMARA. "Estimates submitted to the Bureau of the Budget."

MILITARY AID CHAIN OF COMMAND

Mr. PASSMAN. What is the chain of command?

Secretary MCNAMARA. The chain of command, Mr. Chairman, is from me to the Joint Chiefs of Staff and from them to the unified commanders.

Mr. PASSMAN. What part does General Wood have in this program?

Secretary MCNAMARA. He is a staff assistant to me.

Mr. PASSMAN. Is he the Director of the military assistance program? What is his title?

Secretary MCNAMARA. General Wood, would you give your title?

General WOOD. My title is Director of Military Assistance.

Mr. PASSMAN. Worldwide. Should we feel free to direct any questions pertaining to this program to General Wood after you have left, sir?

Secretary MCNAMARA. Mr. Chairman, you may feel free to direct any questions you choose to him, but I wish to make perfectly clear that the chain of command is from me to the Joint Chiefs of Staff and from the Joint Chiefs of Staff to the unified commanders.

Mr. PASSMAN. This title is valid anyway?

Secretary MCNAMARA. He gave you the correct title.

ROLE OF REGIONAL DIRECTORS

Mr. PASSMAN. Yes, sir.

Thank you very much.

You are not going to be able to come before this committee for 30 days to answer these questions. That is why we are trying to find out who we are going to question when we get into the detailed examina-

tion. Since I have been chairman of this subcommittee, you have had area directors. Do you still have them?

Secretary McNAMARA. They act as assistants to General Wood, but I want to make perfectly clear again, Mr. Chairman, that the chain of command of the responsible commanders is from me to the JCS, Joint Chiefs of Staff, to the unified commanders, unified commanders to their respective MAAG chiefs.

Mr. PASSMAN. You gave us the chain of command previously. Are these people still in the same position they have been in prior years?

Secretary McNAMARA. Yes; they are not in the chain of command, Mr. Chairman, and they are not responsible commanders.

Mr. PASSMAN. What do they do?

Secretary McNAMARA. They assist me in reviewing the requests of the commanders of the unified command.

Mr. PASSMAN. Do they know anything about the areas for which they serve?

Secretary McNAMARA. They have studied them. They are not as familiar with the needs of the areas as are the unified commanders who are in direct command of those areas.

ROLE OF UNIFIED COMMANDERS

Mr. PASSMAN. Would it be safe to ask questions of these area commanders this year, as we have done previously?

Secretary McNAMARA. You may certainly ask questions of them, but the authoritative views would come from the unified commanders, not the ISA regional directors.

Mr. PASSMAN. Who are the unified commanders?

Secretary McNAMARA. General Lemnitzer, Admiral Felt, and others of that type. There are seven.

Mr. PASSMAN. Are we cut off from getting any information——

Secretary McNAMARA. Oh, no; on the contrary.

Mr. PASSMAN (continuing). Unless it comes from you?

Secretary McNAMARA. We are delighted to have the unified commanders appear before you. They appear before many committees of Congress.

The unified commanders are at the disposal of this committee.

Mr. PASSMAN. How many days can you spare?

Secretary McNAMARA. I will spare whatever time the committee wishes on this program.

Mr. PASSMAN. Will you answer the details of the questions?

Secretary McNAMARA. I will be happy to have you ask them of others if you wish. I want it clear the regional directors are not in the chain of command. The unified commanders are. The unified commanders are available to appear before this committee at your convenience.

Mr. PASSMAN. If they say something with which you disagree, will it be a situation then, that you accept the responsibility and they are in error? I am trying to find out whether or not you are shutting this committee off from information unless you give it.

Secretary McNAMARA. On the contrary, Mr. Chairman, I would be delighted to have you ask all of the unified commanders to appear.

Mr. PASSMAN. If they say something with which you disagree, it appears that they are wrong.

Secretary McNamara. I am sure the committee is quite competent to distinguish truth from fiction, error from fact, and that you will make your own judgment on that.

Mr. Passman. We certainly assume that responsibility, and I think we have demonstrated in the past our ability to evaluate this program rather accurately.

I think the record speaks for itself.

Secretary McNamara. I would be pleased to disagree with that past record.

Mr. Minshall. Mr. Chairman, I think in view of what the Secretary has said, it might be advisable to bring the unified commanders in. It wouldn't take 30 days.

Mr. Passman. It appears as if that is the only solution. There is much conflict in the testimony.

With reference to South Vietnam, I quote General Taylor again, to this effect:

> When I go out there, and by mail, I ask General Harkins, "Is there anything in the United States that you need that you have not got?" There has never been a request from South Vietnam that has not been granted.

Secretary McNamara. First, may I comment, Mr. Chairman, upon one of the statements you have made? You have quoted General Taylor as indicating that General Harkins and he believed that all of the equipment required in South Vietnam has been made available to South Vietnam. I think at that same point in the record, sir, you should also recognize that General Taylor has as have I and the other senior military and civilian officials of the Department, including the Joint Chiefs of Staff, unanimously—stated that the cut of $405 million in the fiscal year 1964 program has seriously and adversely affected the equipment of the forces of the Western World on which we depend for our security. I don't think the record should be left unclear on this point.

Mr. Passman. I think this is going to be one of the most "unclear" records imaginable, with regard to the conflicting testimony.

Mr. Rhodes. Have you testified before the legislative committee yet?

Secretary McNamara. No.

Mr. Rhodes. Will you tell them just about what you have told us?

Secretary McNamara. Surely.

Mr. Rhodes. I am sure you will. We are not the ones responsible for this cut.

ESTIMATED MAP PROGRAM REQUIREMENTS VERSUS CURRENT BUDGET REQUEST

Secretary McNamara. I realize that. This committee did not cut the fiscal year 1964 program. It was initially an authorization cut. I do wish this record to be very clear on this point: Every one of the members of the Joint Chiefs, every one of the unified commanders, every one of the senior civilian officials of the Department, myself included, believe we are suffering from inadequate funds in the military assistance program for fiscal year 1964 and that we will suffer even more if the requested $1 billion for fiscal year 1965 is not authorized or not appropriated.

REASON FOR REQUESTING ONLY $1 BILLION IN FISCAL YEAR 1965

Mr. PASSMAN. Why did you not request a higher estimate than this to the Executive? You submitted a request for $1 billion?

Secretary MCNAMARA. Yes. May I repeat what I stated four times yesterday?

Mr. ROONEY. Five.

Secretary MCNAMARA. I stand corrected. The fiscal year 1964 request was submitted by President Kennedy at $1,405 million. The action on that request was finally completed on January 6, in the seventh month of the fiscal year. At that time the request was cut from $1,405 million to $1 billion, approximately a 30-percent cut. It then became necessary for us to completely realine the mass of detail included in this program, retroactive for 7 months to the beginning of the year, and to apply a 30-percent cut during that realinement. It is impossible to manage effectively a program of this magnitude under those circumstances. Waste inevitably creeps into such a program and a less than optimum balance among the countries and the equipment results. To avoid such a situation in fiscal 1965, we consulted with Members of both Houses, members of both parties. It was their advice to us that we cut the request for fiscal year 1965 to the level approved by the Congress in fiscal year 1964. They believed that—

(*a*) We were likely to receive a larger authorization and appropriation as a result of such action than we otherwise would, and

(*b*) There would be less turmoil and less realinement in the program at the time of passage. That, Mr. Chairman, is the reason why we submitted the request for a billion dollars in fiscal year 1965.

Mr. PASSMAN. Mr. Secretary, do you have association and consultation with the State Department and AID on the military aid program?

Secretary MCNAMARA. Yes, we do.

Mr. PASSMAN. You impart information to each other, I should think, with respect to the overall aid program?

Secretary MCNAMARA. The law requires that we coordinate the military assistance program with the Secretary of State.

Mr. PASSMAN. The Congress last year appropriated for fiscal 1964 $3 billion in new money—$1 billion for the military program, $2 billion for the various spigots of economic aid. When they came in this year, they did not stop their request at the same amount that was appropriated last year, at $2 billion. They shot their request up to $2.4 billion. You are familiar with that fact, are you not?

Secretary MCNAMARA. I am not familiar with the details of the AID program.

Mr. PASSMAN. Let me say that they kicked theirs up by $400 million over last year's appropriation, while you kept yours at the $1 billion. They did not hesitate to increase their budget estimate above the amount appropriated for fiscal year 1964.

FISCAL YEAR 1965 MAP BUDGET REQUEST AS SUBMITTED TO THE PRESIDENT

Mr. MINSHALL. Mr. Chairman, I think it was made clear yesterday that the Secretary did recommend a higher figure to the President and then under the cloak of Executive privilege, they preferred not to

disclose such an amount. I wonder, Mr. Secretary, have you obtained permission to disclose your original request?

Secretary McNamara. I don't believe it was made clear yesterday that I recommended a higher figure. I didn't indicate that at all. As a matter of fact, in a low voice I indicated to the contrary to Mr. Rhodes.

Mr. Rhodes. It is in the record.

Mr. Minshall. You requested a billion dollars?

Secretary McNamara. I requested $1 billion.

Mr. Passman. It is a billion all the way across?

Secretary McNamara. That's right.

Mr. Passman. You went in with a billion and came to the Congress with a billion?

Secretary McNamara. I stated my recommendation to Congress was a billion, but I could not disclose the subject and the opinions expressed in my conversation with the President; this is traditionally privileged information.

Mr. Andrews. I get the impression, Mr. Secretary, that you would like to have more than a billion dolars, but you are practical about it in view of the fact of what happened last year.

Secretary McNamara. Yes, Mr. Andrews. That is exactly correct. This approach was a result of extended discussions with Members of Congress. You all will recall that the President himself was very much concerned about the aid program. He felt the uncertainty that existed with respect to it. He consulted numerous congressional leaders about various aspects of it. I was present one night at the White House when there were 20 or 30 Members of Congress present, during which time the President was discussing the organization of the program with them, in an effort to try to find the optimum way to organize and administer the program and to present it to the Congress. We have done everything we could to present it in a way that would meet Congress' desires, and it was on that basis that I recommended $1 billion.

Mr. Andrews. I am like the chairman. I would rather see more in the military than in the economic aid.

Mr. Passman. Let me say again that, although I am not one of the leaders in the Congress, I am the chairman of the subcommittee that handles the money. At no time did I discuss this matter with you or with the President, the Secretary of State, or any other person in the executive branch; that is, the amount of the request for the military assistance program. I have spoken to all members of this subcommittee but three, and each of them indicated the same thing, that they had not been consulted about this figure. I want to also say again that the people that you worked with in the economic aid part of the program did request $400 million more than the Congress appropriated for that purpose last year.

CONSULTATION WITH MEMBERS OF CONGRESS ON LEVEL OF FISCAL YEAR 1965 BUDGET

Secretary McNamara. Mr. Chairman, as you pointed out earlier, our primary problem last year was with the authorizing legislation in both Houses. It was therefore members of the authorizing committees with whom we engaged in conversation on the subject.

This committee appropriated the full amount of the authorization last year. We have every reason to hope you will do the same this year.

Mr. PASSMAN. Thank you, Mr. Secretary.

Now I am getting ready to relax.

Mr. ROONEY. If you are going to do that, as the Secretary suggests and Mr. Andrews suggests, I see no value in going into these areas and taking this up bit by bit.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. RHODES. Mr. Secretary, at the meeting at the White House mentioned there were no figures discussed as to the level of foreign aid?

Secretary MCNAMARA. That is right.

Mr. RHODES. It was a matter of organization?

Secretary MCNAMARA. That is right, and how to present the material to Congress in such a way as to throw most light on the needs, and pros and cons of the requests.

Mr. RHODES. As the ranking Republican on this subcommittee I think I should say for the record nobody has talked to me about the level of military aid. I don't claim to be one of the influential Members of Congress since I have been here only six terms, but I think my experience in foreign aid would qualify me to have an opinion on it. At no time did I express the opinion that $1 billion is all this Congress would appropriate for foreign aid in military assistance in the fiscal year of 1965.

ROLE OF DIRECTOR AND REGIONAL DIRECTORS

Mr. PASSMAN. What are the duties of an area director? There are five of them. What responsibilities do you assign to the area director for the Far East, for example?

Secretary MCNAMARA. Perhaps since they report to General Wood on military assistance matters you would like to have him describe it, Mr. Chairman.

General Wood's office furnishes me very valuable assistance in a staff capacity.

Mr. PASSMAN. Would you describe briefly, General Wood, your responsibilities and what you have to say about the levels of aid for the military assistance program?

General WOOD. My office and the regional directors you have been talking about are all members of the Office of the Assistant Secretary of Defense for International Security Affairs. Mr. Bundy held that office and now Mr. McNaughton holds it. He is an Assistant Secretary of Defense. We are all staff officers engaged in the business of studying the requirements each year, and presenting to the Secretary plans and programs which are part of the normal operation of the Defense Department. Eventually, when the President approves the request to the Congress, Congress appropriates and then it is our job to do the normal staff work to implement that program.

All staff work is under the direction of the Secretary, of course, and all basic decisions are his. We are staff officers and staff officers in any military organization engage in the day-to-day bureaucratic detail work which is required.

Mr. PASSMAN. Where are the estimates developed?

General WOOD. Funding estimate?

Mr. PASSMAN. Yes, the country estimates for this program.

General WOOD. Details of the program are developed by the MAAG in each country, and reviewed by the unified commanders.

Mr. PASSMAN. Then the material reaches you before it moves on up?

General WOOD. That is right. These programs are based on guidance sent out from the Office of the Secretary of Defense.

Mr. PASSMAN. You are a four star general; is that correct?

General WOOD. That is right.

Mr. PASSMAN. How long have you been in military service?

General WOOD. Since June of 1930.

Mr. PASSMAN. More than 33 years. You spend all of your time on this military assistance program?

General WOOD. That is right.

Mr. PASSMAN. That is your full-time job?

General WOOD. That is right.

Mr. PASSMAN. With your experience, you should have the answer to many of the questions of the type that we have asked in previous years?

General WOOD. I can give facts.

Mr. PASSMAN. That is all we want.

General WOOD. Detailed facts. I am not in the policymaking business.

Mr. PASSMAN. We will not deal with policy but with the actual needs. You know the type of information we want.

You have your area military directors. How many are there?

General WOOD. The regional directors?

Mr. PASSMAN. Yes.

General WOOD. We have four, directly concerned with military assistance. They are for the Far East, Near East, Western Hemisphere, and Europe.

Mr. PASSMAN. The MAAG chiefs are in the field. These people are in Washington?

General WOOD. The regional directors are in Washington and have responsibility for working on the details of defense programs, including military assistance, in their particular areas; yes, sir.

Mr. PASSMAN. This is a full-time job with them?

General WOOD. That is right.

Mr. PASSMAN. They should be in position to give accurate information?

General WOOD. They can give you details of the program.

Mr. PASSMAN. The committee should not discount too greatly the information they give us in response to our questions.

Do you rely——

VALUE OF TESTIMONY BY STAFF

Secretary MCNAMARA. You asked a question which was not answered. May I answer the question? The question was——

Mr. PASSMAN. The Secretary will answer the question for you, General.

Secretary McNamara. The question is unanswered in the record; since you were about to leave it that way I would like the opportunity to answer it.

The question you raised was this: Can we not depend upon the answers of the area or regional directors? My answer is that you cannot depend upon them when they are countered by those in the chain of command, particularly the unified commanders who have the command responsibility and the intimate knowledge of their military requirements in their areas.

There is a very clear case in the record; we discussed it yesterday. I want to repeat again that General Lemnitzer, General Norstad, General Taylor, and I, who are in the chain of command, specifically have informed this committee that the information it received from General Fuqua, staff assistant, was in error. I submit to you gentlemen that when the responsible commanders indicate that a staff assistant's testimony is in error, and when one responsible commander's statement is substantiated and supported by three others, that the committee should accept the statements of the responsible commanders and not the statement of the staff assistant.

Mr. Passman. I am trying to find out where we go from here. We do not want to be shut off from information which has been so reliable in the past.

Thank you very much, Mr. Secretary.

General Wood. I am always available to answer any questions you want.

Mr. Passman. Thank you, General.

Mr. Rooney, Secretary McNamara.

Mr. Rooney. I have no questions, Mr. Chairman. I have listened carefully to the Secretary's testimony as well as the testimony and statements of General Taylor, and I presume you already know how I feel about this.

Mr. Passman. Yes, sir.

Mr. Rhodes?

Mr. Rhodes. Mr. Secretary, I want to go off the record a moment.

(Discussion held off the record.)

ADEQUACY OF FISCAL YEAR 1965 REQUEST

Mr. Rhodes. Mr. Secretary, as I indicated yesterday, I am disturbed over the statements you have made concerning the adequacy of the billion dollar request for fiscal 1965. If $1 billion is not adequate to do the job, and it indicates from the figures which you have submitted that even there in Vietnam the figure projected for 1965 is not enough, then it seems to me you should very definitely consider sending up an amended budgetary request which will indicate what in your opinion is the figure which is a realistic figure considering the force objectives set forth by the Joint Chiefs of Staff and yourself.

Secretary McNamara. We would not wish to do that until we have the attitude of Congress on the billion dollar request submitted and until the situation develops following that.

Mr. Rhodes. Of course you cannot very well get that attitude until the authorization bill is passed.

Secretary McNamara. That is right.

Mr. RHODES. Then it may be too late. This session hopefully will end some time in July or August. Just from the matter of legislative technique it seems it then would be too late.

With this in mind I would like once again to suggest, at least, that you consider doing something like that.

That is all I have, Mr. Chairman.

Mr. MINSHALL. I hate to beat an old rug, Mr. Secretary, but I, too, am concerned about the billion dollars. I want to make myself clear on it.

As I told you, I, in the past, have voted against foreign aid. I have voted against it not because I am foolish enough not to believe that some foreign aid is necessary, especially the military. My vote has been against the waste, extravagance, and maladministration in the program. I think enough of us in the Congress have made people in your shop tighten up their belts and the people in the economic segment tighten their belts.

I am wondering about being practical. You might have outsmarted yourself in asking for only $1 billion for military aid.

The President in his statement, and you stated it in your statement before this committee, said "We will ask only what we need."

If you need more than this, I think it would be incumbent upon you to ask for more than this and fight for it.

Secretary MCNAMARA. Mr. Minshall, I think that the implication of your statement, or the implication of your question, is that we have indicated to you, and you feel convinced of, a need greater than we have requested. I think that is the fact. I will earnestly solicit and hope to receive the full support therefore of the members of this committee for both the authorizing and the appropriating legislation.

If Congress gives an indication that we will receive that support we can then review the situation.

Mr. MINSHALL. I think some of us have been rather lukewarm to the overall picture of foreign aid for the reasons I just expressed to you. I think some of those would say, "We are fighting a war in Vietnam. We need more money or the whole complex is going down the drain." In that case some of us would listen and be helpful.

Secretary MCNAMARA. I greatly appreciate that. I think it would be helpful.

Mr. MINSHALL. I think you should not be so bashful for reasons of political budgets to keep this thing down below $1 billion. I think it is very foolish, penny wise and pound foolish.

Secretary MCNAMARA. We will be delighted to have the full support of this committee on both authorizing and appropriating legislation.

Mr. MINSHALL. I want to make it clear, also, I am not saying I will vote for the foreign aid bill this year or the authorization or appropriation, but I certainly would be more inclined to help you get more money in a bill which I feel sure will eventually pass.

Secretary MCNAMARA. I realize your comments are related primarily to military support in the program.

NEED TO KEEP MATERIAL UNCLASSIFIED

Mr. MINSHALL. That is right, I think if this record were not edited so much the American people would know this and without jeopardizing your national security I think the more they knew about the real facts the more it would help your cause.

Secretary MCNAMARA. That is an excellent suggestion. I meant to mention that.

We will make every effort to leave in the record as much of what I put there yesterday as possible.

Mr. MINSHALL. I was disappointed. I took it up with the chairman, Mr. Mahon of our Appropriations Subcommittee, in examining thousands of pages of transcript, and I would say in some cases over half of it has been deleted.

All of my questions concerning Cuba were deleted.

Much of it concerning South Vietnam was deleted. I think the American people should know more of the facts.

I don't think we will violate national security or aid the enemy through disclosure of some of this testimony.

Secretary MCNAMARA. We will make every effort to help along that line. I realize that it is a serious problem.

Mr. PASSMAN. Let me say that I am not committing myself to any particular figure at this time.

Mr. MINSHALL. My remarks are concerned primarily with the situation in South Vietnam. I am not saying I approve $1 billion for all military aid.

If we had to set aside a separate amount for South Vietnam perhaps it should be done that way.

Mr. PASSMAN. The distinguished Secretary submitted an estimate to the executive for $1 billion. Therefore the executive submitted a request for $1 billion to the Congress.

General Taylor, I have several pages of questions I wanted to ask you, dealing more or less with detailed information. However, I shall dispense with asking you these questions and direct them to General Wood. If there should be any questions I had intended asking you that General Wood feels perhaps he should consult with you about before giving the answer, do you object to that procedure?

General TAYLOR. I have every confidence in General Wood.

Mr. PASSMAN. I know you have confidence in him and so do I.

Mr. Secretary, there are three sides to this thing—your side, my side, and the right side. Working together, I feel sure we will wind up on the right side.

Best wishes to you, gentlemen. We thank you very much.

We shall reconvene tomorrow afternoon at 1 o'clock.

WEDNESDAY, MARCH 25, 1964.

STATEMENT OF DIRECTOR OF MILITARY ASSISTANCE PROGRAM

WITNESSES

GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
FRANK K. SLOAN, DEPUTY ASSISTANT SECRETARY OF DEFENSE (ISA) FOR REGIONAL AFFAIRS
ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE
COL. CLYDE M. DILLENDER, JR., U.S. ARMY, OFFICE OF THE ASSISTANT TO THE SECRETARY OF DEFENSE FOR LEGISLATIVE AFFAIRS
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE
JOHN T. HERMANSEN, MILITARY ASSISTANCE DIVISION, OFFICE OF PROGRAM COORDINATION, AID
DAVID BRITT, STAFF COORDINATOR, AID

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon Gen. Robert J. Wood, U.S. Army, Director of Military Assistance, and the Honorable Frank K. Sloan, Deputy Assistant Secretary of Defense for Regional Affairs.

Thank you, gentlemen, for appearing before the committee at this relatively late hour.

The committee will be very pleased to hear from you at this time, General Wood.

General WOOD. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I return for the second year to testify before this committee in support of the appropriations request for military assistance. The presentation of the program for fiscal year 1965 will follow a somewhat different pattern than in prior years. Secretary McNamara explained the grouping of countries for which we propose programs in fiscal year 1965. I would like to carry on from there and explain the format of the presentation.

You have before you two books—one black and one tan—which will provide you with comprehensive detail on the military assistance program. These two books neatly separate the two aspects of military assistance with which this committee is concerned: First, past performance or history which is covered in the black volume and, second, the proposed program for fiscal year 1965 which is covered in the tan volume.

Using two books also eased the transition which we have been making in the Defense Department automatic data processing. Military assistance information had traditionally been presented in categories which were based upon the Department of Defense budgeting system as it existed some years ago. That type of system stressed "things," such as aircraft, missiles, ships, etc., but tended to obscure functions, purposes, and reasons. We have now succeeded in conforming the

military assistance data and program review system to that followed with the regular Department of Defense budget. The old system is used in the historical volume; the new system, in the new fiscal year 1965 program presentation. Because military assistance relies upon the Departments of the Army, Navy, and Air Force as sources of supply and implementors of programs, it is essential that the military assistance programing process conform to the system in use by the rest of the Department of Defense.

The major purpose of this statement is to introduce you to these books and to the information in them. Taking the tan book first, it includes the statistics on the proposed fiscal year 1965 military assistance program for which the administration is requesting new obligational authority of $1 billion. As you can see from the tabs, the book is divided into nine major sections. They are entitled: "General, Forward Defense, Alliance for Progress Security, Military Base, Grant Aid Phaseout, Free World Orientation, U.S. Force Support and Administration, Credit Sales, and Excess Materiel." This organization of the presentation volume replaces the regional layout which was used in the past. This new arrangement will, we believe, facilitate presentation of the military assistance program and discussion of what we are planning to accomplish.

You will notice that, in the "General" section we have quoted the purpose of military assistance as stated by the Congress in the Foreign Assistance Act. We have then provided a brief description of the groupings, or subprograms, and the types of forces which are supported. This is followed (on p. 5) by a discussion of the way in which the military assistance program is developed.

On page 7 you see a "Funds and programs" table which summarizes the source of funds used for the military assistance program. The $1 billion we are requesting for fiscal year 1965 is the figure in the right-hand column. This is the same amount as was appropriated last year, but $405 million less than was actually requested by the administration last year. This is the lowest request since the program was initiated in fiscal year 1950.

REAPPROPRIATION OF FUNDS

The second line on page 7 shows a $25 million amount we are requesting to be reappropriated. This is the amount of currently available funds which we estimate will remain unobligated at the end of June. The Military Assistance Appropriation Act traditionally includes reappropriation of the unobligated balance. Last year it was $22.3 million. In fiscal year 1965 we are anticipating no transfers, no returns to the Treasury and no reimbursements to the grant aid account, although there will be, of course, some reimbursements to the sales account, which is not available for grant aid.

FISCAL YEAR 1964 TRANSFERS FROM ECONOMIC AID

As you can see in the fiscal year 1964 column (third line) we presently expect that $50 million will have to be transferred from economic aid appropriations to military assistance in fiscal year 1964. We are

finding that increased costs of the war in Vietnam are simply too much for the $1 billion appropriation of last year to bear without seriously jeopardizing U.S. security interests in other parts of the world.

ESTIMATED RECOUPMENTS

We estimate recoupments this year, fiscal year 1964, at $127.7 million and for fiscal year 1965 at $135 million. These "recoupments" result from price changes, cancellations and slippages in prior years programs, where an amount has been reserved but not expended. Attached as exhibit A to this statement is a chart which shows the amounts estimated to be available from recoupments during the past 4 years and the amounts actually realized. Prior to fiscal year 1963 this source of financing was not considered in developing the request for new obligational authority. However, since that time recoupments have been considered in arriving at the amount of new obligational authority required. You will note that the amount available from recoupments has been decreasing and that the estimates made by the Department of Defense are becoming quite accurate.

This year our program requirements are $1,160 million. We apply first against this requirement our estimate of recoupments of $135 million together with the normal reappropriation of $25 million, a total of $160 million. This reduces our request for new obligational authority to an even $1 billion, which I mentioned before. In other words we anticipate these recoveries of funds and subtract them from our request for new funds. As Secretary McNamara noted, the estimate of fiscal years 1962 and 1963 recoupments made in January 1962 proved overly optimistic by some $31 million. We are hopeful that our estimate for fiscal years 1964 and 1965, while also probably on the high side will prove accurate.

SUMMARY OF FUNDS AND PROGRAMS

With the committee's permission I shall place page 7 of the fiscal year 1965 volume in the record at this point as exhibit B.

Mr. PASSMAN. Without objection, it will be inserted.

(The exhibit referred to follows:)

FUNDS AND PROGRAMS

Military assistance program

[Dollars in millions]

	Cumulative fiscal year 1950-64	Fiscal year 1964	Fiscal year 1965
New obligational authority (NOA)	$33,003.9	$1,000.0	$1,000.0
Reappropriations	(1)	22.3	25.0
Transfers	−920.7	50.0	
Return to Treasury	−651.5		
Reimbursements	28.3		
Recoupments	103.2	127.7	135.0
Total program against NOA	31,563.2	1,200.0	1,160.0
Less NOA to credit financing	−251.0		−50.0
Total grant aid program	31,312.2	1,200.0	1,110.0

[1] Not available.

On page 8, at the top of the page you will see the functional distribution of the programs which total $1,160 million. As explained by Secretary McNamara, we believe that this functional grouping will facilitate your review of the program.

FORWARD DEFENSE PROGRAMS

The forward defense programs account for 64 percent of the fiscal year 1965 military assistance program request. If you subtract the noncountry requirement of about $256 million, the contrast is even more striking—about 82 percent. These programs provide military assistance to 11 countries which, because of their geographical proximity to the Sino-Soviet bloc, are exposed to a direct threat of Communist aggression, but which do not have the resources to provide for their own external and internal security. These 11 countries form a wide arc stretching from Greece and Turkey on NATO's southern flank through the Near and Middle East, south and southeast Asia to the Republics of China, Korea, and the Philippines—an arc along which the United States sets the front lines of its own defense.

Forward defense programs are therefore designed to facilitate the accomplishment of U.S. forward strategy by providing more than three and a half million men in allied and friendly forces with the military assistnace they need to help hold these lines. The Joint Chiefs of Staff, in planning U.S. defense programs, count upon these forces to contribute to free world common defense by deterring overt Communist aggression and/or by frustrating Communist attempts to infiltrate these countries and foment insurgency. None of the 11 countries in this category can maintain the military posture we consider essential without substantial U.S. assistance.

ALLIANCE FOR PROGRESS SECURITY PROGRAMS

The next category, Alliance for Progress security programs, has as its fundamental objective a Latin American leadership dedicated to the tasks of: preserving democratic constitutional order, maintaining internal security, contributing to collective defense on a scale commensurate with Latin American military and economic capabilities, and promoting economic development. The request this year for Latin American programs is less than 6 percent of the total military assistance program.

MILITARY BASE RIGHTS PROGRAMS

Military base rights programs—this category comprises four countries in which the United States has access to oversea bases or facilities essential to maximum effective deployment of U.S. military strength and to the accomplishment of our forward strategy. These countries: Spain, Portugal, ———, and Libya.

GRANT AID PHASE-OUT PROGRAMS

Grant aid phase-out programs provide for the completion of commitments to Japan, Norway, and Denmark. We shall terminate grant

materiel assistance to these countries after existing commitments are completed, and all three countries have been so advised.

FREE WORLD ORIENTATION PROGRAMS

Free world orientation programs, which constitute slightly more than 1.37 percent of the program, provide for seven countries in which military assistance is directed primarily toward preserving and encouraging free world orientation.

U.S. FORCE SUPPORT AND MAP ADMINISTRATION

Finally, U.S. force support and MAP administration covers the U.S. share of NATO infrastructure and International Military Headquarters, as well as administration and overhead, which includes the costs of delivering materiel (mostly that programed in prior years), general administrative expenses, and certain training costs.

The bottom of page 8 sets forth for comparative purposes, the percentage of the program requested for each geographical region. When we turn to the historical volume, you will be able to see the shift in emphasis from Europe, which was receiving over 60 percent of the program in the middle 1950's, as compared to about 4 percent for fiscal year 1965.

Following, on page 9, is a worldwide summary of the entire fiscal year 1965 program, by program and cost categories. This is the same format used by the Secretary of Defense in managing the defense programs. As you can see, operating costs will require approximately $803 million, or 70 percent of the program. These costs are associated with preserving existing capabilities which have built up through past military assistance investments. Investments or improvements of allied and friendly forces will amount to $357 million in fiscal year 1965.

GRANT MATERIEL PROGRAMS

Pages 10 and 11 is a worldwide summary by country and activity We are proposing grant materiel programs for 40 countries in fiscal year 1965, compared with 47 in fiscal year 1964 and 48 in fiscal year 1963. The 40 countries for which grant materiel programs are planned in fiscal year 1965 are all listed on these 2 pages. Certain other countries which are shown with asterisks on pages 12 and 13 will have small training programs only, generally in connection with the promotion of sales of U.S. manufactured equipment and free world orientation. There are 13 of these countries and the combined total cost for these training programs will not exceed $10 million.

COUNTRY PROGRAMS

In the first country section beginning on page 20 are the countries in the forward defense program. On the left, we have indicated the force objectives set by the Joint Chiefs of Staff and the forces presently in being to meet those objectives. On the right you will see on the top half of the page the dollar amounts requested for various purposes. Below this table there is a listing of the significant items and quantities of those items which make up the proposed program. Mr. Sloan will

discuss the nature and purpose of these country programs. At the very bottom of the page are summary figures on the past programs and deliveries. This year, in response to the suggestion of Mr. Rhodes (pp. 534–535 of fiscal year 1964 hearings), we have broken out the estimated year of deliveries and restricted the cumulative deliveries to "actual" data. We hope this will prove more meaningful than the combination of actual and estimated deliveries shown in past years.

U.S. FORCE SUPPORT AND MAP ADMINISTRATION

The country sheets for the various categories I have mentioned are followed by U.S. force support and MAP administration beginning on page 95. U.S. force support costs are estimated at $75.9 million for fiscal year 1965.

U.S. SHARE OF NATO COSTS

Sixty million dollars is the amount required to meet the U.S. share of the costs of NATO infrastructure. The United States presently pays 30.85 percent of the NATO total costs as shown on page 97. Actually, our percentage of all costs is less than that figure indicates because the host country, in which a project is being built, is responsible for certain actions involving expenditures such as procuring land and for providing utilities and access roads. The present cost-sharing formula applies only through the end of this calendar year, 1964. Renegotiation of this percentage is expected to reduce the U.S. share to the point where the percentage of direct use by the United States exceeds that of our payments. However, this renegotiation will not substantially affect the amount required for infrastructure in fiscal year 1965 because obligations for infrastructure in fiscal year 1965 will be based upon projects authorized in prior years at the cost-sharing rate in effect at the time such projects were approved.

SUPPORT OF INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES

The second item included under "U.S. force support" is support of international military headquarters and agencies, which is the U.S. share of the operating costs of NATO, CENTO, and SEATO headquarters, as well as of the central European pipeline agency. These costs directly support U.S. forces and are not assistance or aid to any government. A detailed analysis of these costs is included at page 98.

MAP ADMINISTRATION

Under "Military assistance program administration," we have included this year the cost of supply operations. These costs are for packing, crating, handling, and transportation of equipment and supplies, as well as for other logistical management expenses. Approximately 90 percent of these expenses is attributable to delivery in fiscal year 1965 of equipment programed in prior years. In previous years we have more or less arbitrarily prorated these costs and included them in country programs. However, that procedure was inaccurate and, in many cases, made it appear that we were continuing grant aid programs when in fact we were only requesting funds to deliver materiel which had already been programed. These costs are fully explained on page 100.

Our request for funds for the administration of the program—$23.5 million—is explained on pages 101–103. This is a reduction of $500,000 from last year. The reduction is largely attributable to the reduction in MAP personnel overseas which will continue through fiscal year 1965.

REGIONAL COSTS

The regional costs of $22,095,000 are explained on page 105. The amounts for the unified commands are generally operations and training costs which cannot, at this time, be charged against country programs. The $15.7 million for the Department of Defense represents in general operations and training costs which cannot be charged to any particular region or command. Included are such items as the operation of the Military Assistance Institute; reimbursement to the Department of State for common services provided by the embassies and the Office of the Inspector General; and the nonreimbursable portion of the weapons production program in the amount of $3.1 million. Under weapons production, we are continuing support of coordinative production in Europe of the HAWK and the F–104G as well as the BULLPUP air-to-surface and SIDEWINDER air-to-air missiles, the Mark 44 torpedo, and the M–72 antitank weapon, but dollarwise, this program is tapering off and no new projects are presently contemplated.

SUPPORT OF MILITARY ASSISTANCE CREDIT SALES

Finally, for fiscal year 1965, we are requesting $50 million for support of military assistance credit sales. This request is documented on pages 107 and 108. With the committee's permission I shall place page 95, which is a summary of the section on U.S. force support and MAP administration, in the record at this point as exhibit C.

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

(The exhibit referred to follows:)

Fiscal year 1965 fiscal summary—U.S. force support and MAP administration

U.S. Force support	$75,900
Infrastructure	60,000
International military headquarters	15,900
MAP administration	130,295
Supply operations	84,700
Program administration	23,500
Regional costs	22,095
European Command	1,399
Pacific Command	443
Southern Command	2,903
MEAFSA Command	1,614
Department of Defense	15,736
Credit assistance	50,000
Grand total	256,195

APPLICATION OF EXCESS STOCKS IN FISCAL YEAR 1965

The last page of this book shows the detail of the excess stocks to be applied in fiscal year 1965. These stocks, with an acquisition cost of $19.9 million, will be provided to the various nations listed as grant materiel recipients. The cost to the military assistance program is shown under the column headed "Repair and/or Rehabilitation" which totals $7.9 million. In this connection, I should mention that the proportion of military assistance requirements which we can fill from the excess stocks of the service departments is decreasing each year. Attached as exhibit D to this statement is a chart which shows the estimated amount of requirements to be met from excess stocks of the service departments, as compared to the actual amount available since fiscal year 1962. You may note that the table is similar to the one which appeared in the Appropriations Committee report of last year. The table in your committee report was presumably to support an allegation that excess items are susceptible to adjustment by MAP officials to offset congressional reduction in the program. Such a readily available "equalizer" would indeed make my job easier, but it simply doesn't exist. What the table does show is the steadily decreasing availability of excess stocks suitable to meet program requirements—down some 80 percent from 1962. In fiscal year 1964, after a record cut in our program, we find that we will realize less than 60 percent of the original estimate of excess stocks to fill program requirements.

This concludes the description of our fiscal year 1965 volume. The black volume, which I call the historical volume, contains figures from the beginning of MAP in fiscal year 1950 through fiscal year 1964. No change has been made in the format used previously. As you can see from the tabs, this volume is divided regionally in the same manner as past presentation books. Each of these regional sections has pages for each country in the region which has received military assistance at any time since 1950. For example, under the NESA tab let us take a look at Greece on page 123. First, you see a discussion of the past military assistance program including the legal authority for the program; the military threat which it was designed to counter, the accomplishments of the program, and the present capabilities of the forces being supported. There is a similar narrative for each country.

On page 124 you will note the standard statistical page used in the historical volume. As you can see down the left-hand side, this presents the historical program in categories like aircraft, ships, missiles, et cetera.

HISTORICAL MAP FUNDING LEVELS

Turning back to page 1, you will find a graphic presentation of what has been happening to the funding levels for military assistance since the Korean war. As you can see our unexpended balance—sometimes called a pipeline—our expenditures and our new obligation authority have all been dropping fairly consistently since the mid-1950's. In fiscal year 1964, as shown on page 9 we estimate expenditures to be $1,475.8 million, and are predicting an unexpended balance of $2.1

billion at the end of the year. This unexpended balance represents funds already committed. A chart similar to the chart on page 1 of the black volume, but projected to show the estimates for fiscal year 1965, is attached to this statement as exhibit E.

PROGRAM LEVELS FOR FISCAL YEAR 1964

Pages 2 through 5 depict our stewardship of the program last year and show the effect of the reduction made in the request last year. This report is included here in compliance with section 634(d) of the Foreign Assistance Act of 1961, as amended. Supplemental details have been filed with the committee. As you can see from pages 3 and 4, the programs for forward defense suffered most severely. Under the Near East and south Asia program you will note that Greece was reduced $25.7 million, Pakistan reduced by ——— million, Turkey reduced $40.8 million, on the next page you will note China reduced by $48.8 million, and Korea by $63.3 million.

Pages 7 and 8 show the history of the authorization and appropriation legislation, while page 9 provides the statistical data from which the graph on page 1 was based. Pages 10 and 11 compare programs with funds from fiscal year 1950 through 1964.

Page 12 and the five pages which follow give a summary, by country, of the assistance which has been provided. Subsequent tables in this general section provide a breakdown of programs in terms of the items provided and the delivery status. Tables on personnel, sales, training, and excess stocks complete the general section.

This concludes my discussion of the organization of the books. If you wish to review what has been done in the past, the black book is designed to serve you; if you wish to study the proposed fiscal year 1965 programs, then you will find the tan book designed to present the details. I hope that this introduction to the presentation documents will prove helpful in your consideration of the program for fiscal year 1965.

In conclusion I would add that this is the most austere military assistance program ever presented to the Congress. I strongly urge that the committee recommend the full amount requested for military assistance.

With the committee's permission, Mr. Frank Sloan, the Deputy Assistant Secretary for Regional Affairs has a prepared statement which he would like to read at this time. His statement supplements the one I have just given and will address itself to the countries for which we plan grant aid programs in fiscal year 1965. Upon completion of his statement, we will both be available to answer your questions.

(The exhibits attached to General Wood's prepared statement follow:)

EXHIBIT A

Comparison of NOA request plus estimated recoupments and reappropriations with actual appropriation plus actual recoupments and reappropriations

[Dollars in millions]

Fiscal year	NOA request	Recoupment estimate	Reappropriations request	Estimated funding availability	Actual appropriation	Actual recoupment	Actual reappropriation	Actual funding	Percent of requirement not met
1961	$2,000	$155.7	$25	$2,180.7	$1,800	$120.6	$23.6	$1,944.2	−11
1962	1,885	[1] 100.0	25	2,010.0	1,600	[2] 240.7	14.3	1,855.0	−8
1963	1,500	204.6	25	1,729.6	1,325	[2] 250.2	24.2	1,599.4	−8
1964	1,405	125.0	25	1,555.0	1,000	127.7	22.3	1,150.0	−26
1965	1,000	135.0	25	1,160.0					

[1] Revised upward in June 1962 as a result of Operation Shakeout to $317.7 which along with fiscal year 1963 estimate of $204.6 totalled $522.3.
[2] Of the $522.3 estimated for fiscal year 1962 and fiscal year 1963, only $490.9 was actually realized.

EXHIBIT D

Declining availability of DOD excess stocks suitable for MAP requirements

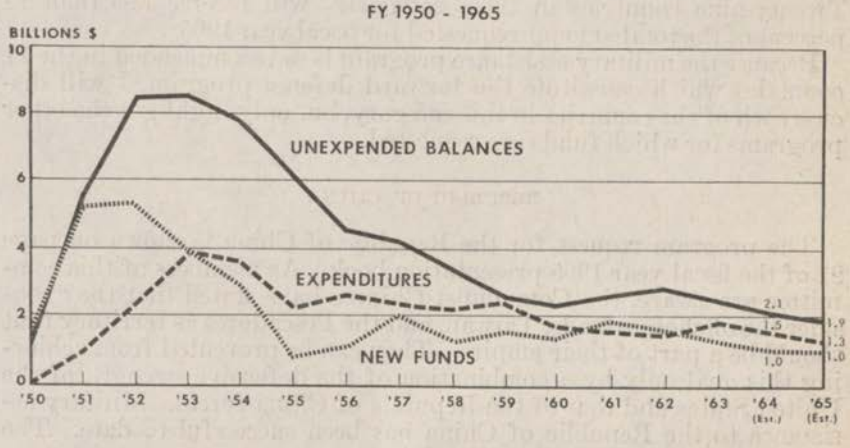
[All figures are acquisition value, not a cost to MAP]

[Dollars in millions]

Fiscal year	Original estimate of availability of excess	Excess actually available
1962	$29.9	$141.1
1963	48.2	105.7
1964	48.7	[1] 27.6
1965	19.9	

[1] Estimated.

EXHIBIT E



Mr. PASSMAN. Thank you, General Wood.

If it is your wish, Mr. Sloan, to read your statement before we ask questions, we shall be pleased to hear from you.

Mr. SLOAN. Thank you, Mr. Chairman and gentlemen. My statement has been submitted for the record, and I will not attempt to read the entire statement.

Mr. PASSMAN. Before this subcommittee, Mr. Secretary, it is customary for the witnesses to read their statements into the record in their entirety.

STATEMENT OF DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR REGIONAL AFFAIRS

Mr. SLOAN. Mr. Chairman and members of the committee, General Wood has presented our presentation books to you and outlined the proposed program for fiscal year 1965. I should like to continue the review with a discussion of the proposed military assistance country programs.

This year we propose grant materiel programs for 40 countries, seven less than last year. These 40 programs are described on the country pages in the fiscal year 1965 volume before you. In considering this portion of our request, it is important not to let the total obscure the fact that our major effort is devoted to improving the military capabilities of allied and friendly countries on the periphery of the Soviet Union and Communist China. These countries we have included in the forward defense category. We propose to allocate almost 65 percent of the funds requested to these 11 countries—Greece, Turkey, Iran, Pakistan, India, Thailand, Vietnam, Laos, Philippines, and the Republics of China and Korea. The request for Vietnam alone is almost as large at the total of our request for the 29 countries in the other categories; that is, the Alliance for Progress, military base, the grant-aid phaseout, and the free world orientation programs. Twenty-nine countries in these categories will receive less than 14 percent of the total amount requested for fiscal year 1965.

Because the military assistance program is so recommended in the 11 countries which constitute the forward defense program, I will discuss each of the countries in this category, but only highlight the other programs for which funds are requested.

REPUBLIC OF CHINA

The program request for the Republic of China is shown on page 21 of the fiscal year 1965 presentation book. As members of this committee are aware, the Communist Chinese have stated that they consider the offshore islands, Taiwan, and the Pescadores as territory that should be a part of their empire. They can be prevented from achieving this goal only by a combination of the defensive strength of the United States and that of the Republic of China forces. Military assistance to the Republic of China has been successful to date. The threat of Communist Chinese attack is ever present.

As you can see from the top table on page 21 of the fiscal year 1965 book, ——— million will be required in fiscal year 1965 simply to maintain the capabilities of Republic of China forces. The proposed program for fiscal year 1964 presented to the Congress last year had indicated that $133.8 million would be required to match the qualitative improvements in Communist Chinese forces. However, the congressional reduction in the fiscal year 1964 funds required that almost $49 million be cut from this program. The ——— million now proposed for fiscal year 1965 would continue the level which will still permit only marginal improvements in force capabilities above the cost of force maintenance.

As in the Taiwan Strait crisis of 1958, control of the air is crucial in any Communist military effort against Taiwan. The United States has made considerable effort to maintain the qualitative superiority of the GRC air force over that of the Chinese Communist. The proposed fiscal year 1965 program will provide ——— aircraft to replace some obsolete types, but the current replacement rate is not adequate to maintain qualitative superiority over the Chinese Communist Air Force. The all-weather air defense of Taiwan is currently limited to F–86D's and NIKE units.

The program for the Army includes ———.

The ——— situation is indicative of the problems we have been having in administering the military assistance program in recent years. The same ——— were in the proposed program last year, but had to be deferred because of inadequate funds. In other words, force improvement requirements are not being met.

Because most of the Republic of China naval ships are 20 years old or more and have had hard usage, qualitative improvement is badly needed if they are to meet mission requirements of providing for the coastal and harbor defenses and patrol of the Taiwan Straits. Adequate naval capability is essential because the main effort of any invasion by the Chinese Communists must be made by sea.

In addition to standing ready to act in their own defense, the forces of Taiwan represent a significant factor in strategic considerations in the Far East. The presence of these troops, supported by military assistance, has required the Chinese Communists to maintain a substantial force in the land areas adjacent to the Taiwan Straits. The forces on Taiwan significantly limit the freedom of action of the Chinese Communists in undertaking substantial military action or deployment against India or southeast Asia. The presence of a strong Nationalist Chinese Government on Taiwan continues to be important in offering an alternative to oversea Chinese who constitute an influential minority in many Asian countries.

REPUBLIC OF KOREA

South Korea, the program for which is shown on page 29 of the fiscal year 1965 volume, like the Republic of China, faces the large forces of Communist China as well as those of North Korea. As in the case with the Republic of China, the requirement to utilize most of

our military assistance program for operating costs has limited severally the amount available for investments in more modern equipment. The operating costs for ROK forces are expected to consume almost 80 percent of the funds allocated to South Korea in the fiscal year 1965 program. Last year, we requested $205 million for Korea as part of the overall military assistance request for $1.4 billion. That program would have permitted about an equal split between investment and operating costs. However, the $405 million cut in the total request forced us to reduce the fiscal year 1964 program for Korea by $63.3 million. To make that reduction, we had to eliminate planned replacement of obsolescent small arms and vehicles, and reduce the program for F–5 aircraft. Similar forced reductions in prior-year programs have established a trend toward increasing obsolescence in the equipment of South Korean forces in face of an improving North Korean and ChiCom force capability. Limitations in the current program mean that ———.

SOUTHEAST ASIA

Continuing in the Far East, there are three southeast Asia countries included within the forward defense programs—Vietnam, Thailand, and Laos.

VIETNAM

Secretary McNamara has already reported to this committee on the current situation in Vietnam. I shall merely mention that the amount shown for Vietnam in this book, $143 million, is our present estimate of the minimum that will be required to pursue the war on the present scale.

As I believe the Secretary stated, considerable additional funds are apparently going to be required, there.

UNDERESTIMATION OF PROGRAM REQUIREMENTS IN VIETNAM

Mr. PASSMAN. If I may interject at this point in previous years the amount programed for Vietnam has exceeded greatly the amount of the original estimate, speaking specifically of 1963 and 1964. Is that your understanding?

Mr. SLOAN. Yes, sir; it was greater than the original estimate.

Mr. PASSMAN. Now you may proceed.

Mr. SLOAN. Thailand is the next——

Mr. CONTE. Do you think you are going to have to increase that budget for Vietnam, or don't you know?

Mr. SLOAN. I feel certain, as I believe the Secretary testified, that approximately a 40-percent addition for military assistance ———.

Mr. CONTE. I am just talking about military.

Mr. SLOAN. General, do you recall the figure?

General WOOD. I don't recall a figure, but he certainly did say, based on his trip out there, that he expected that our present fiscal year 1965 estimate would be inadequate.

Mr. CONTE. But you can't give us a figure, today?

General Wood. My own thinking at the moment is that he might know, as a result of his trip and his conferences. The staff is working on the nature of a proposed addition. I don't have a figure, but my guess is it will run on the order of $18 million or $20 million, as of today. I don't know whether that will be enough for the year, or not.

BUDGET ESTIMATES COMPARED TO PROGRAM LEVELS FOR VIETNAM

Mr. Passman. I think we should insert again at this point in the record the 1963 estimate, the 1963 program; the 1964 estimate and the 1964 program, assuming that the latter could be corrected, higher or lower.

Then take the 1965 estimate and the indication as to what the increase would be, which would be substantially below the increases made for fiscal years 1963 and 1964.

We will insert those figures in the record, as we did on yesterday, and you may proceed, Mr. Secretary.

(Note.—These documents, submitted prior to this printing, have since been declassified.)

Mr. Rhodes. Mr. Chairman, I asked Secretary McNamara yesterday if the figure of $143 million for Vietnam was a firm figure and his answer was that it was the best figure that he had at the present time.

General Wood. I think that is still true. I know that the staff hasn't come in yet with another figure.

Mr. Passman. Assuming that the increase is made in the amount of $18 million, that would be the smallest increase during the past 2 fiscal years. That fact is very encouraging, which indicates it must be fairly well funded, because I think in one instance we went up approximately 180 percent.

General Wood. Let me correct that, Mr. Chairman, because I think I misunderstood Mr. Conte's question. What I meant was I think $18 or $20 million additional will be required in this fiscal year; for 1965 we haven't a figure, yet.

Mr. Passman. You mean fiscal year 1964, and you do not have a figure for fiscal year 1965?

General Wood. That is correct.

Mr. Conte. I was talking about fiscal year 1965.

Mr. Passman. We shall insert in the record the actual increases for those 2 years.

THAILAND

Mr. Sloan. Thailand represents, together with Vietnam, the hub of our effort in southeast Asia and a key to SEATO and U.S. planning.

The main items proposed in the fiscal year 1965 program are ———, which were deferred from previous programs, and ———, both of which are of great value in counterinsurgency operations; ——— as part of ——— and construction ———.

In Laos, the United States is continuing to provide military assistance to the Royal Lao Government in an effort to maintain its military forces at the minimum level necessary to maintain the status quo.

Our aid has been directed toward meeting the minimum operating needs of the Army.

THE PHILIPPINES

Although the Republic of the Philippines is somewhat more removed geographically from the scene of combat in southeast Asia, it is nevertheless a cornerstone of both our foreign policy and our strategic posture in the Far East. The U.S. basis in the Philippines are of great strategic importance because of their geographical position relative to the Chinese mainland and their potential use as U.S.-SEATO staging areas for operations in southeast Asia. As a relatively stable and outspoken anti-Communist nation, the Republic of the Philippines is a positive influence in southeast Asia.

To develop further a capability to repel Communist air attack and thereby to protect U.S. and Philippine facilities, we are proposing ——— aircraft for the Air Force as replacements of the F–86 aircraft presently in their inventory. The Philippine naval capabilities are limited by the lack of ———, obsolete ——— weapon systems and inadequate numbers of ——— craft. However, only overhaul of existing ships and craft can be accommodated within the limited program for fiscal year 1965. No new major items are included for ground forces.

MIDDLE EAST

At the divider tab marked "Forward defense" in the fiscal year 1965 book is a map showing exactly how the MAP supported forces encircle the bloc. Critical to this allied posture which rings the Soviet Union with free world forces supported by the military assistance program are Iran, Pakistan, and India. Iran and Pakistan are members, along with Turkey, of the Central Treaty Organization (CENTO) and, as such, play vital parts in regional defense planning.

INDIA

Military assistance to India was initiated after the Chinese Communist attack on India in October of 1962. This attack proved to India's leadesrhip that political actions alone were not sufficient to deal with the Chinese Communists. The Chinese attack required India to undertake the rapid development of forces adequate to defend Indian border areas and forced India to recognize that China, rather than Pakistan, represented the prime military threat. The United States and the British Commonwealth nations responded to India's urgent request for assistance with a program of $120 million of which amount the United States provided its agreed one-half from fiscal year 1963 military assistance funds. In fiscal year 1964, we programed assistance totaling ——— million, and we anticipate the need for a program of about ——— million in fiscal 1965.

Although the exact item content of the fiscal year 1965 program had not been determined at the time these books were printed, we are planning a program which will continue to advance the objectives of the fiscal year 1964 military assistance program. We are providing, partly from exess stocks, a ——— for the Indian Air Force and

a ———. We also plan to continue the modernization of the ——— mountain divisions supported under the fiscal year 1964 program.

NEPAL

I should mention that in fiscal year 1964 we are in the process of developing a small military assistance program for Nepal. The development of our program for Nepal is a joint effort with the British and is being closely coordinated with the Indian Government.

Mr. PASSMAN. Mr. Secretary, what is the population of that country? About the size of Louisiana?

Mr. SLOAN. Yes.

Mr. PASSMAN. And Red China has 700 million people. Yet, you start a military program there.

Mr. SLOAN. They have 9.8 million people.

Mr. PASSMAN. Larger than Louisiana but smaller than some States.

Mr. SLOAN. They have been cooperating with India in their military program for a number of years.

Mr. PASSMAN. That is a new program for Nepal, is it not?

Mr. SLOAN. That is right.

Mr. PASSMAN. Thank you; I did not mean to interrupt.

Mr. SLOAN. We are developing it. It has not been actually implemented as yet. It is a joint effort with the British and is being coordinated also with the Indian Government.

Mr. PASSMAN. Is the decision, or determination, made by the State Department?

Mr. SLOAN. No, sir; it is a determination of this Government.

Mr. PASSMAN. The State Department is part of the Government.

Mr. SLOAN. Yes.

PAKISTAN

We presently contemplate a Pakistan program in the amount of ——— million. While much has been done to improve the ground force capabilities of the Pakistan Army, there is still much to be done. The Pakistan units supported by military assistance are still short ——— artillery, ——— the tanks, ——— armored personnel carriers, ——— vehicles, and ——— signal equipment ———. To meet some of these deficiencies, the fiscal year 1965 program shown on page 33 emphasizes ground improvements.

IRAN

Iran forms a major land barrier to Soviet expansion, and its oil resources are of great strategic importance. Military assistance to Iran also serves as tangible evidence of U.S. encouragement of a government that is struggling to resist communism and to initiate social and economic reforms. An effective military establishment is necessary to insure internal security while the Shah is attempting to transform Iran from a quasi-feudal tribal structure into a modern state.

The Iranian Air Force capability is improving steadily with U.S. military assistance.

(Off the record.)

GREECE AND TURKEY

Mr. SLOAN. Greece and Turkey, on NATO's southern flank, occupy a key place in United States and NATO defense planning. We, in the Defense Department in Washington, and General Lemnitzer and his staff in Paris, are particularly concerned about the present posture of Greek and Turkish forces. The economic situation of these countries—the per capita GNP of Greece is only 15 percent of that of the United States and Turkey is 7 percent—prevents them from purchasing substantial quantities of military equipment while at the same time making the capital expenditures necessary for economic growth. The United States currently provides most of the military equipment used by the forces of these two nations. This policy is clearly preferable to deploying U.S. forces, especially because these two nations maintain armies which together are almost 60 percent of the size of our own.

Greece and Turkish Armed Forces provide the support for the right flank of NATO. Annual reductions in military assistance appropriations by Congress have severely hampered our attempt to modernize these forces. For example, when the MAP program was cut $405 million last year, we had to take $67 million or 17 percent of the cut in these two countries. The cuts always most drastically affect the major programs because elimination of all others would amount to less than $30 million.

GREECE

The Greek Army today, when compared with the Bulgarian Army is at a considerable disadvantage in mobility (particularly in tanks) and is outnumbered and outranged in its artillery. Overall equipment levels in the ——— Greek infantry divisions average only about ——— of the normal authorization for combat ready units. Modern communications equipment is extremely limited. About 70 percent of army equipment and nearly all navy ships are of World War II type, for which repair parts are no longer available and maintenance costs are becoming prohibitive for continued operations. More significant is that the outdated equipment will not satisfy requirements in a combat situation.

Fund reductions in the Greek program have restricted programs to maintenance support of existing forces, minimum force improvement and very limited replacement of obsolete equipment. Modernization of ——— of the infantry divisions has had to be deferred indefinitely in our planning. Only about a third of the ——— million requested for Greece for fiscal year 1965 will be available for investment and practically all of that third will be used for the Air Force.

TURKEY

The situation in Turkey is no better. Turkey's strategic importance is underlined by her 125 miles of frontier with Bulgaria and 370 miles of common border with the Soviet Union. Our military assistance efforts helped to save Turkey from Soviet demands in the immediate post-World War II period of ceding two northeastern provinces and sharing control of the straits. The Turks know that these same demands and pressures would recur if the balance of power were to shift

sufficiently in favor of the Communists. As a result, Turkey is one of our most loyal allies and willingly provides whatever military resources that it can within its economic capability.

The Turkish Armed Forces participate in the integrated defense of the NATO area. Except for the missile units, all major elements of the Turkish ground forces are short approximately ——— of their major mission equipment. In order to provide minimum army force improvement in the fiscal year 1965 program by furnishing ——— it is necessary to defer spare parts, training ammunition, and attrition replacement. As in the case of Greece, much of the equipment in the Turkish ground forces is of World War II vintage for which repair parts are no longer available, and maintenance costs have become prohibitive. Maintenance costs exceed 60 percent of the total request for Turkey. Only marginal effectiveness in combat can be expected from the ——— and some of the ex-U.S. ———. The proposed program provides for ——— vessels, ———.

ALLIANCE FOR PROGRESS SECURITY

We turn now to the next category of fiscal year 1965 military assistance programs for the Latin American countries. The program for all of Latin America is less than 6 percent of the total military assistance proposed this year. In fact, the amount proposed for military assistance to all of Latin America spread over 15 countries is about half of that proposed for Korea alone. Of the $66.2 million being requested, 52 percent is for internal security programs; 24 percent for naval defense, 15 percent for civic action, and the remaining 9 percent for general training.

The programs proposed for fiscal year 1965 have been approved by both the State Department and the Agency for International Development as being consistent with our national interest in both security and progress in the Western Hemisphere.

We wish to state unequivocally that we find no foundation in fact for the frequent allegation that U.S. military assistance programs are contributing to revolutions in Latin America. The statistical facts are that the rate of revolutions is no higher than it has been for many generations before the MAP program began in 1952. It is obvious that a source that contributes only about 6 percent of military equipment and training in the area does not enable a military force to mount a revolution that it cannot mount with the men and equipment supplied by the other 94 percent of its budget. Perhaps the most important fact is that the professional influence and attitudes of the U.S. military are beginning to be reflected in Latin American armies, in spite of the 400-year history of authoritarian military government in that part of the world. It should not be necessary to add that the influence of the Latin American military in countering communism alone justifies our very small Latin American MAP. In the recent case of Venezuela, internal security equipment provided as military assistance helped the government of President Betancourt to hold elections on the first of December despite all efforts of Castro-supported elements to prevent them.

Civic action programs supported by military assistance are designed to strengthen internal security by bringing home to the people the fact

that their government and its armed forces are engaged in the development of facilities for their use and benefit. The resulting increased confidence in constituted authority, both civilian and military, substantially lessens the vulnerability of the populace to the subversive efforts of Castro Communist agents as recent events in Bolivia showed.

MILITARY BASE PROGRAMS

Military base programs, which compose only 2 percent of the total program, include the programs of assistance to Spain, Portugal, and Libya. The role of military assistance with respect to U.S. base rights varies from country to country. In the case of Spain we are providing military assistance to the Spanish Armed Forces in connection with the 5-year extension obtained on September 26, 1963, of the Defense Agreement of 1953. Under this agreement, Spain provides ——— SAC bases, a major naval facility, used for many functions, including support of POLARIS submarines, and a variety of smaller facilities throughout Spain.

We hope eventually their entire military equipment will be purchased here.

PORTUGAL

Portugal provides a vital base complex in the Azores for U.S. use. The formal agreement permitting the United States to use this facility has expired, but the United States enjoys continued use on an informal basis.

Military assistance is furnished to Libya to assure continued availability of U.S. facilities in that country. The assistance provided to Libya also helps to preclude the extension of bloc influence and strengthens the internal security capabilities of the Libyan Armed Forces.

GRANT AID PHASEOUT PROGRAMS

Continuing the trend which has already resulted in the termination of all grant aid material programs in the United Kingdom, the Federal Republic of Germany, the Netherlands, Belgium, Luxembourg, France and Italy, no new commitments for such assistance are being made to the countries in this category.

In fiscal year 1965, military assistance to Norway, Denmark, and Japan will be limited to the fulfillment of prior commitments and training. Most of the prior-year commitments take the form of U.S. participation in previously agreed cost-sharing undertakings which generate increased country effort, including purchases of U.S. equipment which contribute to the strengthening of the common defense posture. The amount proposed for fiscal year 1965 to fulfill materiel commitments to these countries is $53 million or 4 percent of the total program. All three should be phased out within a few years.

FREE WORLD

Slightly more than 1 percent of the total proposed military assistance is designed to help counter or preclude Communist bloc influence in seven countries, ———, the Congo, Jordan, Liberia, Mali, Morocco, and Senegal. These programs, which are described in detail in the

tan presentation volume, provide modest amounts of military assistance to underdeveloped and emerging nations where it is important to the security interests of the United States and to the common defense of the free world to preserve and encourage resistance to the extension of Communist influence. In some cases, programs are designed to maintain a U.S. presence ———. In other cases, the furnishing of U.S. military assistance is intended to forestall acceptance of Communist aid offers which are tendered as a first step toward eventual takeover. The programs for the countries in Africa total $18 million—well within the $25 million ceiling established by section 512 of the Foreign Assistance Act of 1961, as amended.

SUMMARY AND CONCLUSION

This concludes my presentation of the military assistance country programs proposed for fiscal year 1965. General Wood in his statement discussed the amounts requested for U.S. Force Support and MAP administration. In summary, of the amount requested for country military assistance programs, not including U.S. force support and administration, over 82 percent is allocated to forward defense programs. This 82 percent is associated with our defense efforts in the Republics of China and Korea, Greece and Turkey, Iran, Pakistan and India, and in southeast Asia, particularly Vietnam. Of necessity, any reduction in the amounts requested for military assistance must fall most heavily on these programs so essential to the forces upon which our strategy of forward defense depends. We believe that the program here presented is a minimal effort below which we cannot safely operate and maintain our strategic position versus world communism.

Mr. PASSMAN. Thank you, Mr. Secretary. The Defense Department, including the military and civilian personnel, would number about how many individuals?

General WOOD. The Defense Department?

Mr. PASSMAN. Yes.

General WOOD. You mean the people in Washington?

Mr. PASSMAN. Worldwide, the total number of people connected with the military, either in uniform or as civilians. It is many millions, is it not?

General WOOD. 3,890,894 as of February 29, 1964, sir.

Mr. PASSMAN. What would be the average turnover per year in that total number of personnel?

General WOOD. I would not have a guess.

Mr. PASSMAN. Mr. Secretary, would you like to guess?

Mr. SLOAN. You mean the length of their stay?

Mr. PASSMAN. The turnover.

General WOOD. People coming in and going out?

Mr. PASSMAN. Dropouts through retirement, death, resignations.

Mr. SLOAN. I would have to provide that. Their tour of duty in various posts would change.

Mr. PASSMAN. Are most of the people you had 10 years ago still with the Defense Department, either civilian or military?

Mr. SLOAN. I would hesitate to say.

General WOOD. That is out of my field. We can get it for you.

Mr. PASSMAN. How long have you been with the Department, Mr. Secretary, in some capacity or other?

Mr. SLOAN. Something over 2 years.

Mr. PASSMAN. General Wood has been in more than 30 years.

General WOOD. Thirty-four this summer.

Mr. PASSMAN. It is my understanding that the majority of the people presently with the Defense Department have been there for many years, maybe out in the field, maybe in some other capacity.

I should say that in 1955 and 1956 the people who appeared before this committee were putting their best foot forward in presenting the program.

Mr. SLOAN. I am sure they were.

Mr. PASSMAN. They are doing the same today and will be doing the same thing 10 years from now if we have this program; is that correct?

Mr. SLOAN. They would attempt to present the facts.

LEVEL OF MAP BUDGETS

Mr. PASSMAN. General Wood said, on page 3 of his statement, that this year's request is the lowest since the program was initiated in fiscal 1950, which is true. But, let me say that I recall a similar statement with relation to fiscal 1956, when the MAP request was for $1,125 million. That program was cut by $420 million to $705 million, a reduction of 37.33 percent. They yelled bloody murder at every level, but we stuck with our action.

The following year, fiscal year 1957, the testimony—the facts—proved, however, that more money had been appropriated than could be obligated. I quote from page 152 of our hearings of fiscal year 1957:

Mr. PASSMAN. How much do you expect to have unobligated or unreserved at the end of fiscal year 1956?

Mr. SHAW. $195,500,000.

Mr. PASSMAN. This $195,500,000 will be cash on hand, unobligated and unreserved?

Mr. SHAW. That is correct, sir.

Mr. PASSMAN. This would indicate, if I may go back to a statement I made earlier in the hearings, that you actually had more money available last year than you could obligate.

Mr. SHAW. May I comment on that, Mr. Chairman?

Mr. PASSMAN. I certainly want to be fair.

Mr. SHAW. The answer is "Yes."

General, that is one of the principal reasons why we go into detailed examinations.

Although this is the lowest request since the program was initiated in fiscal 1950, we must take into account that the Congress has appropriated in excess of $33 billion for military assistance since we have had the program.

Unfortunately, we hear the same kind of stories every year.

MAP EQUIPMENT AND SUPPLIES INTACT AND USABLE

Could you tell us about the percentage of the $33 billion, as far as you can, of equipment and supplies that we have given in the past that is still intact and usable, just in case it might be needed?

General Wood. Yes, sir; I can give you a figure on that.

Mr. Passman. That is, in the 40 grant-aid countries.

General Wood. I can give you a figure on that. We did a quick survey on this last night. A sampling of countries throughout the world shows that 62 percent of the value of equipment and supplies delivered since the beginning of MAP through June 30, 1963, is still in inventory, and 59 percent is still serviceable. A tabulation will be prepared, after some added samples have been received and analysis has been completed.

Mr. Passman. I want to commend you for having this information available. I think that is a more realistic figure than we have been given in previous years. I think previously it was 72 percent, as high as 85 percent of the equipment that was still serviceable.

When we realize that 59 percent of the total of the equipment is on hand and serviceable, that is surely one reason for the amount to drop. You have obsolete and obsolescent equipment, of annual estimate, but a major part of the equipment is on hand, just as good as the day it was delivered. I think the record should show that there is some reason for this reduction; that is, for example, that you just would not keep shipping tanks out if you had them in storage and were not using them.

I think that fact, among others, will certainly give sound reason why the executive has asked the Congress for only a billion dollars for the military program for fiscal 1965.

General Wood. You will recall the Secretary did explain why. I do not think we need to repeat it.

Mr. Passman. I would just as soon not go now into what the Secretary said. You may discuss it, however.

General Wood. I did not mean to speak to it. I would say I do not think the $33 billion since MAP started has been misspent.

Mr. Passman. I did not say that it had been.

General Wood. Certainly the countries we helped started to a great extent from nothing. Take Greece and Turkey now; if you compare them to what they had 15 years ago, they have tremendous capability; but if you compare them to what they are facing, particularly what has been modernized in the meantime, they still need something.

Of course, our effort this year in the way we are presenting this is to try to show that we need certain moneys to keep up the investment that we have there and certain moneys to modernize and increase the forces. I agree we do not need today the $5 billion that was appropriated in the midfifties when we were building up NATO because, while NATO commanders will say it is not as strong as they like it to be, NATO has been strong enough to deter overt aggression.

Mr. Passman. I am not criticizing the program as such, but I am making a statement of fact that we must certainly examine in detail, one reason being because of the guessing of previous years.

Also, I want to repeat that inasmuch as 59 percent of the total amount of the equipment we have given since the inception of the program is still serviceable, some of that will not have to be replaced in the immediate or near future. So certainly there comes a time, short of an all-out war, when this program must be reduced.

Last year you inserted in the record, sir, a rather comprehensive table showing all categories of equipment. If you would put a similar table in the record this year, we would be very pleased to receive it.

General WOOD. We will be happy to do so, sir.

(The information supplied follows:)

Military assistance equipment and supplies, in serviceable condition in 33 recipient countries (all figures are as of June 30, 1963)

[Millions of dollars]

	Total delivered	Still in country inventory	Percent of b	Still in serviceable condition	Percent of b
a	b	c	d	e	f
Worldwide	$22,032.9	$13,623.9	61.8	$12,988.8	59.0
Europe	11,269.8	6,752.5	59.9	6,408.7	56.9
Near East and Africa	3,815.8	2,577.2	67.5	2,510.6	65.8
Far East	6,565.3	3,981.2	60.6	3,768.0	57.4
Latin America	382.0	313.0	81.9	301.5	78.9

ASSIGNMENT OF RESPONSIBILITIES FOR MILITARY ASSISTANCE PROGRAMS

Mr. PASSMAN. I think we should take into account fully what the overall program is.

Mr. Secretary, a man's first responsibility is to his own household, is it not?

Mr. SLOAN. As a family man, yes, sir.

Mr. PASSMAN. I should think also that our own first responsibility would be to our own Defense Department and our own people?

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. Thank you. Let me read from section 622(c), which has to do with the Foreign Assistance Act, "Military":

Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance program authorized by this Act, including but not limited to determining whether there shall be a military assistance program in a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and foreign policy of the United States is best served thereby.

Then, from the record, during the questioning of last year, on MAP planning procedure:

Mr. PASSMAN. Do the State Department military planners start out in the country with the Ambassador to the country and people in the country? I am speaking now of these little countries that get their independence on Thursday and we start talking about an aid program on Friday and a military aid program on Saturday, sometimes even in with aid before they get their independence. Where does this originate?

General WOOD. When a program is being initiated, it is based on a request from the country concerned.

Mr. PASSMAN. The task begins with the U.S. Ambassador in that country?

General WOOD. Normally, I would think so; yes.

Mr. ROONEY. But not necessarily.

General WOOD. Occasionally with the Ambassador from the country coming to the State Department in Washington, though we frown on that practice.

All I am trying to do is establish that this is a State Department military program in many of the countries, and not necessarily some-

thing that originates with, and is properly planned by, the Defense Department before we get into it. The hearings are replete with information that this is in many respects a State Department military program, and not necessarily one set up by the Defense Department, and it is so indicated in the act itself.

Mr. SLOAN. I think a proper response to that is that——

Mr. PASSMAN. Let me say, first, that I read from the record, from the hearings and the act.

Mr. SLOAN. I should say, of course, that once the programs are originated, they are brought to us for evaluation by the Joint Chiefs by the process with which you are familiar.

I think the proposals for the programs are reviewed in the Department of Defense and go to the Secretary of State——

Mr. PASSMAN. That is not what the act says.

Mr. SLOAN. He relies upon the advice of the Department of Defense.

Mr. PASSMAN. This thing is coordinated between the State Department and the Defense Department. The act says:

> Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of assistance programs authorized by this Act, including but not limited to determining whether there shall be a military assistance program for a country and the value thereof.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. How many of these country programs are the result of a State Department commitment to the countries to furnish military assistance?

Mr. SLOAN. None of the programs in any of the countries, whether they come originally from the defense officials of the country concerned or elsewhere, are implemented, nor are commitments made, until the programs are agreed upon in this country. As the Secretary stated, it is a coordinated program between the State Department, Defense, and the Administrator of the AID program.

Mr. PASSMAN. That is right. We know this is primarily a State Department program. I imagine if the general had his way a lot of these countries getting military aid would not be getting it.

Mr. SLOAN. May I say the requirements that are laid on by the Joint Chiefs of Staff generally exceed what we are able to provide under the program.

ASSISTANCE IN NEPAL

Mr. PASSMAN. What is that little country that was mentioned?

Mr. SLOAN. Nepal.

Mr. PASSMAN. I wish I had enough imagination to figure out why we would get a military program started out there. But I know we have some military programs going in some countries where blackstrap molasses probably would do more good.

Mr. SLOAN. I believe in the case of Nepal you have a small country that has been looking to India for some rifles and other items. The authorities of that country approached our people and said their supplies of equipment were not sufficient. And, of course, we have not yet set up the program. We are working with the British and with the Indian Government to set up a small program that will effectively equip some of these mountain troops.

Mr. PASSMAN. Of course, if we try to help all around the world, this is another step in that direction.

Mr. SLOAN. No. We came out of seven countries this year.

Mr. PASSMAN. Here, simply because India wants to help Nepal, we have to get in with a program. And, I see where the United States asks India to set a 5-year arms-need plan, while the record is replete with information prior to 2 years ago that we were going to stay out of India. But, of course, I know why we went in.

Off the record.

(Discussion off the record.)

MILITARY CHAIN OF COMMAND

Mr. PASSMAN. At the country level you have your MAAG Chiefs. At one time you had a MAAG Chief in every country where you had a substantial military program.

From the MAAG Chiefs does the chain of command go next to the unified commanders of the country programs?

General WOOD. Yes; that is true.

Mr. PASSMAN. And then from the unified commanders to the Director of the military assistance program?

General WOOD. So far as the submission is concerned it comes to the Office of the Secretary of Defense and specifically to my office for the Secretary.

Mr. PASSMAN. But you are the Director. I am trying to get the chain of command.

And from there to the Joint Chiefs of Staff?

General WOOD. That is correct but, as the Secretary said yesterday, the official chain of command is from the Joint Chiefs of Staff——

Mr. PASSMAN. I am going from the bottom up.

So it is from the MAAG Chiefs, to the unified commanders, to the Director of the military assistance program, to the Joint Chiefs of Staff, and then the Secretary is at the top?

General WOOD. Yes, in the sense that my office and that of Mr. Sloan are both a part of the Office of the Assistant Secretary of Defense for International Security Affairs, which is part of the Secretary's staff.

Mr. PASSMAN. But you are Director of the Military Assistance Program?

General WOOD. Taking it in a business sense, I am a general manager. I work under the Secretary.

MAAG CHIEF RESPONSIBILITY

Mr. PASSMAN. You do have a chain of command. The MAAG Chiefs at the country level usually are flag or general officers; are they not?

General WOOD. The senior ones; yes.

Mr. PASSMAN. And being there in the country, working with the Ambassador and the officials of that country, their recommendations to what is needed and the amount should have some weight; should it not?

General Wood. True. You might say really that they have two responsibilities, a military responsibility to the Secretary of Defense through the unified commands and a responsibility to the Ambassador as head of the country team.

We consider the MAAG's the base on which the whole superstructure is erected so far as military assistance is concerned. They are the detail people in the field.

Mr. Passman. That is the root of the tree?

General Wood. Yes.

Mr. Passman. And they should know more about the requirements as they are out in the field—they understand the terrain and the people they deal with—and they should know more about it than the people in Washington, should they not? I am trying to find out where we should conduct detailed examinations in the future. I have conducted some examinations in the field and some of the information we got was so terrifically embarrassing we did not use it.

General Wood. I would say, being frank—and I think we are being frank, Mr. Chairman—that the MAAG Chiefs are familiar with the country's problems and the need for equipment. It is also quite true—and I think you must have experienced this—that all U.S. personnel, whether civilian or military, are not in a country very long before they start to suffer from what we might call "localitis."

RESPONSIBILITIES OF THE UNIFIED COMMANDERS

So the unified command is responsible for looking at his area and the Joint Chiefs of Staff are looking at the wide world, so some MAAG Chiefs' recommendations have to be modified.

Mr. Passman. But that does not change the fact that the MAAG Chiefs and unified commanders are the root of the tree?

General Wood. That is right.

Mr. Passman. How many unified commanders do you have?

General Wood. We have four we deal with: General Lemnitzer——

Mr. Passman. He is NATO.

General Wood. Admiral Felt, commander in chief of the Pacific Command; General O'Meara, commander in chief of the Southern Command, in Panama; and General Adams, commander in chief of MEAFSA, the Middle East, Africa, and Southern Asia Command.

Mr. Passman. Do the unified commanders give their full time and attention to this program?

General Wood. No. Each unified commander has this responsibility among others.

Mr. Passman. He wears four hats. But I wanted to find out who knows what. The position of Director of the Military Assistance Program is full time with you?

General Wood. Full time.

DUTIES ASSIGNED TO THE REGIONAL DIRECTORS

Mr. Passman. Now you have these area people. How many of those do you have?

General Wood. Four.

Mr. Passman. That is a full-time job?

General Wood. A full-time job of a region?

Mr. Passman. Do they deal with anything other than the military assistance program? Are they involved in trying to administer something else?

Mr. Sloan. The regional directors work under my office, Mr. Chairman, and their duties in the military assistance program are primarily to carry out a liaison program between the State Department, AID, and the Department of Defense in promoting the program.

Mr. Passman. But they are still dealing with the military assistance program; they are not doing engineering for the Corps of Engineers. They are assigned to the military assistance program in some capacity?

Mr. Sloan. One of their capacities is the support of the military assistance program.

Mr. Passman. What are the others?

Mr. Sloan. The support of the military assistance program is one of their duties. They carry liaison between State, Defense, and the military departments on oversea deployment——

Mr. Passman. On military assistance, or everything else, too?

Mr. Sloan. Generally in the Department of Defense. I would say their military assistance duties absorb about one-third of the time of the regional directors. Two-thirds of their time is in the other coordination work of the departments, Office of the Secretary of Defense.

Mr. Passman. Was General Fuqua concerned with the deployment of troops in Africa, and so on?

Mr. Sloan. Yes, a liaison matter of representing his region where the Office of the Secretary of Defense was asked to have a comment on that subject.

Mr. Passman. But primarily, do their assignments deal with the military assistance program?

Mr. Sloan. I would say about one-third of their time, sir, is used in the military assistance program.

Mr. Passman. And the Joint Chiefs of Staff are primarily concerned with the overall national defense, worldwide?

Mr. Sloan. Yes, sir.

Mr. Passman. And the Secretary of Defense, too, is primarily concerned with the overall aspects of our own military program?

Mr. Sloan. Yes.

Mr. Passman. Now we have this chain of command down to the point we know where to go to get information upon which we can rely, higher authority notwithstanding, and that would be the MAAG chiefs in the field, the roots of the tree, and the director of the military assistance program, who is full time on the job. Is that a correct statement?

Mr. Sloan. These people are knowledgeable at their level but also the Secretary of Defense——

Mr. Passman. I wanted to find out whether or not we have to discount everything these people who come before the committee say and have to accept only the word of the Secretary of Defense. Now I have the information I have been wanting, and it is on that basis we shall proceed, rather than for the Secretary of Defense to come in here and read a statement and say, "This is it."

General Wood. Mr. Chairman, I think that is unkind. The Secretary is not here.

Mr. Passman. I intend only to be factual.

General Wood. He is my boss and I should speak for him since he is not here.

Mr. Passman. He has repudiated something that you have said.

General Wood. I do not think so.

Mr. Passman. I can get the record if you want me to do so. If he said that something you had said is not accurate, does that make what you said incorrect?

General Wood. If he says something is right, he is the boss and he is right.

Mr. Passman. You have put something in the record which the Secretary says is not accurate.

We wish for you a very pleasant Easter, gentlemen.

Tuesday, April 7, 1964.

Mr. Passman. The committee will come to order.

DEFENSE DEPARTMENT APPROPRIATIONS APPLIED TO THE MAP

In addition to the military assistance appropriations I believe that certain expenditures used in behalf of the program are paid out of the Defense Department appropriation, are they not? I am generalizing, because I am speaking of personnel and other things.

General Wood. Yes.

Mr. Passman. I think the information is classified, but to indicate the number of personnel that we have, we shall say in Korea, Taiwan, and South Vietnam, if we put the three groups together would it still be classified as to the total number of personnel?

General Wood. I would have to check the Secretary's statement. I think he so indicated.

(The information was furnished to the committee.)

Mr. Passman. Could we have for the record, and if not for the record, as information for the committee, the cost to the Defense Department in the countries receiving military assistance? Let us have the amount for the three countries I just mentioned, Korea, South Vietnam, and Taiwan. Give us all costs that are paid for out of the Defense Department.

(A classified document was supplied to the committee.)

REQUEST FOR EUROPEAN NATIONS

Mr. Passman. But now, if I may, sir, what is the amount of your request for the European nations for fiscal 1965?

General Wood. We have in the section marked "Grant-Aid Phase-out Programs"——

Mr. Passman. Page 8 of the justifications?

General Wood. It is on Denmark and Norway and we have the base section papers on Spain and Portugal. However, I have a summary on page 8.

Mr. PASSMAN. If you will just give us the total, or tell me if I am correct when I say that for Europe the amount is $49,474,000.

General WOOD. Yes, sir, as defined in the book this year.

Mr. PASSMAN. That is for fiscal year 1965.

General WOOD. Yes, sir.

Mr. PASSMAN. If these figures are not classified, I believe that in fiscal year 1962 for Europe you had $373,951,000; fiscal year 1963, $203,002,000; fiscal year 1964, $193,489,000. Do these figures coincide with your figures, sir?

General WOOD. Yes, sir.

Mr. PASSMAN. Then, for fiscal years 1962, 1963, and 1964 the average has been $256,814,000 for Europe. Would you check on those figures?

General WOOD. I will accept your addition, sir.

Mr. PASSMAN. If you include fiscal year 1965, the amount of $49,474,000, it still leaves an average for 4 years, fiscal years 1962, 1963, 1964 and 1965, of $200 million annually.

General WOOD. Yes, sir. We should be careful to note that Europe as defined this year excludes three items which we have in the U.S. force support, which are rather large—infra structure, $60 million, international headquarters, $15,900,000 European regional support, $1,400,000, so that Europe, as defined last year, on a comparative basis this year really would have in it $126,800,000, excluding supply operations.

Mr. PASSMAN. What did you have in fiscal years 1962, 1963, and 1964 for the items you just mentioned?

General WOOD. The totals you gave included those items. This year we have them broken out.

Mr. PASSMAN. What were those items, the "Infra structure" $50 million part of it?

General WOOD. Last year we had, for infra structure——

Mr. PASSMAN. The total figure makes——

General WOOD. $126,800,000.

REDUCTIONS IN THE EUROPEAN PROGRAM REQUIREMENTS

Mr. PASSMAN. If you add for infra structure, you come up to $146,800,000. If you subtract the $146,800,000 from the years I mentioned of $256,802,000, that means there has been an average reduction of $130 million for the European requirements; is that correct?

General WOOD. I think that is correct, sir.

(EDITOR'S NOTE.—General Wood's agreement with the average reduction figure for the European requirements, as stated by Mr. Passman, was subsequently withdrawn; and the following statement has been submitted:

"Europe this year is $126,800,000, last year it was $193,489,000 * * *. In both cases, it includes funds for support of U.S. forces. This year's figure does not include supply operations.")

Mr. PASSMAN. I hope you agree I am being completely fair about it, to establish for the record that if you take out the cost of the European program, or reduce it by an average of $130 million annually, it would indicate that less money would be needed for the military assistance program as a whole, if it has been funded properly in the past.

General WOOD. We are certainly trying to phase out grant aid in Europe.

Mr. PASSMAN. If you do phase it out and if you have reduced it as indicated, by in excess of $130 million annually, then if your requirements are about the same in other parts of the world and you have been properly funded in the past, then the total could be reduced by $130 million, could it not?

General WOOD. I would say that is a correct principle, assuming, of course, that there are no new increases elsewhere, and assuming that your figures are correct.

Mr. PASSMAN. You have been very fair. You understand the point I am trying to make is that we must take into account the fact that you are not funding the European programs for the same amount as in previous years. The request for fiscal year 1965 for the military assistance program is $1 billion?

General WOOD. Yes, sir.

RECOUPMENTS IN FISCAL YEAR 1965

Mr. PASSMAN. What is the amount of the deobligated funds, or recouped, or squeezed out—anything you want to call it—that would be available for new obligations for fiscal 1965?

General WOOD. We estimate recoupment will be $135 million, as shown on page 7.

Mr. PASSMAN. You will have a reappropriation of $25 million. That is your estimate, is it not?

General WOOD. Yes, sir.

TOTAL POSSIBLE FUNDS AVAILABLE TO MAP IN 1965

Mr. PASSMAN. Under section 510, if the President should so determine that is was in the interest of the national security, he could transfer up to $300 million out of the Defense Department stocks, could he not?

General WOOD. Yes, sir; that is correct. If it is "vital" to the security of the United States.

Mr. PASSMAN. Thank you very much, sir.

General WOOD. They would have to be paid for in the subsequent year military assistance appropriation.

Mr. PASSMAN. We are talking about what could be available, just in case it might be needed. The President can transfer funds, under authority of section 610, from one appropriation to another in the overall foreign aid program. Even from the President's contingency fund he can transfer into economic aid and from economic to the military program. If the President should determine, under section 610, that it is in the interest of security to transfer 10 percent to military program, he could do so, could he not?

General WOOD. That is my understanding. There is a limit that he can't increase by more than 20 percent of the amount of funds made available for the account benefiting from the transfer.

Mr. PASSMAN. I think it is 20 percent in and 10 percent out.

General WOOD. That is correct.

He can transfer it either way, I believe.

Mr. PASSMAN. That is right. It can work either way. Under the pending legislation and under the figures we have documented the President could make available $1,610 million for the military assistance program for fiscal year 1965, could he not, if he felt it was necessary to use all the authority that may be on his side?

General WOOD. I believe that is correct, on the assumption you listed. However, as far as section 610 is concerned, any transfer must be at the expense of the economic program or emergency reserves.

Mr. PASSMAN. Then this is not necessarily just a billion-dollar item at all.

CIVIC ACTION PROJECTS

General, how much of the $1.1 billion program is devoted to the civic action projects?

General WOOD. About $16 million, sir.

Mr. PASSMAN. Would you provide for the record a list of the countries and the amounts for the programs for the countries?

General WOOD. Yes, sir; I would be happy to do so. Let me correct the figure to, say, $14,315,000 for 1965.

(Information supplied follows:)

Military assistance civic action, fiscal year 1964 proposed program

	Thousands
Forward defense	$4,057
Laos	23
Philippines	22
Thailand	2,211
Vietnam	1,495
Greece	2
Iran	304
Alliance for Progress security	9,760
Argentina	1,206
Bolivia	591
Brazil	2,314
Chile	1,096
Colombia	1,124
Costa Rica	13
Ecuador	573
El Salvador	91
Guatemala	238
Panama	16
Paraguay	744
Peru	1,703
Uruguay	11
Venezuela	40
Other categories	498
Ethiopia	8
Jordan	151
Liberia	73
Libya	4
Mali	29
Senegal	233
Grand total	14,315

CONTINUING PROGRAMS FOR COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. Do you have a long-term program for each of the countries for which you are requesting military assistance for fiscal year 1965?

General WOOD. Well, we have programs which vary in length and, of course, not all countries will remain in the program. For example, we are continuing to phase out the economically developed countries, in accordance with the law and we are only completing prior commitments to Norway, Denmark, and Japan and these programs will be phased out in the next few years. We have continuing programs for the forward defense countries, which we think we will need as long as the threat exists from the Sino-Soviet bloc. We believe we will need continuing programs for the Latin American countries, where the activities of the Cuban Government under Castro are matters of public knowledge.

We have very minor programs in the African countries. Ethiopia, where we have certain facilities which we believe are essential, will certainly continue but while I am trying to say that you can't generalize on all countries, we do have continuing programs which indicates that as long as we have the kind of foreign aid legislation which we now have, we will have a need for continuing military assistance programing.

TIME LIMIT ON LONG-RANGE PROGRAMS

Mr. PASSMAN. We have been told in the field, and I believe in Washington, that usually you work on a 5-year planning program. Do you operate on a 5-year program in all countries where you have a military assistance program, or is it just a selected number?

General WOOD. No, up to 5 years, shall we say. Five is as far as we go; some phase out during that period.

Mr. PASSMAN. There are no programs which you plan definitely more than 5 years in advance?

General WOOD. No, it is the Department of Defense policy which is carried out in the rest of Defense Department programs also. I might say that making such a program has been pretty difficult this year.

PROJECTED PROGRAM LEVELS

You recall last year I gave you some figures by areas for the next 5 years, which, of course, assumed an appropriation of $1.405 million for fiscal year 1964. The billion dollar appropriation—which you know we didn't get until late in the fiscal year—that raised a question on all of our future programs, at the moment while we have a planning sequence going on again, looking at what we think might be possible in the future, it is done by starting from the appropriation in 1964 and the requested $1 billion in 1965. This means that if we want to do the things that we planned last year, either we have to extend our programs over a longer period of more than 5 years or we have, hopefully, to ask for a greater appropriation next year.

Mr. PASSMAN. In fiscal year 1964 you asked for $1.405 billion. The Congress appropriated $1 billion. You indicated last year that for fiscal year 1965 you would need $1.209 billion. I cannot reconcile that fact with the statement by the Secretary that the need is for $1.4 billion. Then, for fiscal 1966 he indicated that $1.205 billion would be needed; for fiscal year 1967, $1.113 billion, and in fiscal year 1968, $1.2 billion. Will these figures have to be removed from the record or may they be put in?

General WOOD. So far as the future is concerned, I will have to check it with the security people. I can't see any reason to keep them classified.

Mr. PASSMAN. This is what you indicated that you might need.

General WOOD. Yes, sir.

F–5 AIRCRAFT

Mr. PASSMAN. General, would you give us revised and up-to-date sheets of the actual distribution of F–104 and F–5 aircraft?

General WOOD. Yes, sir.

Mr. PASSMAN. That information is not classified, is it?

General WOOD. No, sir; not the totals. Of course, the country sheets show the planned distribution for 1964 and 1965. We will have to give you that on a classified basis.

Mr. PASSMAN. You do have a revised sheet; do you not?

General WOOD. Yes, sir. We will give you the plans for the allocations so far.

(The information supplied follows:)

U.S. PARTICIPATION IN PRODUCTION OF F–104G BY THE NATO F–104G STAR-FIGHTER PRODUCTION ORGANIZATION

WHY WE PARTICIPATED

The requirement for an aircraft in NATO countries to replace the F–84's, the F–86's, and the HAWKER-HUNTER's which were becoming obsolete was recognized as early as 1956. Three aircraft were seriously considered: the U.S. F–104G, the French MIRAGE III, and the United Kingdom P–1. The Governments of Belgium, Italy, Germany, and the Netherlands selected the F–104G in preference to other types.

MAP ARRANGEMENTS

As an inducement to Belgium, Italy, and the Netherlands, the President on July 27, 1960, approved a U.S. commitment of $145 million of military assistance funds for the project. An agreement, signed by the participating governments on April 12, 1961, stipulated that the U.S. contribution would be spent in the United States. In return, the United States would receive 100 aircraft, with spares, for the United States. In return, the United States would receive 100 aircraft, with spares, for distribution to the participating countries. The distribution was to be: 25 to Belgium, 25 to the Netherlands, and 50 to Italy with deliveries as follows:

The consortium countries agreed to procure with their own funds the following additional number of aircraft:

Belgium	———
Italy	———
Netherlands	———
Germany [1]	———
Total	849

[1] Germany bought ——— F–104G aircraft from U.S. sources in addition to its purchase from the consortium.

Total consortium production will be 949 aircraft at a total cost of approximately $1.5 billion, of which approximately $850 million is being spent in the United States.

The U.S. funding of the $145 million commitment is from the military assistance program as follows:

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	After fiscal year 1965	Total
Aircraft	86.9	39.1	14				145
Technical assistance				2	1	2	

UNITED STATES–CANADIAN AGREEMENT FOR PRODUCTION OF MAP F–104G AIRCRAFT

The U.S. Ambassador to Canada and the Canadian Secretary of State for External Affairs signed a memorandum of understanding (country-to-country agreement) on June 12, 1961.

In this memorandum, the United States agreed to furnish 66 F–101's to Canada, and Canada agreed to assume responsibility for the operation of the Pinetree Radar Stations.

In addition, it was agreed that $200 million worth of F–104G aircraft, including associated support equipment and initial spares, would be procured in Canada to meet a Canadian mutual aid contribution to NATO and U.S. military assistance program requirements. The United States agreed to contribute $150 million and Canada $50 million in U.S. funds. It is estimated that approximately $60 million of the total $200 million program will be spent in the United States to offset dollar balances.

The Canada-produced F–104G aircraft are proposed for allocation, with delivery schedules as follows: ———.

Funding of United States share of Canadian-produced F–104G aircraft:

Prior year MAP cost	$116.6
Fiscal year 1964 MAP cost	33.4
Fiscal year 1965 MAP cost	------
Future MAP cost	------

F–104G AIRCRAFT FROM U.S. LOCKHEED PRODUCTION FOR THE MAP

In fiscal year 1961 the military assistance program began procuring F–104G aircraft from Lockheed to meet military assistance requirements for grant aid recipient countries. Procurement from U.S. Lockheed with military assistance funds is in addition to MA funds required for U.S. participation in the Canadian and European production of the F–104G aircraft.

Eighty-one F–104G and 28 TF–104G aircraft for a total of 109 aircraft from U.S. Lockheed production are on contract at a cost of approximately $250 million.

TF–104G's (dual seat aircraft) for the total military assistance program requirements are procured from U.S. Lockheed production.

Allocation and delivery schedule for the F–104G's from U.S. production is as follows: ———.

Funding for U.S.-produced F–104G aircraft:

Prior year MAP cost	$238,800,000
Fiscal year 1964 MAP cost	7,400,000
Fiscal year 1965 MAP cost	[1]
Future MAP cost	----------

[1] Funds are not projected in the current fiscal year 1965 program; however, to complete contract, it is estimated that additional funds will be required in first quarter of fiscal year 1965.

MILITARY ASSISTANCE PROGRAM FOR F–5 AIRCRAFT

The Northrup F–5 aircraft is the redesignation of the prototype N–156 aircraft; a tactical fighter design intended to replace obsolescent F–84 and F–86 aircraft in the MAP and for sales to allied countries. The qualitative military assistance requirements on which the F–5 was selected were based on:

A primary mission of close support with visual air superiority and interdiction capabilities;
Ease of maintenance with low skill levels;
Capability of operating from relatively short runways;
A cost less than comparable weapons systems.
Proposed program and allocation schedule for the F–5 aircraft:

Country	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965
Total	85	83	120

MA funding for the F–5:

Prior year MAP cost	[1] $140,000,000
Fiscal year 1964 MAP cost	89,800,000
Fiscal year 1965 MAP cost	96,400,000

[1] $25,000,000 funded in fiscal year 1962 for additional development, start up, and production costs.

FORWARD DEFENSE PROGRAMS

Mr. PASSMAN. The estimate for the 11 countries contained in this forward defense category is, I believe, $744,955,000 for fiscal 1965; is that correct?

General WOOD. Yes, sir, $744,955,000.

Mr. PASSMAN. How does this compare with the allocation of the fiscal year 1964 appropriation for the same 11 countries?

General WOOD. Due to the fact we showed it differently in 1964, sir, may I submit that for the record?

Mr. PASSMAN. Yes, but maybe you could give us an estimate.

General WOOD. The figure is $806.3 million.

Mr. PASSMAN. How much of the fiscal year 1965 estimate is designed to provide internal security forces?

General WOOD. The overall total, sir, or just for those 11 countries?

Mr. PASSMAN. The 11 countries.

General WOOD. I don't have that broken out that way, sir, as a total. I will have to furnish that for the record.

(The information supplied follows:)

The amount of $84,398,186 has been included in the fiscal year 1965 program for internal security for the 10 forward defense programs other than India. The amount included for internal security for the India program is not available since that program has not yet been defined.

MANPOWER DATA—FORWARD DEFENSE COUNTRIES

Mr. PASSMAN. Of the more than 3.5 million men in these 11 countries, how many of them are actually considered military men and how many of them are in terms of civil defense or civil guards?

General WOOD. I will have to submit that for the record, sir.

Mr. PASSMAN. How many of these more than 3.5 million people are assigned to duties other than the mutual security type of duty?

General Wood. I wouldn't think that any are, since these are the forces we are supporting. Some of these countries, of course, have some additional forces that we aren't supporting.

Mr. Passman. Do you not catch them under some of those other categories?

General Wood. Well, for example, total military in the Republic of China is ——— but this excludes ——— Ministry of Defense overhead, which we don't support.

Mr. Passman. How many of the more than 3.5 million people are assigned to duties other than the mutual security type of duty? I am thinking particularly now of India.

General Wood. Let me research that for you, sir, because I don't have it broken out that way.

(The information supplied follows.)

	Total active military strength	Internal security forces
China, Republic of	———	———
Greece	———	———
India	———	———
Iran	———	———
Korea	———	———
Laos	———	———
Pakistan	———	———
Philippines	———	———
Thailand	———	———
Turkey	———	———
Vietnam	———	———
Total	3,788,672	393,400

The total active military strength of the 11 forward defense countries is 3,788,672. As shown above, 393,400 of these troops have as a primary mission the maintenance of internal security, leaving approximately 3.4 million whose primary mission is not so designated. Any inference that internal security forces do not make a direct and essential contribution to collective free world defense in the event of hostilities would be completely erroneous. The most striking evidence of this can be seen in Vietnam where the self-defense forces and the civil guard units are fighting and dying in the struggle against overt Communist aggression. Labels are hardly indicative of the degree to which these forces serve the vital security interests of the free world.

Mr. Passman. We are trying to get the fighting men and the backup men and the civil projects men all separated. We do know we have civic works projects under this bill, that people are out there building bridges or roads or something else. We are just trying to find out what part of it is actually military.

General Wood. India, for example, has over ——— men in the armed forces but we, so far as our program is concerned at the moment, we are supporting only ——— mountain divisions in 1964 and plan to modernize ——— mountain divisions in 1965.

Mr. Passman. That is out of the military assistance appropriation?

General Wood. Yes.

Mr. Passman. I think we are maybe supporting them all out of some other phases of foreign aid, but I am talking now about the military program. However, I thought we had better indicate that the ——— if they are not getting it out of this fund, they are probably getting it out of some other appropriation.

General Wood. We speak to the military program.

Mr. Passman. We are trying to get Mr. Rusk's army straightened out. I thought I would mix a little of this in there.

Off the record.

(Discussion off the record.)

SOUTHEAST ASIA

Mr. Passman. We do not claim those people as being with us now, do we?

General Wood. We certainly do claim the Thai are with us now.

Mr. Passman. The Thai, yes, I think, but we could not claim Laos, could we, or ———.

General Wood. Laos, of course——

Mr. Passman. Cambodia——

General Wood. Laos is a country that is considerably divided and working under the Geneva Accords which the State Department can speak to better than I.

Mr. Passman. How about Cambodia? Is that the country which told us to get out of there, in effect, last year?

General Wood. I would say you are quite accurate.

Mr. Passman. If they——

General Wood. Of course, we did get out.

Mr. Passman. We practically begged to get back in. Did we make it?

General Wood. I didn't say we begged to get back in.

Mr. Passman. I didn't say you said it.

INDONESIA

Here is Mr. Sukarno, the President of Indonesia. I believe that he is elected for a lifetime. Published in the New York Times, this is a UPI release to the effect that Sukarno tells the United States to go to hell with our aid. Is the amount of military aid we have given to Indonesia classified?

General Wood. No, it is not classified—$58,762,000 through June 30, 1963, sir.

Mr. Passman. We shall insert this item in the record.

(The newspaper article referred to follows:)

[From the New York Times, Mar. 26, 1964]

SUKARNO TELLS UNITED STATES "TO HELL WITH YOUR AID"

JOCULAR SPEECH AT DEDICATION ANSWERS MOVE BY RUSK

JAKARTA, INDONESIA, March 25 (UPI).—President Sukarno, in a remark directed at the United States, smilingly said today, "To hell with your aid."

"We can do without aid," he said. "We'll never collapse."

The Indonesian President spoke at a ground-breaking ceremony for a new Government building in the capital. When completed, the 14-story building will house the general managing board of the Indonesian Government's commercial banks.

Smiling broadly, President Sukarno said, "Indonesia is rich in natural resources. Indonesia is rich in manpower with its 103 million inhabitants—not like Malaysia with its 10 million."

The reference to Malaysia drew a burst of applause from the 2,000 persons at the ceremony.

President Sukarno's speech followed by 1 day a statement by Secretary of State Dean Rusk in Washington that the United States would not give any new aid to Indonesia until the Malaysia dispute was settled.

HE SAYS INDONESIA IS RICH AND CAN DO WITHOUT HELP

So that there would be no misunderstanding about where his remarks were directed, President Sukarno interrupted his speech to ask the U.S. Ambassador, Howard P. Jones, "When was that you wanted to stop your aid?"

Ambassador Jones did not answer.

ESTIMATE OF AID GIVEN

JAKARTA, March 25 (Reuters).—Officials of the U.S. Agency for International Development here said today that so far this year there had been no new aid commitments to Indonesia and that technical projects were continuing at a minimum rate.

They estimated that the Agency's contributions this year would not exceed $10 million. This would be concentrated on education and a malaria-eradication project.

The officials said that other assistance that was still in the "pipeline" before the bar on foreign aid came into effect, would amount to $30 to $40 million in food and $10 million for other activities.

SUBANDRIO HOPEFUL ON PLAN

BANGKOK, THAILAND, March 25 (Reuters).—Foreign Minister Subandrio of Indonesia said today his government had accepted "with certain conditions" a formula by the Philippines to settle the Malaysian dispute. He declined to disclose the conditions. Mr. Subandrio is on his way to the Netherlands.

Mr. PASSMAN. How much aid do you have in this budget for military aid to Indonesia?

General WOOD. We have only a training program.

Mr. PASSMAN. Could you give us the amount?

General WOOD. Yes, sir; we have discontinued shipments of 1964 materiel that relates to combat.

Mr. PASSMAN. For what purpose is the training?

General WOOD. We believe you should draw a distinction.

(Off the record.)

Mr. PASSMAN. The more I try to draw that distinction, the more I think the people of Indonesia are supporting Sukarno. Time and events, however, will decide the question.

General WOOD. Leaders don't decide the questions.

We still think there is some value in keeping ———.

(Off the record.)

Mr. PASSMAN. Who said they were ———.

General WOOD. I will say so, if nobody else will.

Mr. PASSMAN. What are we getting from the amount we have given them? How much is it for fiscal 1965?

General WOOD. The training program for 1965 that is proposed would train some ——— individuals in U.S. service schools and would cost approximately ———.

Mr. PASSMAN. How much do you have unexpended to the account of Indonesia that you are going to disburse in subsequent years under the military assistance program?

General WOOD. At the moment, as I say, We have suspended all deliveries of material which ———. The 1964 book showed an undelivered balance of approximately $23 million.

Mr. PASSMAN. The book we are looking at shows $11,759,000. Where do we find the difference?

General WOOD. The column ahead of that, estimated deliveries in 1964 and after 1964.

Mr. PASSMAN. That is $23 million?

General WOOD. Yes, sir; the total of those two.

Mr. PASSMAN. Do you have a plan under study that would deobligate all of this amount and make it available for other expenditures?

General WOOD. Yes, sir; we are reexamining the whole thing, less what was delivered prior to the cutoff last fall. As I say, we definitely cut off deliveries of all weapons and combat equipment.

Mr. PASSMAN. Then there would be $23 million if you did deobligate all of the credit to Indonesia. That sum would also be available for new obligational authority, would it not, in this program?

General WOOD. Yes, sir.

My current figures indicate that the maximum that we could save out of this would be less than ——— million.

Mr. PASSMAN. That amount would also be added to the other list of figures, if you did deobligate?

General WOOD. That is part of the planned recoupment for the year.

Mr. PASSMAN. Have you made a final determination?

INCREASE IN FUND AVAILABILITY DUE TO RECOUPMENTS

General WOOD. Well, as you know, our recoupment is an estimate, based on experience, and I wouldn't say at the moment that we are certain we are going to be able to recoup $127 million in 1964. As a matter of fact, we have in view at the moment only ——— million of that recoupment. I think, however, that we will come to the estimate before the end of the year.

Mr. PASSMAN. Have I made a correct statement when I say that for every dollar appropriated for the MAP during the past 5 years, you have obligated $1.22? When you started the squeeze-outs or recoupments, on a really serious basis, we run into pretty close to a billion dollars picked up from previous years and made available for new obligations?

General WOOD. I think every year there are recoupments.

Mr. PASSMAN. I made a statement to the effect that for every dollar you needed for the MAP in the past 5 years $1.22 was obligated.

General WOOD. I can't confirm that statement. It sounds like a good statement, but I can't confirm it.

Mr. PASSMAN. Can you disprove it?

General WOOD. I don't know.

Mr. PASSMAN. Would you put together the amount of recouped, or deobligated funds for the past 5 years and put that against your appropriation and see what they are?

(The information supplied follows:)

DOLLARS NEEDED IN MAP VERSUS OBLIGATIONS

The allegation that $1.22 was obligated for each dollar "needed" in the military assistance program cannot be substantiated. The figure which is most nearly—but never completely—representative of the annual fund requirement for military assistance is the total program presented and justified to the Congress each year.

A comparison of the programs justified, the funds appropriated and the funds deobligated for the last 5 years is shown below. It clearly establishes the fact that the Department of Defense has never obligated one penny in excess of the programs justified to the Congress. Appropriation reductions have in fact precluded funding of the required amounts in each of these years. In the current fiscal year, even with an anticipated transfer of $50 million from the contingency fund, only approximately three-fourths of the needs of the program will be met.

[In millions of dollars]

Year	Dollars needed in MAP (program justified to Congress) [1]	Amount appropriated	Amount deobligated	Total funds available for obligation [1]
Fiscal year 1960	1,600.0	1,300	208.3	1,508.3
Fiscal year 1961	2,000.0	1,800	120.6	1,920.6
Fiscal year 1962	1,885.0	1,600	240.7	1,840.7
Fiscal year 1963	[2] 1,704.6	1,325	250.0	1,575.0
Fiscal year 1964	[2] 1,555.0	1,000	[3] 127.7	[3 4] 1,177.7
Total	8,744.6	7,025	947.3	8,022.3

[1] Excludes annual reappropriation of approximately $25,000,000.
[2] Includes estimated recoupments which were applied against requirements in determining NOA request.
[3] Estimated.
[4] Includes estimated transfer of $50,000,000 in economic aid funds.

General WOOD. It is true, we come up with a planned program which includes recoupments.

Mr. PASSMAN. I want to know whether I made an accurate statement. Have a look at it, please.

General WOOD. Nevertheless, that did decrease the amount of NOA that we asked for last year; this year, too.

Mr. PASSMAN. Have a look at the facts, if you will, please, sir.

OTHER SOURCES OF MILITARY ASSISTANCE TO MAP COUNTRIES

Mr. PASSMAN. General, would you comment on your statement, which is also on page 16 of the justifications:

Except in the case of India, military assistance is the only significant source of outside equipment for these countries.

General WOOD. Well, so far as India is concerned, you know that it has received and is receiving military assistance from the Soviet Union.

Mr. PASSMAN. Yes. Please put the other information in the record.

(The information supplied follows:)

SUMMARY OF COMMONWEALTH AND THIRD COUNTRY AID

(*a*) *United Kingdom.*—British military assistance to India has involved ———. Under the Nassau agreement the value of this assistance was to be $60 million. Approximately $15 million has been indicated as a follow-on amount.

(*b*) *Australia.*—Military assistance for India has consisted primarily ———. This has been in the form of grant aid of a value estimated to be ——— million.

(*c*) *Canada.*—Canadian assistance to date consists of ———. The dollar value is estimated to be approximately ——— million. Canada also has extended a loan of ——— million to cover the purchase of ———.

(*d*) *U.S.S.R.*—In addition to delivery of ——— MIG–21 fighters purchased, the U.S.S.R. is providing India ———.

Others.—France and Germany have provided ———. The French assistance is estimated at a value of ——— million. The FRG has provided ——— to India at an estimated value of ——— million. Japan has provided ———, and ——— have been received from Italy ———. Yugoslavia has contracted to provide ———.

ECONOMIC ASSISTANCE IN FISCAL YEAR 1965 TO FORWARD DEFENSE COUNTRIES

Mr. PASSMAN. Would you provide for the record a statement showing the amount of economic assistance programed for fiscal year 1965 to each one of these 11 countries?

General WOOD. Economic assistance?

Mr. PASSMAN. Yes.

General WOOD. From the United States?

Mr. PASSMAN. Yes, sir.

General WOOD. Yes, sir. I can get those figures.

(The information supplied follows:)

Economic assistance funds programed for fiscal year 1965 for 11 countries listed by MAP in forward defense category

[In thousands of dollars]

Country	Funds programed		
	Total	Development loans	Other
China, Republic of	———	———	535
Greece	———	———	———
India	———	———	6,800
Iran	———	———	2,900
Korea	———	———	———
Laos	———	———	———
Pakistan	———	———	8,450
Philippines	———	———	3,000
Thailand	———	———	———
Turkey	———	———	4,400
Vietnam	———	———	———
Grand total	1,129,950–1,144,950	830,000–845,000	299,950

REPUBLIC OF CHINA PROGRAM

Mr. PASSMAN. The first country under the forward defense category is the Republic of China for which in fiscal year 1965 you request ——— millions, ——— above the present 1964 appropriation; is that correct, sir?

General WOOD. Yes, sir that is correct; ——— million for 1965, compared to $85 million for 1964.

Mr. PASSMAN. General Wood, I notice in Mr. Sloan's statement, on page 2, that the congressional reductions in the fiscal year 1964 program required that almost $49 million be cut from the China program. Was this not an executive branch determination?

General WOOD. The reduction in the program—the reductions in any particular country's program in order to absorb the overall cut—was certainly an executive branch determination, yes, sir.

Mr. PASSMAN. We were out in Taiwan just a few days ago, and we had the honor of meeting with the Defense Minister and we were trying to extract complaints, if any, but they were not forthcoming.

We did not hear one single complaint from any source, from our personnel or from Chinese personnel, including Generalissimo Chiang Kai-shek, about what we were giving them.

We did find a thriving economy out there.

General Wood. I understand the economy of the Republic of China is improving. That is enabling us, among other things, to phase out commercial consumables.

UNEXPENDED BALANCES

Mr. Passman. I note that the unexpended balance for China is $138,295,000. How does that unexpended balance compare with the balance available on June 30, 1963, after taking into consideration a reduction of $48,788,000 that you applied to the fiscal year 1964 program for China?

General Wood. The undelivered balance from prior programs to be delivered after July 1964 is as you say, $138,295,000.

Mr. Passman. How does that sum compare with the unexpended balance available on June 30, 1963, the year previous?

General Wood. Last spring we estimated for July 1963, $178,274,000.

Mr. Passman. Let's subtract the $48,788,000 and see where we stand.

General Wood. That is the reduction in last year's program that you cited.

Mr. Passman. Yes, sir.

General Wood. You would have approximately $130 million.

Mr. Passman. That makes the point, does it not?

General Wood. I don't quite follow you, sir.

Mr. Passman. Your unexpended is up and not down, which indicates you are putting in more than we are taking out, does it not?

Mr. Sloan. It would be up.

General Wood. The 1964 program was $85 million, of course.

Mr. Passman. I am thinking about the unexpended balance.

General Wood. If you add $85 million to the $178 million, you would have a figure for deliveries in fiscal year 1964 and later years, and that would be $263 million.

Mr. Passman. That brings it out, does it not? Now subtract $130,944,000, the estimated deliveries for fiscal 1964.

General Wood. Right. You would have $132 million.

Mr. Sloan. The pipeline in 1963 was $178 million. It is down to $138 million for fiscal year 1964.

Mr. Passman. You reconcile those figures with your additions and deductions and insert them in the record.

(Information supplied follows:)

The "Military Assistance Congressional Presentation Document" for fiscal year 1964 used in the hearings during May 1963 included an estimate that the undelivered balance in the Republic of China program at the end of fiscal year 1963 (June 30, 1963) would be $178,274,000. The fiscal year 1964 program requested for the Republic of China was $133,801,000. Because of the sharp reduction in the fiscal year 1964 appropriation request by the Congress, the program for the Republic of China was reduced $48,788,000 to $85,013,000 by deletion of significant force improvement items. The unexpended balance at the end of fiscal year 1964 is estimated to be $138,255,000 which is $39,979,000 less than the estimate for end fiscal year 1963.

Do you think, General Wood, that the Republic of China should be able to afford to purchase out of its own resources the pistols that you propose to furnish them under the excess stocks program?

General WOOD. You asked a question regarding——

Mr. PASSMAN. I am talking about the five pistols——

General WOOD (continuing). About the economy of the country.

I suppose China can furnish five pistols all right, but that is just part of the program.

Mr. PASSMAN. That is what I thought.

Mr. SLOAN. Probably the end delivery item——

Mr. PASSMAN. You had a surplus of pistols. You had to distribute them just about everywhere in order to get rid of them. There is no use to keep them around if you do not need them.

FORCE OBJECTIVES SUPPORT

How much of the fiscal year 1965 program of ——— would go toward meeting the JCS force objectives for Chinese defense forces, General?

General WOOD. You see, we have divided the cost into two parts, investment costs and operating costs. Of that $———, 63% is operating cost of the forces in existence and 37% is what we call investment cost. The total program, of course, is designed to support the forces which show on page 20. We have given emphasis to the Air Forces, because we believe they are more essential to the defense of the island in the event of attack, and we have not been able to fund as much as we wanted to for the Army, but the answer to your question, of course, is that the total program is designed to support as large a percentage of the force objectives as we can with the funds made available.

Mr. PASSMAN. General, of the ——— personnel, how many are actually supported by the MAP?

General WOOD. I think we support almost the total.

Mr. PASSMAN. All right, sir.

General WOOD. Not necessarily up to the point of 100-percent combat efficiency that we would like to, but we support in one way or another that total strength.

AIRCRAFT IN THE FISCAL YEAR 1965 PROGRAM

Mr. PASSMAN. I notice in Mr. Sloan's statement that the fiscal year 1965 program contains ——— aircraft.

In that connection, I note also that the fiscal year 1964 program indicates that you have allotted ——— aircraft to China. How many such aircraft did you request of the Congress last year?

Mr. SLOAN. My statement, Mr. Chairman, if I may respond to that, was that our proposed program is ——— aircraft. That is on page 3, sir.

General WOOD. We presented to Congress last year——

Mr. PASSMAN. Let the record show that it is ———.

Now, the current F–86 program?

General WOOD. We presented to the Congress last year ——— aircraft, but we presented other types of aircraft, specifically, F–86L and F–1C for which we substituted the F–5.

Mr. PASSMAN. But you programed, did you not, ———.

General WOOD. Yes, sir.

Mr. PASSMAN. How could you justify the replacement rate as not being adequate, in view of the request, and the allocations made? Is it not just one plane short? Is it that simple?

General WOOD. No. We would like to replace the F–86 at a faster rate than we are able to do. That is as many as we could put it.

Mr. PASSMAN. You have programed only for fiscal year 1965?

Mr. SLOAN. That is correct. We have programed for fiscal year 1965.

PROPOSED CONSTRUCTION

Mr. PASSMAN. What type construction do you contemplate at a cost of ———, General?

General WOOD. That is construction related to the military integrated communications system on the island, Mr. Chairman.

ETHIOPIA

Mr. PASSMAN. You are allocating some ———, are you not, to Ethiopia?

General WOOD. That is correct.

Mr. PASSMAN. If there is such a scarcity of aircraft out in the Far East, could you not allocate more to the Far East and less to Ethiopia?

General WOOD. We are starting a program ——— in several countries. This is essentially a new one, as you know.

Mr. PASSMAN. We gave Ethiopia some F–86's and I believe it was later testified that a main purpose was to kind of scare the tribes, to keep them in order. Is that the same purpose for which you will use these ———?

General WOOD. I suppose that a case could be made for scaring them with the noise of the aircraft, but that, of course, isn't the principal use of the aircraft.

Mr. PASSMAN. Could we not use these aircraft better in the Far East than in Ethiopia?

General WOOD. I think the small number we are putting in Ethiopia will be useful from the standpoint of internal security and, of course, the total program for China to replace the F–86's will be a greater one ultimately than the program to Ethiopia.

INTERNAL SECURITY PROBLEMS

Mr. PASSMAN. Would you describe internal security in Ethiopia?

General WOOD. Well, the situation in that country is that there are various tribes which, particularly in the Ogaden area are of mixed nationality—I think that would be correct—with which the Government has some problem in controlling, and I think that is illustrated by the current problems with Somali.

Mr. PASSMAN. Do the tribes have some type of aircraft, some kind of a semicombat aircraft?

General WOOD. I think, so far as I know, they have no aircraft.

Mr. PASSMAN. For what purpose do they use these aircraft, to shoot at them, or shoot over them?

General WOOD. The purpose is to shoot at them and stop their dissidence.

Mr. PASSMAN. How many have been killed in Ethiopia by these aircraft in the last 3 years?

General WOOD. I wouldn't have the slightest idea.

Mr. PASSMAN. With reference to the F–86's, how many have been killed?

General WOOD. The F–86's were also used for the Ethiopian commitment to the United Nations in the Congo.

Ethiopia is an old and independent state, of course, which the State Department feels is worthwhile supporting. You are right in saying the facilities we have at Asmara, according to the people in that business, are very, very valuable.

AIRCRAFT

Mr. RHODES. General Wood, Ethiopia now has ——— F–86F aircraft. At least we have given them ———. I assume they have them.

General WOOD. Yes, sir. However, we think it will probably tax the capacity of the Ethiopian Air Force to operate any additional number of aircraft.

Mr. RHODES. The ———?

General WOOD. But they did a pretty good job with the U.N. in the Congo, I am informed.

Mr. RHODES. It is the idea to replace these ———?

General WOOD. Yes, eventually.

Mr. RHODES. The three this year are merely a forerunner of a program to last over several years to phase the ——— in and the F–86's out?

General WOOD. Yes. Well, I think we aren't going to hurry on this. As a matter of fact, we are planning to put in about ———, through 1969; a total of ———.

Mr. SLOAN. The F–86's are gradually becoming unsupportable from a spare parts-maintenance viewpoint.

MILITARY ASSISTANCE TO SOMALI FROM THE COMMUNIST BLOC

Mr. RHODES. Is the Communist bloc arming Somali with an air force?

Mr. SLOAN. Our information is that they have promised them this. The deliveries so far seem to be limited to arms and ammunition, army-type equipment.

Mr. RHODES. There is no indication of any fighter aircraft from Russia or any member of the Communist bloc in there?

Mr. SLOAN. Not so far, no.

Mr. RHODES. Do they have airfields that could handle fighter aircraft of this caliber?

Mr. SLOAN. Yes, sir.

Mr. RHODES. Somali does?

Mr. SLOAN. Yes, sir.

General WOOD. They also have some students in training in Russia. We don't know the exact number of pilots, but they have some military people in training.

TOTAL FUNDS AVAILABLE IN FISCAL YEAR 1965 FOR MAP

Mr. PASSMAN. We have established that under the present program, with an appropriation of $1 billion in new funds, there could be a total available, using all authority, of $1,610 million for the military assistance program for fiscal year 1965.

Does the President have the right to concentrate this heavily in one section, if need be? You have a program under which if it should be necessary to decrease in one place and increase in another place, you have the full authority to do that; do you not, sir?

General WOOD. I think that is correct, so far as the law is concerned, and that is the reason we emphasize——

Mr. PASSMAN. That is why I say that some things may be more important than others in these programs.

General WOOD. Mr. Chairman, I don't believe you should emphasize that $1.6 billion you are talking about——

Mr. PASSMAN. I believe it should be emphasized.

Mr. FORD. Will the gentleman yield?

Mr. PASSMAN. Yes, I yield.

Mr. FORD. The only question I was going to ask, and I think it should be on the record, could we have a breakdown of the source of the $1.6 billion?

Mr. PASSMAN. Yes. I will give it to you again.

They are asking for $1 billion in new funds. They will have an estimated $135 million in recouped funds that will be available.

There is $25 million in unobligated funds——

Mr. FORD. Which need reappropriation?

Mr. PASSMAN. Yes.

TRANSFER AUTHORITY

Then, under section 510, if the President should decide it is in the interests of the security of this country, there would be $300 million, and under the present authority, I believe it is section 610, assuming that the Congress appropriates only $1.5 billion for economic aid, $150 million could be transferred out of the economic into the military program. Those items add up to $1,610 million.

I think I should also say again that the military assistance program from Europe is being phased out, and if you will take the average appropriation for the past 3 years, fiscal 1962, 1963, and 1964, that has averaged $256,802,000 per year.

REDUCED PROGRAM LEVEL FOR EUROPE

Now, under the new program for fiscal year 1965, infrastructure and the phaseout costs are at $126,800,000, so the requirements for Europe will be $130,000,000 less than in previous years. Therefore, that fact, too, justifies some reductions.

Mr. SLOAN. Mr. Chairman, I think two items need to be noted on that: First, the $130 million reductions in the European program have been considered in arriving at the total request for new obligational authority, because of the reductions in the 11 forward defense——

Mr. PASSMAN. But from reading your statement, and reading Secretary McNamara's statement, one gets the impression that you had

just about the same program. I do not recall that Mr. McNamara said that the phasing out of the program in Europe would result in a net reduction of this $130 million.

Mr. SLOAN. Yes, but we pointed out in our statements, Mr. Chairman, precisely the amounts for each area.

Mr. PASSMAN. But you did not point out that when you reduce programs to the tune that you have in Europe, it makes money available elsewhere.

I am entitled to show the amount available. And I want the record to show that you do have the right to transfer from one area to another and from one category into another if the President should determine it is in the interests of America to do so.

Mr. ANDREWS. In other words, what you are saying, Mr. Chairman, is that if there were a dire need for approximately $1,610 million for military assistance that amount could be had.

Mr. PASSMAN. Definitely so.

Mr. ANDREWS. Under next year's bill?

General WOOD. Existing authority.

Mr. ANDREWS. If $1 billion is appropriated in new money for the 1965 program.

Mr. PASSMAN. That is correct, and I have stated it——

Mr. FORD. May I ask——

Mr. PASSMAN. And that is taking into account only $1.5 billion for economic assistance. If the Congress should appropriate $2 billion——

Mr. SLOAN. But——

Mr. FORD. I was going to ask the question—you arbitrarily took a figure of $1.5 billion for economic?

Mr. PASSMAN. Yes. Of course, if it should be higher, the transfer could be higher.

Mr. FORD. May I make this suggestion——

General WOOD. The potential transfer, it could be higher.

Mr. FORD. Using this basis for the figures that you have, what would be the circumstances in fiscal year 1964? Shouldn't we put that in the record?

Mr. PASSMAN. We shall put that information in the record. It would be substanitally higher, because the deobligations were higher and the economic aid figure, if I remember correctly, was higher; it was $2 billion.

Mr. FORD. I suggest for comparative purposes that you take the 1964 figures which we know are specific, and lay them alongside the figures that you suggest.

Mr. PASSMAN. I shall have these figures available and verified.

UTILIZATION OF TRANSFERS FROM THE PRESIDENT'S CONTINGENCY FUND

Mr. SLOAN. Mr. Chairman, may I complete my observation on that?

Mr. PASSMAN. Yes, sir.

Mr. SLOAN. The amount available in the contingency fund and the amount that might be transferred from the AID fund to the MAP funds, as you pointed out, Mr. Chairman, are emergency funds and available for emergency purposes only. Therefore we are unable to

program by assuming an emergency. As I believe the chairman would observe, if you program against that emergency and use those funds, you have no means of meeting the very emergency that the Congress is providing for.

Mr. PASSMAN. An immediate emergency would not be a second emergency, would it?

Mr. SLOAN. If we program this money, Mr. Chairman, then we have no emergency fund.

Mr. PASSMAN. You could not program it unless there should be an emergency. I have made a factual statement that, using the authority available, the President could obtain a certain amount of money for military assistance.

It has been acknowledged previously that I had stated the situation accurately and I am going to restate it if it is brought up for discussion again.

General WOOD. I don't see any objection to it, Mr. Chairman.

Mr. PASSMAN. You did object a while ago.

General WOOD. I think you have stated your position quite accurately.

No, I was only objecting to your making a reference to your figure without the full discussion which you had had before, which, of course, the 510 authority, as you know——

Mr. PASSMAN. I stated the authorities by which these funds could be made available.

General WOOD. You did initially, yes, sir.

The only point I would make is that I am happy to see you start with the $1 billion NOA, which we are requesting——

Mr. PASSMAN. I started with that amount in order to get the figures.

General WOOD. That is the only amount I am trying to justify.

Mr. PASSMAN. I do not have any authority to give that figure.

General WOOD. If the Congress doesn't appropriate what we request, it would be reduced.

Mr. PASSMAN. Do you realize that more than $10 billion was on hand, in the pipeline, as of June 30, last year?

EXCESS EQUIPMENT STOCKS

What is the total amount that you have in the excess equipment that goes with this program, where there is no charge actually made other than the rehabilitation cost?

General WOOD. We have a page 109 in the book which shows that we plan in 1965 to use excess stocks to the value of $19.9 million—acquisition value.

Mr. PASSMAN. That says $19,943,800?

General WOOD. Yes, sir.

Mr. PASSMAN. Is that the acquisition cost?

General WOOD. Yes, sir, and the cost to MAP will be $7,862,000.

Mr. PASSMAN. This is usable equipment, is it not?

General WOOD. Yes, sir, this is usable equipment.

Mr. PASSMAN. So, in effect, if we subtracted the $7,862,000 from the $19,943,800, that would give a little in excess of $12 million completely free that goes into the program; is that correct? There would be no

charge to the MAP program. You charge $7,862,000 to rehabilitate $19,943,800 worth of equipment.

General WOOD. That is what it cost new; yes, sir.

Mr. PASSMAN. You will have to spend the $7,862,000?

General WOOD. Yes, sir.

Mr. PASSMAN. You will subtract that to get the net of $12-plus million?

General WOOD. Yes, sir.

Mr. PASSMAN. That sum brings the potential availability of MAP funds up to $1,622 million.

General WOOD. We wish we had more excess stocks. But they are increasing as we discussed last year.

AVAILABILITY OF PUBLIC LAW 480 FUNDS FOR THE MAP

Mr. PASSMAN. What part, if any, does the Public Law 480 program play in the military assistance program?

General WOOD. Public Law 480 makes certain local currencies available in some countries. I don't know whether I can speak to that in detail.

Mr. PASSMAN. If you prefer, you may put that information in the record. Put it in for each country.

(The information supplied follows:)

In accordance with the Department of the Treasury records as of March 31, 1964, the only Public Law 480 local currencies available for use in the military assistance program are Pakistan rupees in the dollar equivalent of $14.6 million. Approximately $100,000 of these rupees may be used in fiscal year 1965.

Local currencies generated under Public Law 480, and specifically for use as authorized by section 104(c) of that act, which covers "Procurement of military equipment, materials, facilities, and services for the common defense," are available to both AID and the Department of Defense (MAP). Inasmuch as these currencies must be used for country-use projects, their application in meeting the requirements of the military assistance program is limited in view of the fact that AID bears the primary responsibility for furnishing defense support in the way of subsistence, pay, and other budget support items.

The $14.6 million in Pakistan rupees is not considered by DOD as an additive asset to the $1 billion NOA request.

UTILIZATION OF EXCESS EQUIPMENT STOCKS

Mr. SLOAN. Mr. Chairman, the excess items are shown in the country program totals. They are a part of the program that is shown.

Mr. PASSMAN. The general said the equipment was usable. In effect, the net would be $12 million-plus that is not in the $1,610 million that we have been discussing. In that amount, you do have the $7,862,000, if that is the correct figure. I want it to be shown that you only increased the amount by the difference between the acquisition cost and the rehabilitation cost.

Now, we shall put in the Public Law 480 funds, if you have them.

General WOOD. No, sir; I have no figures. The funds generated from the Public Law 480 sales are used by various agencies in the country under the supervision of the ambassador and I do not know how much might possibly be available to support military assistance.

Mr. PASSMAN. Try to get the information, sir. Whatever it is would be added to this figure; would it not?

General Wood. Yes; but you can express it another way. Just like the $12 million you computed on the excess property, that prevents our asking for $1,012,000.

Mr. Passman. I only want to show the amount that could be available for the MAP.

General Wood. We could make a minor bet for next year, we won't get that much.

Mr. Passman. I think you probably have a good bet, that you might not get a billion dollars. That is why we are making this record, to endeavor to determine what the needs are.

General Wood. I am betting the program next year won't be $1.6 billion, as you have indicated it possibly could be.

Mr. Sloan. Mr. Chairman, they have not previously taken that emergency fund and transferred it to the military assistance program. That is the reason for my comment a moment ago that we don't program on the President's emergency fund.

Mr. Passman. But you were planning on taking $50 million out of economic assistance in fiscal year 1964, were you not?

General Wood. Yes, sir.

Mr. Passman. I am only pointing out what could be available for new obligations and allocations if the President should determine to use the authority given to him.

I yield to Mr. Ford.

AVAILABILITY OF PUBLIC LAW 480 FUNDS FOR THE MILITARY ASSISTANCE PROGRAM

Mr. Ford. How much in Public Law 480 is available this year in the military assistance program?

General Wood. I just don't know the answer to that question, Mr. Ford. I mean, the money isn't made available specifically for a military assistance program. It is not necessarily made available to buy equipment. It is only made available because it is in a country, in this country's currency for spending there.

Mr. Ford. Don't you have any record that shows how much is diverted under the control and jurisdiction of the military people in that country or those countries?

Mr. Comer. Through the 15th of March 1964, we have allocated to the military departments for use in the program, $28,000 worth of Pakistan rupees and $50,000 worth of Turkish lira, and that is all.

Mr. Passman. You had no program in Taiwan, no program in Korea, no program in South Vietnam, out of Public Law 480?

Mr. Comer. There was a Public Law 480 program, but we have used none of the proceeds in the military assistance program in fiscal year 1964.

Mr. Ford. Do your records indicate what you had in fiscal year 1963, in years prior, out of Public Law 480? Do you have those figures available?

Mr. Comer. We haven't them here, but we can furnish them, sir.

Mr. Ford. I think it would be very helpful to the record to show for the years since the existence of the availability of Public Law 480, what those amounts were per year, not broken down by country, but the total, per year.

Mr. PASSMAN. And may I ask, specifically, the amount of Public Law 480 funds worked into the military program, fiscal 1960 through 1964, inclusive, worldwide, and particularly to South Korea, South Vietnam, and Taiwan?

General WOOD. Yes, sir.

(The information supplied follows:)

The following Public Law 480 local currencies were made available for use in the military assistance program by allocation from the Treasury Department during fiscal years 1960, 1961, 1962, 1963, and 1964 through March 31, 1964:

Public Law 480 Treasury allocations

By year, by country:	
Fiscal year 1964 (as of Mar. 31, 1964):	
Iran	[1] $517
Pakistan	[2] 7,233,110
Spain	[2] 329,614
Total	7,563,241
Fiscal year 1963:	
Pakistan	[1] −15,873
Spain	[1] 10,621
Total	−5,252
Fiscal year 1962:	
Iran	[1] 8,410
Korea	[2] −939,851
Pakistan	[1] 22,851
Spain	[1] −2,619,945
Turkey	[4] −4,284,340
Total	−7,812,875
Fiscal year 1961:	
Iran	38,562
Korea	[1] −50,090
Total	−11,528
Fiscal year 1960:	
Iran	[1] 14,706
Korea	[1] −45,362
Pakistan	[1] −1,134
Spain	[1] −6,680
Turkey	18,540,711
Total	18,502,241

[1] Represents exchange rate adjustments.
[2] Includes exchange rate adjustments: Pakistan —$1,450 and Spain $459.
[3] Includes a return to Treasury of $913,457 and exchange rate adjustment of $26,394.
[4] Includes an allocation of $1,006,102 and exchange rate adjustment of $5,290,442.

Mr. FORD. I hope we have somewhere in the record the total availability of Public Law 480 for all programs.

Mr. PASSMAN. We will get that information.

Mr. FORD. What I would like is the history of Public Law 480, year by year, in not only the military, but for the total foreign aid program.

Mr. PASSMAN. That information will be in the record.

(Information supplied follows:)

Summary by fiscal year of food-for-peace program, U.S. fiscal year

[In millions of dollars]

	1949 to 1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Total
Food for peace, total	83	4	70	532	905	1,161	794	889	1,106	1,325	1,576	1,790	10,236
Title I (total sales agreements)				(354)	(675)	(1,007)	(720)	(817)	(1,109)	(1,141)	(1,318)	(1,260)	(8,401)
Less (planned for U.S. uses)				(130)	(181)	(257)	(312)	(216)	(237)	(297)	(241)	(192)	(2,065)
Title I, planned for loans and grants				224	494	750	408	601	872	844	1,077	1,068	6,336
104c, grants for common defense				34	97	109	71	34	20	66	136	113	680
104e, grants for economic development				45	51	113	25	100	317	260	302	302	1,517
104e, loans to private industry						2	73	116	88	66	90	65	501
104g, loans to government				145	346	526	239	350	447	452	548	588	3,639
Title I, assistance from other country sales agreements				3	8	26	5					15	57
Title II, emergency relief and economic development				108	101	108	87	48	63	242	176	306	1,239
Title III,[1] voluntary relief agencies	83	4	70	197	302	277	295	240	172	240	271	325	2,475
Title IV, dollar credit sales											52	76	128

[1] For years prior to fiscal year 1955, the data represent transfers authorized under sec. 416 of the Agricultural Act of 1949 (Public Law 81-439). Data for 1949-52 represent transfers during 1950-52, not available by separate years.

Mr. COMER. I have the 5 years for that with me, if you want me to give it now.

Mr. PASSMAN. Give it, please.

Mr. COMER. In 1960 we applied $13,362,600; that is worldwide.

In 1961 we applied $136,000.

In 1962, $38,400.

In 1963, $182,000.

Through March 15, 1964, it is $78,000.

Mr. PASSMAN. That may be what you have charged to the military assistance program, but it might not necessarily mean it was the amount that was used in the program.

How the other governments allocate this aid after they get it, I do not know.

NATIONS PARTICIPATING IN THE MILITARY ASSISTANCE PROGRAM

General, last year did we have a military assistance program of some type in 71 nations of the world.

General WOOD. I think that at one point we had plans for that number, sir. That number has since been reduced to 66.

Mr. PASSMAN. You would have a net of how many nations in the 1965 program?

General WOOD. We have in this book a total of 40 countries with country pages. These 40 countries are the only ones that have grant-aid materiel programs.

Mr. PASSMAN. Whether it comes out of the military assistance program, whether it is training, small arms, or anything else, how many nations do you have in the program, those which will get some type of military assistance and which will require an outlay of cash in fiscal 1965.

General WOOD. I was trying to answer the question.

On page 13, you will see a total of 53 countries which indicates there are 13 more with asterisks which have training programs only.

Mr. PASSMAN. That brings the total to how many?

General WOOD. Fifty-three.

Mr. PASSMAN. There has been a reduction of 13 nations?

General WOOD. Correct, so far as new programs are concerned.

Mr. PASSMAN. We are cutting down the number of nations?

General WOOD. Yes, sir.

DISBURSEMENT OF UNDELIVERED BALANCES

Mr. PASSMAN. Are you continuing disbursements in the 66 nations and will you continue disbursements until you have disbursed all of the funds to their credit?

General WOOD. In those in which we still have undelivered balances, yes. That number is 64 in fiscal year 1964 and is estimated to be 62 in fiscal year 1965.

May I correct that expression "funds to their credit?"

Mr. PASSMAN. Surely.

General WOOD. That expression is not quite correct. We do not make any dollars available to anybody.

Mr. PASSMAN. We always think of it as a credit.

You have heard the story about money being turned back to the U.S. Treasury. You do not turn anything back until after you have withdrawn it.

General WOOD. As you say it, the implication is that each country had some right against a certain amount of money.

Mr. PASSMAN. When we look at your books where you show a total, you indicate, "To the credit of * * *." "To the memorandum of * * *." "To the figure," or "to the printing of," or whatever you want to call it. You have a certain amount of unexpended funds and a certain amount is allocated for certain equipment for certain countries?

General WOOD. That statement is correct.

Mr. PASSMAN. You know exactly what I am talking about. It is no use for us to confuse the record.

General WOOD. I do not want you to confuse the uninitiated.

Mr. PASSMAN. I am going to put it in the way I understand it.

How much was undisbursed in the AID program as of June 30, 1963, under the heading of "Military Assistance"?

General WOOD. We have a figure that shows, at the end of fiscal year 1963, the total undelivered balance is $2,421,700,000.

Mr. PASSMAN. How do you get that $2,421,700,00 figure?

General WOOD. We add up the figure of undelivered balances for equipment and training for each country.

Mr. PASSMAN. Put it that way if you wish.

Let us take ———. On page 154 in the gray matter before us, ——— is classified, but do you have expenditures from fiscal 1961 through 1964 as shown here? You show the estimate on ——— page as being $10,358,000, do you not?

General WOOD. Right; representing items——

Mr. PASSMAN. Undelivered?

General WOOD. Yes, sir.

Mr. PASSMAN. But you have obligated or reserved that much money to pay for the material you contemplate delivering to ———?

General WOOD. Yes, sir.

Mr. PASSMAN. This makes a better record than I thought. You have to add up all of these kitties indicated in the 64 nations to get the grand total of the amount of money obligated or reserved to the credit of all of these countries?

General WOOD. All of these programs are undelivered balances, giving the total shown on page 9.

Mr. PASSMAN. We are dealing with dollars here?

General WOOD. Yes, sir.

Mr. PASSMAN. Will you add the dollars listed under the name of the nation, the undelivered amount for which you have obligated or reserved, then the amount below that is the total and whatever we put there will pay for items that will be delivered later?

General WOOD. Yes, sir.

MILITARY ASSISTANCE PROGRAM FOR GREECE

Mr. PASSMAN. It is my understanding we have been giving the Greeks, in all types of aid since the inception of this program, in round figures, $3,489 million. Of that amount $1,302,984,000 is represented by military assistance.

We now understand there is some indication that Greece has reached the point that it can be self-supporting so far as economic aid is concerned, and we are getting ready to phase out the economic aid program. Is that your understanding?

General Wood. I would rather you ask Mr. Bell that question.

PROJECTED DATE FOR PHASEOUT OF MILITARY ASSISTANCE PROGRAM

Mr. Passman. I will certainly ask him that question.

But, if they have reached that point and if they have developed their economy to the point that they do not need economic aid, how long will it be before they reach the point that they do not need military assistance?

General Wood. I think probably the answer is that they have reached the point where they do not need economic aid and that gives them an economy by which now they are able to support their expenditures, total Government expenditures, better than they have in the past. This is not to include defense expenditures which are required to support the kind of forces they would like to have.

Mr. Passman. If their economy keeps growing, and if we have reached phase 1, where they no longer need economic aid, on account of the strengthened economy of the country, could we expect that, somewhere in the foreseeable future, or the distant future, this economy might continue to grow to the point where they can support their own military program?

General Wood. I do not believe I can estimate Greece's economy that well. Again, that is a question for Mr. Bell. I would hope that that would be the case.

FORCE IMPROVEMENT IN GREECE

Mr. Passman. During the 15 years of the military assistance program in Greece, how much of that program of $1,302,984,000 has been allocated for force improvement objectives?

General Wood. Well, the total to equip and maintain Greek forces—we have only started this year, as you know, to break out investment costs and operating costs, therefore I cannot give you a breakout beginning from the beginning of the program. Certainly, initial equipment was all investment and subsequently maintenance becomes greater, as is indicated by our figures for this year. I do not know whether that sort of a breakout is available but I will try to supply it for the record.

Mr. Passman. Thank you, General.

(Information supplied follows:)

The information requested has only recently been identified in military assistance programs. It is not used in program implementation and therefore cannot be supplied on a historical basis. The data for the fiscal year 1964 program as of January 25, 1964 are as follows:

	Millions
Essentially fixed charges	$9.7
Force maintenance	38.2
Force improvement	29.4

AMMUNITION SUPPLIED TO GREECE FROM EXCESS STOCKS

Mr. PASSMAN. How much ammunition will Greece receive from excess stocks in fiscal 1963 and 1964? And what do you anticipate in fiscal 1965?

General WOOD. I will supply that for the record.

Mr. PASSMAN. All right.

General WOOD. The only indication I have is a partial one on 1965.

Mr. PASSMAN. They will get some ammunition out of our excess stocks?

General WOOD. For 1965, there is a total of $392,000, most of which is ammunition, but included in that are seven fire crash trucks.

Mr. PASSMAN. Supply that information for the record, please.

General WOOD. Thank you, sir.

(The information supplied follows:)

AMMUNITION FROM EXCESS FISCAL YEARS 1963, 1964, 1965—GREECE

None of the ammunition programed for Greece for fiscal year 1963 was available from excess. Of that programed for fiscal year 1964, $1,000 worth is estimated to be available from excess. Of that programed for fiscal year 1965 $322,471 worth is to be provided from excess. Dollar value as expressed here is at acquisition cost.

USE OF EXCESS STOCKS TO REDUCE REQUIREMENTS FOR "NEW" FUNDS

Mr. PASSMAN. If you have a $5 million program, let us say, hypothetically, for ammunition for country X and you reduce the allocation of the new appropriation to $4 million and give them $1 million out of the excess stock ammunition, it would amount to the same thing?

General WOOD. Certainly.

Mr. PASSMAN. Thank you.

EQUIPMENT EXPENDITURES AND DELIVERIES TO GREECE

General, the justification book indicates that your cumulative deliveries and expenditures through June 30, 1963, for Greece would be $1,031,815,000.

General WOOD. Would you repeat that?

Mr. PASSMAN. The justification books indicate you had cumulative deliveries and expenditures through June 30, 1963, for Greece of $1,031,815,000; is that correct?

General WOOD. That is right.

Mr. PASSMAN. Even with the reduced appropriation, and you did not get the money until January, it follows that this year, on page 23 of the justifications, your cumulative expenditures through 1963 are now $1,038,031,000, an increase of $6.2 million over what was indicated last year; is that correct?

General WOOD. Yes, sir; of course, the earlier figure you quoted was an estimate because we were not then through 1963. This is an accurate figure now, as of June 1963. We made quite an effort last year to expedite deliveries to several countries, one of which was certainly Greece, and I would say the total delivered was greater than the estimate.

Mr. PASSMAN. On page 11 of Mr. Sloan's statement, he states that when the Greek Army is compared to the Bulgarian army, it was at a considerable disadvantage, particularly in tanks. Last year's justification indicated your cumulative program for fiscal 1963 for medium tanks was ———. There was no request for medium tanks in the 1963 program. However, on page 124 of the historical justifications, it is indicated that Greece has now received through the fiscal 1964 program, ——— medium tanks. Would you comment on that matter?

General WOOD. If I understand the question, we predicted ———.

Mr. PASSMAN. You indicated, or you stated, that the Greek Army, when compared to this other army, was at a considerable disadvantage in mobility, particularly in tanks. Last year's justifications indicated that, cumulatively through 1963, ——— medium tanks had been programed. There was no request for medium tanks in the fiscal 1963 program.

However, on page 124 of the historical justifications, it indicates that Greece is now receiving, through the 1963 program, 78 more medium tanks.

If you showed ——— tanks at one time and 78 more the next time, and you had no request for money for them, how did they wind up with these additional 78 tanks?

General WOOD. That is a good question, Mr. Chairman.

I see what you are pointing at. There must be a mistake in one of the two books.

Mr. PASSMAN. I want to be fair and ask you to reconcile these figures at some subsequent date.

General WOOD. Yes, sir.

PRIORITY GIVEN TO EQUIPPING GREEK AIR FORCE

Mr. PASSMAN. In view of the stated obsolescence of the Greek Army, why are you programing ——— F–5 aircraft for air defense purposes when Greece has ——— such aircraft already programed?

General WOOD. We are programing aircraft for Greece based on the priorities established by the unified commanders and the Joint Chiefs. It is true that the army needs additional equipment. It is true also that the air force—and in this case, the air force is being given priority in investment programs this year.

I might say that related to this, Mr. Chairman, is the problem we get into in the buying of a new item like an airplane when the item is one, not used by the services. Of course, when you get into a contract, you cannot just open it up or shut it off at any one time. If you want to continue the aircraft program, which we do, it is desirable to place these aircraft where they can be best utilized.

Here, due to a lack of funds last year we have to take a chance on the deficiencies in the army for another year and give the Greek Air Force priority on the equipping of its air force.

Mr. PASSMAN. Have you always given priority to them?

General WOOD. To the air force?

Mr. PASSMAN. Yes.

General WOOD. I do not know whether we always have or not.

Mr. PASSMAN. Have you done so recently?

General Wood. I do know that we go by priority lists which are submitted by the unified commanders and when it is necessary to reduce the program, we take it from the bottom of the priority list.

Mr. Andrews. May I ask a question?

Mr. Passman. Yes.

Mr. Andrews. What are these ——— aircraft designated "F–5"? Are they new?

General Wood. Yes, sir.

Mr. Andrews. Have they been used by our Air Force?

General Wood. No; these are brandnew aircraft.

Mr. Andrews. What company makes them?

General Wood. Northrop.

Mr. Passman. Would this be another indication that you had a contract that called for F–5 aircraft in excess of the need, and now they are trying to allocate them so as to phase out the contract?

General Wood. No, no. The need is greater than what we were able to buy. As a matter of fact, we had to reduce the Northrop contract from a production rate of 12 per month to 10 per month because we did not have the money to fund at the higher rate.

Mr. Passman. Did you not say previously you could not cut off a contract?

General Wood. I said it was not economically desirable to cut out the contract.

Mr. Passman. You have ——— such aircraft already programed for Greece and you are adding to that ——— more; is that correct?

General Wood. Yes, sir. The total we hope to provide for Greece over the 5-year period to replace the F–84's and the F–86's is ———.

Mr. Passman. For 5 years and that gives them ——— and ——— that you are going to deliver now, and then you either have funds, or have requested funds, for ——— through fiscal 1965? The amount of unobligated funds for undelivered aircraft, if you get this year's appropriation, will be funded for ——— against a 5-year program of ———?

General Wood. ———.

Mr. Passman. So you are funding more than 50 percent for 2 years for 5-year delivery in spite of the obsolescence of the Greek Army? That is what I believe the Secretary of Defense indicated. It looks to me as if you are getting along very nicely.

General Wood. He indicated if we had more money we would get some armored personnel-carriers, tanks, trucks, et cetera, for the army.

Mr. Passman. If you get the funds this year for a 5-year program of ——— F–5's you will have allocated funds for more than half of them?

General Wood. That is right. Of course, the total number of F–84's and F–86's that the Greeks have are all wearing out and we cannot support——

Mr. Passman. I am talking about what you said, a 5-year program of ——— and you are going to give them ——— out of the funds on hand, or requested, in this year, which is more than 50 percent of the 5-year program?

General Wood. That is right.

Mr. Passman. Mr. Andrews?

OTHER SOURCES OF AIRCRAFT FOR GREECE

Mr. ANDREWS. General, does Greece have any other source of supply for aircraft, other than the United States?

General WOOD. They have had, in the past, at least two squadrons of aircraft given them by the Canadians, several years ago. In the recent past, they have had no other source of aircraft.

Mr. ANDREWS. Have they bought any, anywhere?

General WOOD. None that I know of.

Mr. ANDREWS. As of today, we are supplying all of their aircraft for their air force?

General WOOD. Yes, sir.

PILOT TRAINING PROGRAM IN GREECE

Mr. ANDREWS. I notice in the past they have gotten ——— T–37 aircraft. That is a trainer?

General WOOD. Yes, sir.

Mr. ANDREWS. Are they used to train their pilots?

General WOOD. Yes, sir.

Mr. ANDREWS. How do they train their pilots? Who trains them and where are they trained?

General WOOD. They have their own flying school, sir.

Mr. ANDREWS. Do you know anything about the number of pilots they have and what their input of pilots is?

General WOOD. No, sir; I do not know the number they are training except that their pilot-to-aircraft ratio is adequate at the present time. We have trained instructor pilots for them and we will train some for the F–5's.

Mr. ANDREWS. Train their own pilots?

General WOOD. Yes, sir.

Mr. ANDREWS. Thank you.

F–104–G AIRCRAFT PROGRAM

Mr. PASSMAN. General, with reference to your F–104–G aircraft, is that also a 5-year program?

General WOOD. No, sir; the F–104–G aircraft is now a buy-out program. This aircraft came from three sources; from Lockheed here in the States, from a Joint Canadian-United States production, and consortium production in Europe. The Canadian production will be completely funded in 1964. Lockheed funding had already terminated prior to that, and the consortium production will be completely funded in 1964, except for minor increments of technical assistance.

Mr. PASSMAN. It is in the gray matter here before us but the number is classified. This rounds out your present program for the F–104–G, as I note on page 124(a); is that correct?

General WOOD. ——— to Greece; yes, sir.

Mr. PASSMAN. I am talking about Greece.

General WOOD. Yes, sir.

Mr. PASSMAN. The number is classified but you expect to round out the entire program of the F–104–G this year?

General WOOD. There are none in 1965; 1964, sir.

U.S. MILITARY ASSISTANCE PROGRAM IN INDIA

Mr. PASSMAN. Our military program in India is something new, is it not?

General WOOD. Yes, sir.

Mr. PASSMAN. I believe we made allocations in fiscal 1963 and 1964?

General WOOD. Yes, sir; new in 1963.

Mr. PASMAN. Prior to that time we had no military program in India?

General WOOD. We had none.

Mr. PASSMAN. It was an emergency which brought this about?

General WOOD. We had none until the time of the attack in October of 1962.

Mr. PASSMAN. It was an emergency that brought this about?

General WOOD. Yes, sir.

Mr. PASSMAN. Does the emergency now appear to be any more grave than, say, 5 years ago?

General WOOD. I think the fact the Chinese attacked, plus the subsequent buildup, roadbuilding, airbase building in this area, has made the threat to India greater than it was 5 years ago.

Mr. PASSMAN. Now they are coming in and asking for a 5-year program, are they not?

General WOOD. (Off the record.)

EQUIPPING OF INDIAN MOUNTAIN DIVISIONS

Mr. PASSMAN. Let us go on to page 24. Continual limited support of ——— mountain divisions was begun in 1964. If I recall correctly, last year in the testimony a direct statement was made that there would be ——— of these mountain divisions, and after this reduction you increased it by ——— percent.

Before you comment, I want now to read this item from the weekly India News:

> * * * Illustrating the point, he said the cost of equipment for raising each of the six mountain divisions was estimated at Rs250 million ($52.5 million). The combat reserves and ammunition for a period of 3 months would mean Rs75 million ($15.7 million) per division.
>
> Thus the equipment for the six divisions would cost nearly Rs2,000 million ($420 million).

This refers to the current defense budget. When we read what they say there, and you come along and say there were six last year and ——— this year, it makes it a little difficult for me to understand. Maybe they do not know anything about any ——— divisions for which you are asking money.

They say six and you said six last year, but the books say ——— this year.

General WOOD. Of course, I do not know if this article is authentic or not.

Mr. PASSMAN. How about what you said last year?

General WOOD. Six was the initial plan with the British at Nassau and subsequently for 1963——

Mr. PASSMAN. This article is from the Embassy and it is called the India News. They understand it was six, and you said six last year, and they say six this year, and this is a current issue of this publica-

tion. In this issue, which is volume 11, No. 49, published March 27, 1964, they say it is six.

Your book says ——— divisions and I am just asking the question. I want to know how you wind up with all of these funds you have to deobligate? Do you just justify programs, and then they jump up and up, and then we find out that in 2 years you have half a billion dollars deobligated, or $490,500,000 for the years 1962 and 1963, as well as $150 million contemplated for fiscal year 1964, with $135 million for fiscal year 1965?

Mr. SLOAN. Might I make a comment on that?

Mr. PASSMAN. I wish you would, sir. That is a ——— percent differential which is above the ——— percent figure I am trying to establish.

Mr. SLOAN. The number of Indian troops which they are putting into the mountain division program, which, ——— is the most important element of their Army defense———.

(Off the record.)

Mr. PASSMAN. Did you let India know about that revision?

Mr. SLOAN. This extension of support has been worked out in cooperation with them.

Mr. PASSMAN. How about this Embassy publication which says six divisions, and which coincides with what you said last year?

Mr. SLOAN. I am not aware of the accuracy of the publication. It is probably———.

Mr. PASSMAN. Are you aware of the accuracy of what you testified to last year?

Mr. SLOAN. I am, sir.

Mr. PASSMAN. Did you say six?

Mr. SLOAN. I did not say six.

Mr. PASSMAN. Your people so testified. Gentlemen, I am not trying to contradict you, but we are trying to find out about these discrepancies. Perhaps this should be off the record.

(Discussion off the record.)

Mr. SLOAN. Mr. Chairman, this is not an inaccuracy. It is the fact that the armed forces of the country have a period of years in which they were neglected and they have been going through a lot of hard study and reexamination. It was the decision of the Indian Army ———. We do not know anything about the authenticity of that article.

Mr. PASSMAN. You worked that budget up with the Indian Defense Minister and his staff, did you not? That is, our people and the Indians?

Mr. SLOAN. We are consulting with them on the planning for MAP support.

Mr. PASSMAN. If you said last year it was for six mountain units, and in their budget this year they speak of funds for six mountain units—and it is also so stated in the India News here, they understood the Washington level was six units—how can you reconcile that with what you said last year about ——— units this year?

Mr. SLOAN. I do not know anything about the authenticity of that article. It may be merely a lack of up-to-date information available to them.

Mr. PASSMAN. I read it only to show what you said last year.

Mr. SLOAN. That is correct; what we said last year was the planning to support the six.

Mr. PASSMAN. Why did they not refer to it as ——— as you did? You changed it with their understanding; did you not?

Mr. SLOAN. I do not know anything about the accuracy of that article.

Mr. PASSMAN. This is supposed to be accurate. I do not know anything about the accuracy of your statement last year compared to this year, or compared to what——

Mr. FORD. The best evidence of the accuracy of the article is the article itself. It is a report in the weekly India News of a debate in the lower House of Parliament in India, along with a statement by Defense Minister Chavan on March 23 before the Lok Sabha (lower House of Parliament) as to the India defense budget program and policy by the Government at the present time.

I assume the Defense Minister, Mr. Chavan, is making an accurate presentation of their plan or their program for the current year.

Mr. PASSMAN. What is the date of that?

Mr. FORD. March 23, 1964.

His speech, according to that article, was March 23.

Mr. PASSMAN. Thank you, Mr. Ford.

Mr. ANDREWS. Mr. Chairman?

Mr. PASSMAN. Yes.

Should not he have known about that?

Mr. SLOAN. I do not know how he sets up his budget.

(Off the record.)

Mr. PASSMAN. Gentlemen, there is nothing personal about this but I am wondering if somewhere along the line, where you do all of the detail work they use, and with all of these pluses, they do not add up to 22 percent excess that you reserve to pay for what you expect to be delivered, recouped or squeezed out or deobligated.

Along the way these figures get worked in and it is our responsibility to find out what they are all about.

I yield to Mr. Andrews.

Mr. ANDREWS. I want to read something from page 125 shown in the shaded area:

(Off the record.)

Mr. ANDREWS. Then over on the other side of the page it says:

* * * Items consisted of Caribou aircraft, ammunition, 24 C–119 transport aircraft, radios, parachutes, air defense communication, and equipment needed to assist in the improvement of the Indian Air Force air transport capability and in converting 6 infantry divisions to mountain divisions.

Then we come into the gray section and it says something about the same general support program is contingent in fiscal 1964 to include assistance in the conversion of ——— mountain divisions.

My question is that the conditions are getting better over there, General Wood, according to the first statement I read from page 15, and would you indicate why they should ———.

General WOOD. While the statement is true ——— there are a couple of good caveats; ——— that the Indian military posture is not adequate at the moment ———. As long as the capability is there, it was decided, as you quoted here ———. The fact that it is classified would indicate ———. Maybe that was something he covered in a classified session or testimony. I do not know.

DECREASE IN BRITISH MILITARY ASSISTANCE TO INDIA

Mr. PASSMAN. India is a former possession of Great Britain, or the United Kingdom?

General WOOD. Yes, sir.

Mr. PASSMAN. There are very strong ties between India and Great Britain.

The relatively small amount of military assistance being furnished by Great Britain is being substantially reduced. They are reducing it from $25.2 to $20.5 million, according to this report from London, dated March 11.

USE OF EQUIPMENT FURNISHED INDIA

Before I quote again from Defense Minister Chevan, let me say that we have a substantial military assistance program in Pakistan, do we not?

General WOOD. Yes, sir.

Mr. PASSMAN. Here is what Minister Chevan said:

Not only the entire northern border but the entire national border with Pakistan had become a live problem for India and "our army is now committed everywhere," he said.

General WOOD. Our bilateral agreement contains the provisions that the equipment furnished will be used only against the Communists.

Mr. PASSMAN. Are they buying any military equipment from Russia?

General WOOD. Yes, sir.

Mr. PASSMAN. We give them military equipment, not to be used except against the Communists, but then they could take the equipment which they bought from Russia and use that against Pakistan?

General WOOD. The Pakistan-India problem is an old one.

Mr. PASSMAN. I know that. We would not discount what was said by the Defense Minister in his speech?

General WOOD. Not at all. Those countries make statements vis-a-vis each other all the time. We certainly hope that the situation will be alleviated.

In the meantime, we would not want to see the Chinese attack the Indians again, and do as well as they did the last time.

Mr. PASSMAN. If they are buying military equipment from Russia and paying cash for it—our cash no doubt—and using that up on the border near Pakistan, they could certainly take our equipment and agree to use it only against the Communists.

If I go down to the grocery store to pay my grocery bill and my neighbor picks it up, that leaves me with my money to buy something else, if I want to buy it.

CREDIT TERMS FOR RUSSIAN MILITARY EQUIPMENT

General WOOD. I understand the agreement with the Russians is a long-term credit proposition.

As you probably have read in the papers, they are working on a deal with Russia to build aircraft in India.

Mr. PASSMAN. Do you know of anything Russia ever sold to any nation on long terms? What do you call long terms?

General Wood. I think that the Russian general plan for military equipment is long term, with considerable discounts in price and deferrals of repayments in some cases.

SALE OF RUSSIAN EQUIPMENT TO INDONESIA

Mr. Passman. We were told that about Indonesia, only to find out they sold Indonesia $1 billion of equipment to be paid for over 12 years with 8 percent interest.

General Wood. Could be.

Mr. Passman. Yet we have been pouring money into Indonesia.

Mr. Sloan. May I make one comment?

Mr. Passman. Please do.

Mr. Sloan. They are———.

Mr. Passman. I do not think any of you can prove that Russia is giving away as much as one ruble.

Mr. Ford. Who is———?

Mr. Sloan. Indonesia———.

Mr. Passman. I do not mean to be personal, but who says so?

Mr. Sloan. Who says so?

Mr. Passman. Yes.

Mr. Sloan. Our source of information——

Mr. Passman. You do not know whether they are current or not?

Mr. Sloan. My information was pretty reliable.

Mr. Passman. Can you give us the source of your information?

Mr. Sloan. I do not know whether that would be——

Mr. Passman. This committee is cleared for security.

Mr. Sloan. I will furnish the source of the information.

(Classified information was furnished to the committee.)

Mr. Passman. Mr. Andrews?

Mr. Andrews. Do I understand that both Pakistan and India are buying weapons of one kind or another from Russia?

General Wood. No, sir; not Pakistan; only India.

EQUIPMENT FURNISHED PAKISTAN

Mr. Andrews. Is Pakistan buying any weapons from any other country that you know of?

General Wood. Not that I know of. Pakistan, of course, is allied in the CENTO and SEATO treaties with the West. India maintains it is neutral, as you know. Of course, it tries to keep in good graces with the Russians as well as with the West.

So far as I know, Pakistan has not bought any weapons of any kind from anybody else. It may have paid the United Kingdom some token payments but I am not certain of that.

Mr. Ford. Would you yield there?

Mr. Andrews. Yes.

Mr. Ford. If Pakistan should conclude some military agreement or otherwise with Red China, what impact would that have on SEATO?

General Wood. (Off the record.)

Mr. Ford. If such an agreement were made, you said it would——— Would that mean that we would discontinue any military programs we have with Pakistan?

General Wood. I think we would certainly have to give governmental consideration to that position; yes, sir.

Mr. Ford. I would think that would be the least we would do.

Would you recommend we discontinue or continue the military assistance program under those conditions?

General Wood. My position would be that we would suspend a program if that took place.

Mr. Ford. Suspend whatever program we had of military assistance?

General Wood. Yes, sir.

U.S. MILITARY ASSISTANCE PROGRAM FOR INDIA COMPARED WITH RUSSIAN PROGRAM

Mr. Andrews. I have one other question, Mr. Chairman.

We have a military program for India next year of ——— million?

General Wood. Yes, sir.

Mr. Andrews. Could you give us an estimate as to the amount of military equipment that India is buying from Russia?

Mr. Ford. Or bought?

Mr. Andrews. Confine it to 1 year. Compare our program with theirs and what they are paying Russia for what they get from Russia in either cash or credit.

General Wood. No, I do not have a dollar value on that, but let me read this paragraph:

"In addition to ——— Mig–21 fighters purchased, the U.S.S.R. has provided India ——— transport aircraft, ——— helicopters.

Mr. Passman. Could you get an estimate before we conclude the hearings of what this cost? If it is classified, we shall so treat it; but ours is a grant aid program, is it not?

(Note.—A classified document was furnished to the committee.)

General Wood. Yes, sir.

Mr. Passman. Russia has a sales program?

General Wood. That is my understanding.

Mr. Passman. Thank you, General.

PROPOSED NEW MILITARY ASSISTANCE PROGRAM FOR NEPAL IN FISCAL YEAR 1964

What is the population of Nepal?

General Wood. It is about 10 million. I doubt if the census is more accurate than that.

Mr. Passman. This is a new program we started in fiscal 1964?

General Wood. We have not actually started the program yet.

Mr. Passman. You contemplated starting a small program in this fiscal year?

General Wood. Yes, sir. We have had discussions with the British and the Indians. The negotiators estimate they will have a position by the first of May and that will leave us 2 months in the fiscal year. I do not know whether this will move rapidly enough to have a 1964 program or not.

Mr. Passman. If you do, it will be something new. You have not had a military assistance program in Nepal in previous years?

General Wood. That is right. If we do, it will be a small program and the total at the most will be around ———.

Mr. Passman. You will have 2 months, you said, if they work it out?

General Wood. Yes, sir.

Mr. Passman. If you multiply that by 6, that gives you ———, does it not?

General Wood. No; no. That would be the total annual program for this year. The next year is estimated at the same amount.

Mr. Passman. You said it is a new program?

General Wood. Yes, sir.

Mr. Passman. Did you justify any funds for Nepal last year before the committee?

General Wood. No, sir.

Mr. Passman. If this thing had been cut back too dangerously, could you not have postponed starting this new program until fiscal year 1965?

(Discussion off the record.)

General Wood. We will have a program when the negotiations are finished.

Mr. Passman. I am just pointing out some inconsistencies in these justifications as set out last year, as against the realities at the end of the year.

General Wood. I am pointing out the realities of the situation. These people did not come to us until after we talked to you last year.

Mr. Passman. You could have said to them, "Congress made an appropriation this year and it is reduced from our request. Unless we find where we programed in excess of need in some other country, you will have to wait until fiscal 1965."

I wonder what they would have thought about that kind of response?

Mr. Sloan. As the general points out, Mr. Chairman, ———.

(Discussion off the record.)

Mr. Passman. These things always come back and get in the back door.

(Discussion off the record.)

PROGRAM PUBLICATION OF COUNTRY ALLOCATIONS

Mr. Andrews. General, the figure for India for 1965 is ——— million?

General Wood. Yes, yes.

Mr. Andrews. That is classified?

General Wood. Yes, sir.

Mr. Andrews. As of now?

General Wood. All 1965 figures are classified until after the appropriation.

Mr. Andrews. When will it be known to Indian officials they have ——— million in the 1965 appropriation bill, if your billion dollar request is approved by the committee?

General Wood. We avoid telling any country the value of the program until we put out a little MAP book called "Military Assistance Facts" after the fiscal year is almost past. For those countries, which for various reasons are classified, this remains classified. We do not

put those in there. All we talk to any country about, in general, is the item content we agree should be programed for them.

Mr. ANDREWS. It is ——— million in connection with India?

General WOOD. Yes, sir.

Mr. ANDREWS. Again my question is—and I never have had this cleared up in my own mind—When will India, or their officials, know there is $——— million worth of military assistance earmarked for them in the 1965 appropriation bill?

General WOOD. They would not know officially. They would not ever know that amount is earmarked. We do not tell the countries that. They would not know the value of the program until after the program has been funded, after the Congress appropriated the money. Then when we put out this factbook, they will know what the program costs the United States.

Mr. ANDREWS. You stated a minute ago you thought——

(Discussion off the record.)

Mr. ANDREWS. Have you many countries where you have ever taken money from them and left them happy?

General WOOD. I do not believe that my knowledge of the past is adequate to answer that question. Probably very few, Mr. Andrews.

Mr. ANDREWS. Our information, through the years, is that the fact that these figures are classified is to keep down jealousy among the countries?

General WOOD. That is correct.

Mr. ANDREWS. To keep one country from knowing it is getting less than another country?

General WOOD. That is correct, until the programs are approved.

Mr. ANDREWS. ———

(Discussion off the record.)

Mr. PASSMAN. Would you yield there?

Mr. ANDREWS. Yes.

Mr. PASSMAN. When did you start negotiations with Nepal and India for this small program?

General WOOD. It was done very carefully. First we talked to the British——

Mr. PASSMAN. But when?

General WOOD. Three or four months ago.

Mr. PASSMAN. You did not get your appropriation until when?

General WOOD. The 6th of January.

Mr. PASSMAN. You started negotiations with Nepal before you got the final appropriation, did you not?

(Discussion off the record.)

General WOOD. Thank you, sir.

Mr. PASSMAN. I want the record to show that out of respect to the memory of the late General MacArthur, a great patriotic American and a hero to the vast majority of Americans, the committee should recess all day tomorrow, Wednesday, April 8.

Do I hear a motion to that effect?

Mr. ANDREWS. I so move.

Mr. PASSMAN. Without objection, we shall adjourn until 1 o'clock Thursday afternoon.

THURSDAY, APRIL 9, 1964.

EFFECT OF APPROPRIATION REDUCTION ON PROGRAM PLANNING AND ADMINISTRATION

Mr. PASSMAN. The committee will come to order. I should think, General Wood, that the lower the congressional appropriation the tighter you have to squeeze to be able to fund your program. You are apt to do extremely good housekeeping if you have a reduced appropriation in order to be able to allocate your funds in areas where they are most needed?

General WOOD. Certainly we have to re-do a lot of our planning when we base our plans on a particular estimate and then have it cut back.

It is also true, unfortunately, that the lower the amount available the more hand work we have to do and the more people we have to have to do it. Unfortunately, the ratio of people to appropriation is not a direct one.

Mr. PASSMAN. More people percentagewise or just more people per dollar?

General WOOD. For example, we have recently been looking at the MAAG's in Europe to see if we can cut them down. We have reduced them quite a bit. When we get down to a small number of personnel and try to equate the size of the MAAG to the size of the appropriation or the country program, we find it impossible to correlate precisely personnel strength and size of programs.

Mr. PASSMAN. I had in mind indicating again that even though Congress in the past 9 years—fiscal 1956–64, inclusive—had reduced the MAP budget request by $3,312,500,000, about $1.22 was obligated for each $1 appropriated.

We can understand where there would be some cancellation but not the percentage we have been getting. That is what I had in mind, the lower the money the tighter you have to administer. If I had asked it that way it would have been better.

General WOOD. I think that is true. I am glad you explained. I didn't know what your reference was yesterday when you talked about $1 and $1.22.

Thinking about it last night I realized you meant we were able with recoupments really to use the dollar again.

Mr. PASSMAN. What you call recoupment and what I call deobligation, is the same thing?

General WOOD. The word "recoup" means to recover.

Mr. PASSMAN. Yes.

General WOOD. I think that is accurate because we are able to recover funds from various areas which we talked about in the past, and we really use them again from an obligation standpoint.

Mr. PASSMAN. If you obligated $50 million for an item and you found out you were not going to deliver those items, you would deobligate and that money would become available for new obligations. Is that correct?

General WOOD. Deobligate and obligate are financial terms which Mr. Comer, our comptroller, can speak to best.

I think from a practical standpoint we are talking about the same thing; yes, sir.

Mr. PASSMAN. I think so, whether you call it recoup, squeeze out, deobligate. I usually say "deobligate" because when you obligate money for something that you do not need, then naturally you have the authority to deobligate, squeeze out, or recoup, and to use the money for some other item altogether.

We are talking about identically the same thing.

General WOOD. I think so.

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. There were 66 nations in the military aid program last year, whether it was for firecrackers, training, equipment, or some other type of activity.

Can you tell us whether or not the nations you are taking out of the military assistance program this year are being dropped completely, or do you carry over previous allocations to these nations until expenditures have been made to their account?

General WOOD. We started a discussion on that yesterday which we did not finish.

Mr. PASSMAN. That is correct.

General WOOD. The figure for 1963 was 66 nations.

For 1964 it was 64 nations.

I said yesterday we have a total of 53 countries in here for new programs; 40 for materiel and 13 for training.

In the historical book, which lists all the countries in which we have ever had a program, you see that we still have undelivered balances for some countries which will still involve packing, crating, handling, and transportation costs. In other words, it is supply operations funding.

FUNDING PROGRAM DELIVERIES

Mr. PASSMAN. You will take out of new appropriations the funds with which to pay for those costs?

General WOOD. That is right.

Mr. PASSMAN. Your obligations originally to their credit were only for the cost and out of subsequent appropriations you would have to take the handling charge?

General WOOD. Yes; handling charges for delivery in subsequent years. This year, such charges are in a worldwide account in the U.S. force support and MAP administration section of our justification. As I said in my statement earlier, we found that it was misleading to put down for a country an estimated delivery cost for a particular year because it was always an estimate, and the figures were not accurate until the services gave us reports at the end of the year of the actual cost of delivery to a country.

That is understandable because they do not normally ship one shipload to just one country. It goes to several countries, so only afterward can they give the actual cost for each country.

Where there are undelivered balances shown in the historical record for countries which are not shown in the 1965 book, which deals only with the new programs in 1965, then there will be requirements out of this total of $84.7 million of supply operations to fund those deliveries of equipment programed in prior years.

FUND REQUIREMENTS FOR COUNTRIES BEING PHASED OUT OF MAP

Mr. PASSMAN. We should like to have a list, if it is not classified, of the nations for which you no longer have military assistance programs, no grant aid, and the amount of undelivered items to the credit of those countries.

I repeat, the nations for which you are no longer requesting funds for additional military aid, the amount of funds you have on hand reserved, credited, and/or obligated for deliveries to that country.

General WOOD. Undelivered balances?

Mr. PASSMAN. Yes.

General WOOD. Yes, sir.

Mr. PASSMAN. And your estimate of what it will cost out of new appropriations to make the deliveries to those countries, by country.

General WOOD. Understood, Mr. Chairman.

(The information requested follows:)

Fiscal year 1965 and future year requirement for supply operations for countries being phased out of military assistance programs

[In thousands of dollars]

Country	Estimated undelivered/ unexpended June 30, 1964	Supply operations requirement for fiscal year 1965 and after
Belgium	5,204	549
France	1,443	166
Germany	139	
Italy	65,662	1,998
Luxembourg	3	
United Kingdom	86	5
Yemen	9	
Cambodia [1]	8,866	
Jamaica	86	9

[1] Undelivered program canceled and subject to recoupment or redistribution.

PROGRAM IN IRAN

Mr. PASSMAN. The fourth country we have in the MAP category is Iran, for which ——— is requested. Can you tell us, General, the amount that you have on hand unexpended for Iran?

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Is the amount we have for them classified?

General WOOD. The amount in the 1965 program is classified.

Mr. PASSMAN. Can you tell us the amount of the credit to Iran as of June 30, 1964, your estimate?

General WOOD. To be delivered after fiscal year 1964, after June 30, 1964, $86,122,000.

Mr. PASSMAN. That is what you have reserved and are obligating for deliveries to Iran from previous programing?

General WOOD. Yes, sir.

Mr. PASSMAN. I believe we had a commitment of ——— to Iran for the period July 1, 1962, through June 30, 1967.

If that is correct, what is the amount of the unprogramed balance of this ——— commitment?

While you are looking that up, I believe you have 3 years of allocations which you would subtract from it?

General WOOD. Yes, sir. I do not believe I can confirm the figure of ———. Did that come from previous estimates?

Mr. PASSMAN. You do not know of any ——— commitment?

Off the record.

(Discussion held off the record.)

General WOOD. I see what you refer to now, Mr. Chairman. You are correct, we have a program here in 1965——

Mr. PASSMAN. I think fiscal 1963 and 1964 would be enough.

General WOOD. Fiscal 1963 was $70 million. Fiscal 1964 is $53.2 million.

Fiscal 1965 is ——— million.

Mr. PASSMAN. Are we dealing with grant-aid here?

General WOOD. Yes, sir.

Mr. PASSMAN. Is this commitment firm, or is this just something we assumed might be the requirement?

General WOOD. Mr. Sloan is more familiar with it than I am.

We made an agreement with the Shah for a reduction of his forces and for reorganizing them we have a delivery plan over this period, as you say, of approximately ——— million in military equipment and services, of which ——— million is left after fiscal 1965.

Mr. SLOAN. There are two additional requirements imposed on Iran. The general agreement was that it would be necessary for Iranian Armed Forces to be reduced down to a level we thought was within their capability to make effective, and also to demonstrate by their maintenance and by their training efficiency that they could absorb and make proper use of the equipment.

Mr. PASSMAN. What progress have they made, if any?

Mr. SLOAN. Reports are very satisfactory. They are satisfactory particularly in their gradually mustering out some of the older people who have been in the army for quite a while who were not efficient soldiers. Their training and particularly their activities in accounting for and taking care of equipment is reported to be very good now.

Mr. PASSMAN. Is this a nation which is without any budgetary system? They just take it in and pay it out as they see fit, divide up a lot of it?

Are you familiar with that system?

Mr. SLOAN. Yes; I am, sir. I think under the Shah they have made considerable progress in modernizing their governmental accounting system.

Mr. PASSMAN. This was going on under the Shah, though? He has been there quite some time.

Mr. SLOAN. He is making good strides particularly in modernizing the internal governmental system. We do not turn over any cash under MAP to Iran or any other country, of course.

Mr. PASSMAN. You said "under the Shah" as though that was something new. He has been there a long time and all this type of business was going on under the Shah.

You say there have been some improvements?

Mr. SLOAN. Yes, sir. I think the Shah's own personal desire to see his country modernized and up to date has been very strong.

Mr. PASSMAN. Why is Iran programed to receive ———?

Mr. SLOAN. The JCS force objectives, Mr. Chairman, are for ———. These aircraft are addressed to that force level, a gradual force improvement program.

Mr. PASSMAN. You are programing ——— U–17A aircraft. Does this happen to be the old Cessna 185?

General WOOD. Yes, sir, that is the Cessna aircraft.

Mr. PASSMAN. An executive type of aircraft, good for landing on small strips?

General WOOD. We use it as a reconnaissance and liaison aircraft. We went to it as we did the F–5 because we were trying to make the best use of our money, and that aircraft we are able to get, along with its concurrent spare parts, for $20,000.

Mr. PASSMAN. You do not use this airplane for training, do you?

General WOOD. Observation and reconnaissance. It is particularly desirable so far as the Iranians are concerned in surveillance of their northern border and internally to meet any internal security problem.

Mr. PASSMAN. What problems do they have internally?

General WOOD. They have problems with certain of their somewhat nomadic tribes, particularly in the southern part of the country, and they had quite an action against them during the past year.

Mr. PASSMAN. Has that kind of trouble not been going on for a very long time?

General WOOD. I think it is accurate to say some internal security problems have existed in that country for many years.

Mr. PASSMAN. Would we be overemphasizing to state that this is something to place a large order for, and again it is a question of deliveries; we have to allocate them to clean up the assembly line?

General WOOD. No, sir; that is not accurate. We buy this aircraft right off the commercial production line.

Mr. PASSMAN. That is about the same thing. I did not think you got it from anything else but a commercial production line.

General WOOD. It is not specifically designed, as many military aircraft are, for military purposes only.

Mr. PASSMAN. That is what I said a while ago. It is good for executives, good for going on hunting trips, landing on short strips, and fishing. I am quite familiar with it.

How many do you have out there? We shall call it the Cessna 185.

General WOOD. And Cessna 180's.

Mr. PASSMAN. I thought you said 185. The book says U–17 (Cessna 185 aircraft).

General WOOD. We have used both aircraft. They are similar. The 185 is designated at the "U–17."

Mr. PASSMAN. How many?

General WOOD. Through 1964 a total of ——— are programed.

Mr. ANDREWS. Is that a fighter plane?

General WOOD. No, sir.

Mr. ANDREWS. What we call an executive-type plane?

General WOOD. It is a liaison or a reconnaissance plane. It is not as big as an executive-type plane.

Mr. ANDREWS. What use do they make of them and why do they need ———?

General WOOD. As I have just explained, sir, it is an aircraft used particularly for reconnaissance and liaison purposes.

Mr. PASSMAN. And you said also for internal security?

General WOOD. Yes, sir. It is a light aircraft used in the same role as the Army's L–19, using it for forward observation, reconnaissance, and liaison. It is much cheaper than the L–19.

Mr. PASSMAN. You have a similar aircraft, the 180. How many of those do you have?

General WOOD. Through fiscal 1964 there are ——— in the program.

Mr. PASSMAN. Is that smaller or larger than the 185?

General WOOD. Approximately the same.

Mr. PASSMAN. Used for the same purpose?

General WOOD. The 185 is a newer aircraft than the 180 and a little cheaper.

Mr. PASSMAN. Are the two different models used for the same purpose?

General WOOD. Essentially the same purpose; yes, sir.

Mr. PASSMAN. Through fiscal 1964, I note that you have programed over ——— trucks for Iran, and you are programing approximately ——— additional trucks for 1965. Why are so many trucks necessary for a military strength of ——— personnel, General?

General WOOD. I don't know what the exact allowance is to a division but we are programing no more than the authorized number for each division ———.

Mr. PASSMAN. They are all purchased in America?

General WOOD. Yes, sir. We have no offshore procurement of vehicles.

UNEXPENDED BALANCES

Mr. PASSMAN. How does the unexpended balance for Iran as of June 30, 1964, the present estimate, compare with the unexpended balance in the previous fiscal year to June 30, 1963?

General WOOD. $88,683,000 was the estimated unexpended balance as of the end of fiscal year 1963.

Mr. PASSMAN. What is the estimate as of June 30, 1964?

General WOOD. $88,122,000.

Mr. PASSMAN. It is holding its own, approximately?

General WOOD. Yes.

PROPOSED CONSTRUCTION

Mr. PASSMAN. What type of construction do you propose to do in Iran at a cost of ———?

General WOOD. Construction for Iran, ——— for A. & E. services only.

Mr. PASSMAN. On what types of projects or programs?

General WOOD. I would have to supply that information, sir. I believe it has to do with ———.

Mr. PASSMAN. Would you put that information in the record?

General WOOD. Yes, sir.

(Information supplied follows:)

The ——— in the fiscal year 1965 program for construction for Iran is to cover Government costs of administration, supervision, and inspection of ——— construction projects.

Mr. PASSMAN. Gentlemen, we shall recess briefly.

(Short recess taken.)

KOREA

Mr. PASSMAN. The fifth country is Korea. The fiscal 1965 estimate is ———.

UNDELIVERED BALANCE

Can you tell us the amount of unliquidated funds to the credit of Korea?

General WOOD. The estimated undelivered balance at the end of fiscal year 1964 is $251,226,000.

BUDGET REQUEST FOR FISCAL YEAR 1964

Mr. PASSMAN. I noted on page 5 of Mr. Sloan's statement that the fiscal 1964 request was $205 million for Korea and there was about an equal split between investment and operating cost. If I recall correctly, the information given to us last year was $32,500,000 for fixed charges and $120,500,000 for force maintenance, a total of $153 million for operating cost and $52.1 million for force improvement.

Would you check your figures and mine and see which are correct?

General WOOD. You refer to 1963, Mr. Chairman?

Mr. PASSMAN. Fiscal year 1964.

General WOOD. Either I do not understand the question or do not find the figures you refer to.

Mr. PASSMAN. Mr. Sloan should understand the question.

Mr. SLOAN. I am looking for the figures, Mr. Chairman. Our request last year was $205.1 million which was reduced to $141.8 million.

I do not have the precise dollar items on the break between operating costs and investment costs, but as you stated, approximately $52 million was forces improvement. I will furnish the precise figures for the record.

Mr. PASSMAN. All right, sir, and please state whether your figures or mine are correct.

Mr. SLOAN. Yes, sir.

(The information referred to follows:)

The fiscal year 1964 request for Korea was $205.1 million, of which $52.1 million was for force improvement, or investment, and $153 million was for operating costs. The program has been reduced to $141.8 million, of which $24.5 million is for investment, and $117.3 million is for operating costs. The figures quoted by the chairman were correct.

F–5 AIRCRAFT

Mr. PASSMAN. Mr. Sloan's statement also indicates that you reduced the program for the F–5 aircraft. However, page 173 of the historical book indicates that you are programing only ——— F–5 aircraft in fiscal 1964 out of a total request of 20. However, if I recall correctly, the testimony of last year, the fiscal 1963 program

contained ——— F–5 aircraft, but they were not justified to the Congress and were over and above the original 20 requested; therefore, if I add the estimate for the F–5 aircraft for 1963 and 1964, I come up with a total of 40, and your program figure for the same 2 years is ——— a reduction of 4 over the 2-year period.

(Short recess.)

(Discussion held off the record.)

General Wood. Mr. Chairman, during the recess I made a check and you correctly quoted the figures.

Mr. Passman. Thank you.

PROPOSED CONSTRUCTION FOR FISCAL YEAR 1965

What type of construction do you propose to undertake in fiscal year 1965 for ——— Korea?

General Wood. We have A. & E. services for NIKE installations and administrative costs, $74,400; we have administrative and housing facilities for the Air Force Advisory Group——

Mr. Passman. That is an American or Korean group?

General Wood. American.

Mr. Passman. And the amount of that item?

General Wood. ———.

Mr. Passman. Would you restate that, General, because the two figures together are greater than the total figure.

General Wood. What was the figure you gave, sir?

Mr. Passman. ———.

General Wood. $50,000 of the amount I gave is for construction supplies which is carried under "Materiel," sir.

HOUSING PROJECTS

Mr. Passman. For what purpose is the housing project?

General Wood. The Air Force Advisory Group.

Mr. Passman. What kind of housing is it, sir?

General Wood. Administrative and housing facilities. I do not have the details. I will supply it if you wish, sir.

Mr. Passman. We wish you would, including the number of houses, the number of bathrooms in each house, the type of equipment, and so forth, so we shall have a better idea as to what it is.

General Wood. Yes, sir.

(The information supplied follows:)

The type of construction proposed in fiscal year 1965 in the amount of $1,106,000 is for ——— sites near Kwangju, Palgongsan, Uisangbong, Hangilsan, Kangnung, and ———. The following is representative of the facilities at each site:

	Square feet
Dormitory (33-man)	6,750
Training and recreation building	2,450
Administration building	3,250
Dining hall	1,100
Supply unit	1,100
Vehicle maintenance building	2,080
Water, electrical, distribution, and equipment	-----

Mr. Passman. This is something that will remain in the Korean economy after we pull out; is it not? Is it a little different than what we refer to as military housing?

General Wood. The housing I have seen out there is austere compared to what we build in the United States.

Mr. Passman. Is this additional housing?

General Wood. I will have to check that but if my memory serves me, these people, so far as administrative buildings were concerned, did not have adequate facilities and this is to remedy that situation.

Mr. Passman. In what cities will this construction be?

General Wood. I will furnish that.

Mr. Passman. Will you also inform us concerning similar projects from 1960 through 1964, inclusive?

General Wood. 1960 through 1964?

Mr. Passman. Yes, sir.

General Wood. Yes, sir; I think that is available.

(Information supplied follows:)

MAP cost in Korea for support-type facilities for Air Force Advisory Groups located at ——— for fiscal year 1960 through 1964, inclusive, was $795,500. There are no programs similar to this in any other country.

Mr. Passman. The MAAG administrative and training personnel is going down from 1,925 to 1,862 in 1964, so it is rather strange, if it is true that it is going down, that you would start a new project such as housing and a new expanded administrative building, but give us all the information you can on it, sir.

General Wood. I will give you a full report on it, sir.

HOUSING CONTRUCTION COSTS, 1960–64, MAP COUNTRIES

Mr. Passman. Could you provide for us, also, information as to the total amount of money that has been spent from 1960 through 1964, inclusive, for housing in all countries where there has been a housing program?

General Wood. Yes, sir.

(The information requested follows:)

The following is a status of the type of housing constructed or being constructed involving the use of military assistance program funds.

1. Under the provisions of section 537(c) of the Mutual Security Act of 1954, as amended, 440 family housing units and associated support facilities (i.e., water treatment plants, sewerage treatment plants, hospitals, three elementary schools and one high school, commissaries, maintenance shops, etc.) were constructed for MAAG personnel in Korea at a cost of $8,851,330, 81 percent of which was constructed prior to fiscal year 1960. The purpose of this housing is to extend the tour of duty of key MAAG personnel in Korea from 13 months unaccompanied to 24 months unaccompanied (by dependents), thereby providing more continuity in the execution of the military assistance program for Korea.

2. Of the original 440 units, 60 were constructed with Public Law 480 funds. The maintenance of these 60 units is accomplished from an operating account, financed from the housing allowances of the occupants. In April 1962, 22 units excess to USOM Korea (AID) were transferred to MAAG use. Therefore, a total number of 402 (380 + 22 = 402) MAAG family units are now being supported from this O. & M. account. These 402 units are located in 4 geographical areas in Korea as follows: Seoul, 168 houses; Taegu, 96 houses; Chinhae, 50 houses; and Pusan, 88 houses.

3. Personnel occupying these family quarters forfeit all military allowances for quarters.

4. The cost of operating and maintaining these housing units for the period 1960 to 1964, inclusive, is $2,436,624. These operation and maintenance costs include items such as electricity, water, heat, maintenance and repair, security guards, operation of schools, etc.

5. In addition, MAP funds are being used to construct support-type facilities for Air Force advisory groups (AFAG) located at remote aircraft control and warning (A.C. & W.) sites. A separate statement on these facilities has been provided.

6. Our review also discloses that military function appropriation accounts (non-MAP) will be used to construct in Korea (Chinhae) a four-bed addition to an existing dispensary at a cost of $14,660.

DEFENSE BUDGET FOR KOREA

Mr. PASSMAN. What is the amount of the fiscal year 1965 Korean defense budget, sir?

General WOOD. The Korean national budget?

Mr. PASSMAN. Yes.

General WOOD. The last figure I have is the national defense expenditures for Korea calendar year 1962, $157 million.

Mr. PASSMAN. That is a little obsolete. Could you give us a little later figure, because when you work up your budget you have to do so after you look at their budget, do you not? That is a part of the overall problem, is it not?

General WOOD. It is a part of the overall problem so far as AID is concerned because they provide budget support. But from our standpoint we program the military end item requirements and the country team evaluates what the country's budget itself can support in the way of supporting its troops. I am sorry I do not have it but I think figures are available for years subsequent to 1962.

Mr. PASSMAN. Try to get the data for us, if you will, General. As you know, we have grant programs and other programs in Korea, but I am talking about the Korean defense budget.

General WOOD. Korea does have some governmental income and some governmental expenditures of its own.

Mr. PASSMAN. I am sure they do, but I am talking now about the defense budget.

(Information supplied follows:)

Korea defense budget

[In millions of dollars]

Calendar year 1963	$165

DIRECT MILITARY SUPPORT TO KOREA OUT OF PUBLIC LAW 480 AID

Could you tell us the amount of the Public Law 480 program for Korea for fiscal year 1965?

General WOOD. After our discussion yesterday on Public Law 480——

Mr. PASSMAN. I am talking about the amount of Public Law 480 for Korea, the total Public Law 480 estimate for Korea for fiscal year 1965.

General WOOD. The figure I have, subject to a check with AID, is $90.2 million.

Mr. PASSMAN. That is a substantial amount is it not?

Now, of that $90.2 million, what part of it could directly and indirectly be made a part of, or will be made a part of, the Korean defense budget, feeding the troops and so on?

General Wood. I can only speak to Public Law 480 used for military assistance purposes, of which there is none.

Mr. Passman. Nevertheless if we have a Public Law 480 program of $90.2 million for Korea, it seems to me that much of it might be for their own military personnel; but as to what you allocate, you show none?

General Wood. We have none available.

May I make a statement about that?

Mr. Passman. Surely.

General Wood. Yesterday after our discussion on this I determined that so far as military assistance is concerned local currencies, specifically coming from agricultural commodities under Public Law 480, are now available to MAP only from the following excess currency countries: Pakistan, India, Indonesia, Israel, the United Arab Republic, Yugoslavia, Poland, and Burma.

We have no planned use in fiscal year 1965 for Public Law 480 local currencies in any of the above countries, but we estimate that $100,000 with no country identification would be a reasonable expectation in the light of our past experiences.

I am sure you would want to ask the AID people about this because they do, of course, in a country like Korea, assist the support of the defense forces.

Mr. Passman. And you stated, did you not, that the amount for the military was zero?

General Wood. I said none was planned for MAP use in 1965.

Mr. Passman. What do you show for 1964?

General Wood. I have a total figure since the beginning.

Mr. Passman. You say it is zero for 1965 and I look at page 50, and this is for fiscal 1964, and through September 30 we find "Direct military support to Korea," $21,229,000. That is out of Public Law 480, title I, U.S. owned. This is direct military support to Korea, $21,229,000.

General Wood. The supporting assistance appropriation in AID is, of course, tremendous assistance to the military.

Mr. Passman. This says "Direct military support." I would not know any other way to interpret it than add it to the military and if we should add it all together you will have a $2 billion overall MAP program for fiscal 1964.

General Wood. I am defending a program for military equipment and services, sir.

Mr. Passman. This says "Direct military support."

General Wood. It could be support to the forces of Korea, but it does not pay for any guns, rifles, or trucks.

Mr. Passman. Is this not support for the Korean defense?

General Wood. I think probably so; yes.

Mr. Passman. We know that is what it is for, to be used by our forces and Korean forces in Korea.

General Wood. It is not an item that goes through my books.

Mr. Passman. When we put this all together we may run into an additional $100 or $200 million. They say this is direct military support to Korea out of Public Law 480, title I, U.S. owned.

General Wood. I am talking about an appropriation for military assistance.

Mr. PASSMAN. I say it is a supplement to the program, and if we are to know what military assistance is costing we have to know what goes in through Public Law 480.

Mr. Sloan, you do not disagree with my position, do you, that we should ascertain the total amount of Public Law 480 aid that is for direct military support, even though it is not a part of this appropriation, because it is a part of the military support program, overall?

Mr. SLOAN. I think it is a part of the AID program and you can show what part of Public Law 480 goes to military support.

Mr. PASSMAN. I say "direct military support." There are two kinds of support—direct and indirect—and I am limiting this to direct.

Mr. SLOAN. In each of the countries, part of the Public Law 480 program may have been attributed by AID to defense support. They show varying figures for the country's program. That is not part of our military assistance program itself.

Mr. PASSMAN. I am just stating one more time that direct military support to Korea out of Public Law 480 aid, title I, United States owned, was $21,229,000. That was for the first quarter of fiscal year 1964. We shall find out what it is for the full year, and then we shall find out what it is for all the other countries.

We shall indicate that this Public Law 480 aid is in addition to what you are requesting directly for the MAP.

General WOOD. It does not buy any weapons.

Mr. PASSMAN. No, but food for the soldier is just as important as the weapons.

General WOOD. Now you are reading my lines because I am a great believer in the soldier as the "ultimate weapon," Mr. Chairman.

OVERESTIMATION OF CUMULATIVE EXPENDITURES—FISCAL YEAR 1963

Mr. PASSMAN. Last year the cumulative expenditures through June 30, 1963, were estimated at $1,736,439,000. This year, page 29 indicates the June 30, 1963, cumulative deliveries have been $1,697,544,000. What happened to the other $39 million?

General WOOD. As I said yesterday, the figures we presented last year were estimates and this is an accurate one. That is probably essentially the answer, sir.

Mr. PASSMAN. Probably? We are dealing here with $39 million and we could run into hundreds of other items where there could be a difference.

General WOOD. We must always make an estimate before the fiscal year begins and correct it at the end of the year, sir.

Mr. PASSMAN. Was your original estimate higher than the actual deliveries?

General WOOD. I think the figure you quoted was higher, was it not?

Mr. PASSMAN. I am asking you.

General WOOD. Last year we said the estimated deliveries cumulative to June 30, 1963, were $1,736,539,000.

Mr. PASSMAN. And what is the figure for the actual deliveries?

General WOOD. $1,697,544,000. So the actual deliveries were less than we predicted.

Mr. PASSMAN. The actual is lower than the estimate by $39 million?
General WOOD. Yes, sir.
Mr. PASSMAN. Thank you, general.
Mr. GARY. Mr. Chairman, may I ask one question?

MILITARY SUPPORT TO KOREA OUT OF PUBLIC LAW 480 AID

Mr. PASSMAN. Yes, Mr. Gary.
Mr. GARY. You were just discussing the Public Law 480 loans. That, as I understand it, is for food that we send over that is given to the Army. Is that correct?
General WOOD. Well, I think we discussed that, Mr. Gary. That is not a figure that goes through my books.
Mr. GARY. But as a matter of fact it is food that is given for the subsistence of the Korean Army?
General WOOD. I do not know.
Mr. GARY. I would like to find that out.
General WOOD. Could I get that for the record?
Mr. GARY. Yes; if you would, because if we have to send our troops there we would have to feed them, would we not?
(The information supplied follows:)

Public Law 480 Korean won contributed to support the military budget of Korea, included amounts for food estimated as follows:

[Dollar equivalents in millions]

Calendar year:	
1962	$20.1
1963	19.3
1964	27.8

General WOOD. We have troops over there and we are feeding them.
Mr. GARY. But if we did not give the subsistence to the Korean troops we would have to keep our troops there and feed them; isn't that correct?
General WOOD. That is probably true; yes.
Mr. GARY. And it would cost us a great deal more to do that, would it not?
General WOOD. I guess so.

COMPARATIVE COST OF U.S. AND FOREIGN TROOPS

Mr. PASSMAN. However, first we would have to establish that it is our responsibility and in our best interests to keep troops in almost every country in the world, and then we would show that foreign troops are not much good for our interests unless we have American troops there, and so forth. Will you give us a breakdown as to the amount it is costing us to maintain our own troops in those countries? Are you working on that information?
General WOOD. Yes. You asked for that yesterday.
Mr. GARY. I would like to have it broken down to cost-per-man basis.

Comparative costs of U.S. and indigenous forces in Far East

Country	Cost of indigenous forces			Cost to U.S. Government for same forces		
	Military strength	Average estimated cost per man-year	Total costs	Military strength	Average estimated cost per man-year overseas	Total costs
Japan	215,799	$917	$197,887,683	215,799	$3,943	$850,895,457
Korea	573,563	263	150,847,069	573,563	3,943	2,261,558,909
Philippines	47,689	748	35,671,372	47,689	3,943	188,037,727
Taiwan	564,786	194	109,568,484	564,786	3,943	2,226,951,198
Thailand	118,735	473	56,161,655	118,735	3,943	468,172,105
Vietnam	402,787	677	272,686,799	402,787	3,943	1,588,189,141
Total	1,923,359	----------	822,823,062	1,923,359	----------	7,583,804,537

The cost of maintaining the same number of U.S. troops in the countries shown above would be $7,583,804,537 or $6,760,981,475 more than the cost of the indigenous forces now in those countries.

The estimated average costs per man-year used in the above table is confined to pay, allowances, subsistence, and individual clothing. They do not include operation and maintenance expenditures, as no meaningful comparisons could be made due to differing weapons systems and technologies.

Mr. PASSMAN. And I think that possibly the foreign troops may be worth only a small percentage of ours, insofar as our interests are concerned. Give us some information on that matter, too.

(A classified document was submitted to the committee.)

Mr. GARY. That is not what General Van Fleet said during the Korean war.

Mr. PASSMAN. I think General Eisenhower had something to say, too, when we were there and he said we were getting ready to phase it out.

Mr. GARY. All I am trying to show is that insofar as Korea and those other places are concerned, I am certain we have saved billions of dollars by defending the country with local troops rather than sending our troops there.

Mr. PASSMAN. The gentleman is certainly entitled to his own opinion.

FRIDAY, APRIL 10, 1964.

Mr. PASSMAN. The committee will come to order.

LAOS

General Wood, the sixth country in the forward defense category is Laos. The estimate for that country in fiscal 1965 is ———. This is ———; is that correct?

General WOOD. Yes, sir. That is correct. The fiscal year 1964 Laos program was raised to ——— million (including PCH & T) because the Ambassador and our people agreed that the non-Communist forces could not be sustained on the lower amount.

Mr. PASSMAN. What is the amount of the allocation for fiscal 1964 that has been made?

General WOOD. The program as shown in the historical book for 1964 is ——— million.

Mr. PASSMAN. Did we suspend the military assistance program in Laos a year or two ago?

General WOOD. My memory is that we did not suspend it. We have had a program since the Geneva accords.

Mr. SLOAN. I think that is correct, Mr. Chairman.

I do not think we suspended it. I think we have had a program ever since the Geneva accords were concluded to support the FAR, the loyalist military group at the request of the Royal Lao Government.

Mr. PASSMAN. But there is a coalition, is there not, of two princes who are half-brothers and a third party, a general, and the three of them head the Government of Laos? One of them is Communist or pro-Communist; another is pro-Western, and the other is a so-called neutralist? Anyway, there is money in the pot. That is a peculiar combination. Do they meet and discuss matters of government?

Mr. SLOAN. Prince Souphanouvong, the pro-Communist, and Prince Souvanna Phouma, the neutralist, are half-brothers. General Phoumi, who heads the pro-Western faction, is not related to either. Souphanouvong has withdrawn from participation in the coalition government and stays in his own zone. Souvanna and Phoumi have been collaborating. Souphanouvong does not meet with the other two except when conferences are especially arranged to try to bring about a more effective cease-fire or more satisfactory political conditions. The neutralist forces and the FAR, the loyalist force, are working fairly well together now.

Mr. PASSMAN. There was a similar situation there many years ago, was there not?

Mr. SLOAN. Yes, sir; in some respects. In other respects it is quite different.

Mr. PASSMAN. It did not work out.

Is Laos not the country where we supported their currency at about three to four times its actual value for a long time?

Mr. SLOAN. I do not have information on that.

Mr. PASSMAN. I think that we did. I think we got caught in a deal that had us supporting kip at three or four times its actual exchange value.

I wonder if we got caught in the same kind of a deal on this military commitment?

Mr. SLOAN. Of course, equipment, not money, is being furnished directly to the FAR under military assistance. That equipment is purchased in the United States with dollars.

EQUIPMENT ALLOCATION TO LAO FACTIONS

Mr. ANDREWS. May I ask a question?

Mr. PASSMAN. If you will permit me another minute or two, please.

As the Government is a coalition, could the equipment be used jointly?

Mr. SLOAN. No, Mr. Chairman. The equipment we furnish goes directly to the units.

Mr. PASSMAN. The equipment goes into Laos where the three are jointly administering the affairs of the country?

Mr. SLOAN. In fact, the area and units administered by the pro-Communists are completely separate. The Communists units are

actually engaged in combat from time to time with the loyalist and neutralist units.

As a matter of fact, the only real communication has been between Souvanna, the Prime Minister, and General Phoumi, the Defense Minister, although an attempt is being made to bring the three leaders together for negotiations in a neutral site.

Mr. PASSMAN. They do slice up the pie when it gets in?

Mr. SLOAN. None of our——

Mr. PASSMAN. I am speaking about aid. You have three of these people, two princes who are half-brothers and a general. They are the administrators of the country of Laos, jointly, are they not?

Mr. SLOAN. Yes, sir. The three faction leaders are the administrators. But it is not a joint administration. The pro-Communist administers his part of the country independently and does not share in our military assistance. The neutralist and pro-Western factions both get some assistance from us.

Mr. PASSMAN. Yet the factions are occasionally fighting?

Mr. SLOAN. Yes, sir. The pro-Communists against the Phoumi and neutralist forces.

Mr. PASSMAN. I yield to Mr. Andrews.

Mr. ANDREWS. Are we furnishing each faction equipment?

Mr. SLOAN. No, sir; only the pro-Western (Phoumi) and the Neutralist factions.

Mr. ANDREWS. What is the condition of the equipment we are sending over there? Is it new or has it been used?

General WOOD. The equipment is generally new. There is some excess material as shown in our presentation book. In general, it is as shown here, ———, more than anything else.

This goes to fulfill a request from the Royal Lao Government, which is permitted by the Geneva accords.

Mr. ANDREWS. What would prohibit the Loyalist group we are furnishing equipment to from disposing of some of that equipment to the other camp, so to speak?

Do you have any evidence that any such disposition has been made?

Mr. SLOAN. No evidence at all. In fact, hostilities between the FAR neutralists and the Communists have been quite frequent. The FAR and the Neutralists highly prize the limited equipment they get and would not consider sharing it. Only a few military units have made any change in their position of about a year and a half ago. Other than that, the Communist and non-Communist military factions have been distinctly hostile and do not jointly occupy any town or post and things of that sort.

ECONOMIC AID PROGRAM FOR LAOS

Mr. PASSMAN. Do we have an economic aid program for Laos?

Mr. SLOAN. I am sure we do; yes, sir.

Mr. PASSMAN. Do you have any idea of the amount?

Mr. SLOAN. $41.6 million in fiscal year 1964.

(The following was submitted for the record:)

Economic aid program for Laos

[In thousands of dollars]

Fiscal year 1963 actual	38,115
Fiscal year 1964 estimated	41,570
Fiscal year 1965 proposed	------

INTERNAL ADMINISTRATION OF FINANCES

Mr. PASSMAN. The three heads of the coalition jointly administer the affairs of the nation; is that correct?

Mr. SLOAN. That is the theory but that is not the way it actually operates. The pro-Communists administer only their own zone and do not get any U.S. military assistance.

Mr. PASSMAN. One of the parties is a Communist or pro-Communist and the way he would get money to operate would be either out of the aid that goes to Laos or out of the economy of Laos; is that correct?

Mr. SLOAN. No, sir. I think the major bulk of their support is coming from Communist countries.

Mr. PASSMAN. Would it not be reasonable to assume that he also shares in the revenues of Laos, to support his part of the country?

Mr. SLOAN. I think that as far as what his part of the country actually produces, I think he probably controls it 100 percent. As far as the Royal Treasury, as they call it, is concerned, I think Souvanna Phouma as Prime Minister and General Phoumi's Finance Minister keep pretty tight control of that.

Mr. PASSMAN. There are tens and tens and tens of millions of dollars involved, and as this man is one of the administrators of Laos, I should think he is going to get his hand over into the kitty. He could do so unless we had some way to check on this closely and have the right of inspection. Otherwise, we could not say exactly what is, or is not, being done, could we?

Mr. SLOAN. Yes, sir, but not as far as military assistance is concerned, because he does not get any U.S. military funds. All military assistance is either in the form of equipment provided directly to the non-Communists in the form of contract services for the non-Communists. I do not believe that any of our economic assistance is in the form of cash which he could get his hands on.

I am afraid I could not respond in detail about how AID is handling their program but I believe it is basically in commodity imports and technical assistance, not in the form of cash.

We feel pretty confident, Mr. Chairman, about overseeing our equipment and its handling as far as military equipment——

Mr. PASSMAN. It seems that we are always "confident" of these things.

Gentlemen, let us take a brief recess.

(A short recess was taken.)

UNEXPENDED BALANCES

Mr. PASSMAN. What was the amount of the unexpended balance to the credit of Laos on June 30, 1963?

General WOOD. Undelivered balance for Laos was ———.

Mr. PASSMAN. What is the estimated unexpended balance as of June 30, 1964?

General WOOD. ———.

Mr. PASSMAN. Almost double in 1 year; is that correct?

General WOOD. Yes, sir. You realize that this tends to be true for many countries. With the appropriation as late as it was, our deliveries have not been great in fiscal year 1964 in some countries.

Mr. PASSMAN. I might say that you were privileged to obligate at a higher rate than the amount of money the Congress appropriated because you were operating under a continuing resolution, and this was made available every month, one-twelfth of the amount you had in the preceeding year's appropriation.

General WOOD. That is very true, sir. We obligated on the order of $500 million in the first 6 months.

Mr. PASSMAN. I mentioned that only, General, because you indicated the pipeline had gone up on account of the late allocation. We know, however, that you operated just as though you had the appropriation because of the continuing resolution.

General WOOD. I think that was a factor, Mr. Chairman.

In general, we funded things like training, spare parts, and other maintenance-type expenditures. We did not want to get into contracts for new items until we had a better view of what the appropriation would be.

Mr. PASSMAN. You did have a continuing resolution for 6 months, so you could operate for half of the fiscal year at the same rate you did in the preceding fiscal year, could you not?

General WOOD. Yes, sir; we could have. We did not operate quite on that basis because we used the CRA only to fund ongoing projects such as training—and we delayed ordering equipment until the appropriation was passed. We also began to realize that the appropriation would not be as great as we asked for.

Mr. PASSMAN. I am glad you had that kind of feeling and I hope you have a similar one this year.

General WOOD. No, sir; I gather from that that we are going to be more optimistic this year.

Mr. PASSMAN. We want to appropriate for what you need, and not for what you want.

INCREASED DELIVERIES TO LAOS IN FISCAL YEAR 1964

Last year the justifications indicated that through fiscal year 1963 seven ——— had been delivered to Laos by June of 1963. Page 176 of the historical justifications indicates that with no allocations for ——— in the 1964 program, the total number of ——— as of June 30, 1964, will be 13.

Where did you get the additional six ———? Where did you get the funds to pay for them, if we cut you so short last year but you doubled the amount you indicated you would have?

General WOOD. I will be happy to insert an answer for the record, sir. I think probably funds were found by decreasing some other programed item.

(The information supplied follows:)

Six ——— were added to the fiscal year 1963 military assistance program to Laos in June of 1963 pursuant to a Presidential determination. Funds were made available by reductions in other programs.

Mr. PASSMAN. Is Laos that important as compared, say, to Vietnam, Formosa, Greece, Turkey, and some of the others, so that you could afford to increase the allocation for Laos?

Mr. SLOAN. Mr. Chairman, if I may address that question, Laos is on the left flank of South Vietnam.

(Discussion off the record.)

Mr. PASSMAN. We are talking about what you justified last year; that is, seven ——— which had been delivered to Laos up to June 30, 1963. Page 176 of the historical justifications indicates, with no allocation for ——— in the 1964 program, the total number of ——— to June 30 will be 13.

Where did you get the additional six ———?

Mr. SLOAN. As the general said——

Mr. PASSMAN. You asked for no funds for that purpose. You made no allocation, but you wound up with twice as many on hand.

Mr. SLOAN. As the general said, we will supply an answer for the record. I am sure we dropped other items out of the program because the ——— became much more important during the year, and I am sure other equipment was dropped out of this or related programs to obtain this additional——

Mr. PASSMAN. Give us a little information on who is on the left flank of Laos.

Mr. SLOAN. The Cambodians——

Mr. PASSMAN. Who is on the left flank?

Mr. SLOAN. On the left is Cambodia.

Mr. PASSMAN. Who is on the south?

Mr. SLOAN. Cambodia is also on the south of Laos.

Mr. PASSMAN. Is there a friendlier atmosphere down in that area?

Mr. SLOAN. I do not think the atmosphere is perhaps as friendly. I do not think the capability to create an effect in South Vietnam is nearly so great. The difficulty about Laos, Mr. Chairman—I am sure you are quite familiar with that layout—is that the North Vietnamese forces, the Vietminh forces are actually present in ——— and they are able to operate down the eastern side of the country and into South Vietnam.

In Cambodia, while the atmosphere is not very friendly, the capability of affecting the war in South Vietnam——

Mr. PASSMAN. How far is it out to this country?

Mr. SLOAN. About halfway around the world.

Mr. PASSMAN. About 13,000 miles?

Mr. SLOAN. I think so, sir.

Mr. PASSMAN. You are out there with a mixture of Communists, so-called neutralists, and loyalists, with two princes who are half-brother and a third party, who is a general, as administrators, and we are just getting along fine in our business.

Here is Cuba 90 miles off our shore, with a full-fledged Communist government, and I just imagine we are getting along with our business out there a little bit better than we are getting along with our business in Cuba. We are being made suckers of, no doubt.

PAKISTAN

The seventh country in this category is Pakistan for which the 1965 estimate is ———; is that correct?

General WOOD. Yes, sir.

Mr. PASSMAN. Would you tell us the amount of unobligated funds you had to the credit of Pakistan on June 30, 1963?

General WOOD. Undelivered balance in 1963 was ———.

Mr. PASSMAN. How about fiscal year 1964?

General Wood. ———.

Mr. Passman. A reduction of what amount?

General Wood. A reduction of approximately $9 million.

Mr. Chairman, the figure is ——— I was reading the wrong figure.

Mr. Passman. Is that an increase?

General Wood. No; that is a decrease of about $10 million.

Mr. Passman. You have a decrease in the obligated funds to the credit of Pakistan of $10 million in 1964 as compared to 1963. The unexpended balance for Laos is about double what it was for 1963?

USE OF EXCESS PUBLIC LAW 480 CURRENCY FOR DEFENSE

Do you have any Public Law 480 local currency given to Pakistan on a loan or grant basis for defense purposes?

General Wood. We have available in the way of excess currency from Public Law 480 to the defense department in Pakistan according to the latest Treasury report, $14.6 million worth of local currency.

Mr. Ford. Has it been used or will it be used during this year?

General Wood. That is available.

Mr. Passman. Available to be used in the program.

REHABILITATION OF PISTOLS FROM EXCESS STOCKS

I notice that you are asking for funds to rehabilitate three pistols for Pakistan; is that correct?

General Wood. I guess you are reading from the excess property list. There are three pistols among the excess property items in the Pakistan program; yes, sir.

Mr. Passman. What was the acquisition cost of those pistols, originally?

General Wood. The acquisition cost of a pistol is .06 or $60.

Mr. Passman. What did it cost to rehabilitate one of those $60 pistols?

General Wood. It costs MAP program $50.

Mr. Passman. To recondition a pistol? Is this not a plain case of finding some way to distribute a lot of excess pistols all through here? We see that Pakistan is going to get three pistols and a lot of other countries are going to get eight pistols. Some will get seven pistols and they cost $60 each, and then it costs $50 to rehabilitate each pistol.

General Wood. A pistol is part of the unit equipment of some units. There are 767 pistols we are getting from excess stocks.

Mr. Passman. General, I asked the question because $50 to rehabilitate a pistol——

General Wood. Yes; that is $10 less than the cost of a new one.

Mr. Passman. They do not put any gold barrels, or anything like that on them, do they?

Mr. Ford. That does seem like an awfully high rehabilitation cost.

General Wood. It might be because of the condition it is in, Mr. Ford. We are still using pistols in the Army. I would think the Army does not declare them excess until they are in pretty poor shape.

Mr. Andrews. How many pistols are involved?

General Wood. 767 in the excess property list this year.

Mr. Andrews. You say 767?

General Wood. Three for Pakistan.

Mr. FORD. Let us find out the total mobilization reserve, or whatever you call it, on caliber 45 pistols. Let us take a look and see the last time we bought any for our own forces in the way of caliber 45 pistols.

General WOOD. All right.

Mr. FORD. If so, how much and how many?

General WOOD. We will be glad to supply that.

Mr. FORD. In all sincerity, $50 to rehabilitate a pistol costing $60 in the first instance does not strike a very responsive note.

Mr. PASSMAN. You have 767 pistols you want to get rid of?

General WOOD. No, sir. I would not say, "Get rid of." I would say there is a requirement.

Mr. PASSMAN. It looks to me as if you are trying to distribute this stuff around. Let us know when you purchased the 767 pistols and the countries to which you are allocating them. Can you give that information to us?

General WOOD. Yes, sir.

Of course, as you know, we would like to use more excess equipment because it cost the MAP program less.

Mr. PASSMAN. We are talking about pistols now. Will you tell us when we purchased those 767 pistols and what nations are going to get those pistols and if that $50 rehabilitation cost is the average cost?

Find out whether or not that is the average cost to recondition the entire 767 pistols we want to get rid of, or whether that is just for the 5 pistols, or the 3 pistols going to Pakistan.

General WOOD. I imagine it is the average cost. That is what page 109 shows.

Mr. PASSMAN. That makes it sound more one-sided than ever.

I could not imagine 767 $60 pistols costing $50 each to repair.

General WOOD. I would like to add if I may that the cost of a new pistol today, I do not know what it is, but I imagine it must be more or else we would not be using these excess pistols.

Mr. PASSMAN. Find out the cost of a new pistol, and also the other information we have mentioned.

Mr. FORD. Mr. Chairman, as long as we have gone into the pistol problem at such depth, maybe we ought to make this a case history and get the whole picture.

Are there any pistols in the 1964 program?

General WOOD. Yes.

Mr. SLOAN. This is probably the end of a delivery.

Mr. PASSMAN. Let us find out how long you have been distributing these pistols.

Mr. FORD. As long as we have gone this far, let us see where the story takes us. The amount of surplus is shown on page 109 in the red book.

General WOOD. Last year there were some 4,218 pistols in the program from excess stocks.

Mr. FORD. Do you have the cost of rehabilitation?

General WOOD. The cost of rehabilitation last year was listed at $20.

Mr. FORD. The cost for fiscal year 1965 is 2½ times what it was in 1964.

General WOOD. There should not be that much difference.

Mr. FORD. How do you go about awarding a contract for rehabilitation?

General WOOD. We do not award any contracts, as you know.

Mr. FORD. Who does?

General WOOD. We have lists from the services as to excess stocks. These are listed in what might be called a big catalog which we sent out to the MAAG's. From that, they do their programing. The items available for programing in MAP and their prices are shown. The services compute this and indicate to us what they have available from excess and tell us what the cost of repair and rehabilitation is.

Mr. FORD. You simply requisition those against the availability set up for whatever your program may be, from country to country?

General WOOD. Issue a MAP order to the service for x number of pistols.

Mr. FORD. You requisition these items, but who handles the rehabilitation, the contracts, and all that?

General WOOD. I will have to find out. We send a "MAP order" to the Army which arranges for the repair and rehabilitation. It would either be done in-house in an arsenal or on a contract basis; probably the latter.

Mr. FORD. Who did the contracting in fiscal year 1964?

Whether there was any competitive bidding, whether the contract was let to the lowest responsible bidder, that was a good price, $20.

I wonder how you come to the conclusion that it ought to be $50 in fiscal 1965 based on your experience in 1964?

General WOOD. I come to no conclusion at all except that was the price quoted to us by the Department of the Army for rehabilitating excess pistols.

Mr. FORD. Let us get the contract data for fiscal 1964 and any explanation there is as to how you forecast $50 for fiscal year 1965.

General WOOD. All right.

Mr. PASSMAN. I wish you would describe for us briefly the type of work that must be done to rehabilitate one of these pistols. With all of the excess stocks we have had, and will have, if this is an example of what it costs to rehabilitate, it would appear it might be that this stuff could go to the low bidder and you could buy new material. I do not know. Give us what you can.

General WOOD. Yes, sir; we will submit it for the record.

(The information supplied follows:)

U.S. pistol, caliber .45 automatic, model 1911A1 is the standard U.S. Army pistol. These pistols were last purchased by U.S. Army in 1945. At that time 457,000 pistols were bought at a unit cost of $38 each. No .45-caliber pistols have been procured since that time; however, should a new purchase be made today, the current acquisition price would be $57 each.

The U.S. Army possesses the following assets of 45-caliber pistols:

In troop units	207,969
In depots	241,676
Pre-positioned war reserves	34,015
Total	483,660

A total U.S. Army mobilization requirement for pistols cannot be presented since pistols are no longer considered to be principle items of equipment requiring inclusion in the U.S. Army materiel program. Because pistols are not included in the U.S. Army materiel program, there is no definitized mobilization requirement data available.

Within this general availability, MAP has been able to obtain excess pistols at no cost for the basic weapon. However, in order to put those pistols MAP

acquires into serviceable, ready-to-issue condition. U.S. Army performs the necessary repair and rehabilitation on each weapon. This repair and rehabilitation is done in U.S. Army arsenals, not by contract to private concerns. The arsenals involved in pistol repair are: Letterkenny, Pa.; Anniston, Ala.; Red River, Ark.; and Tooele, Utah.

The previously cited rehabilitation cost of $50 is an error. The U.S. Army has charged and now charges MAP an average price of $21 per pistol for repair and rehabilitation. The breakdown of this charge is:

Basic weapon	No charge
Labor	$10
Parts	5
Overhead	3
Bluing, etc	2
Cleaning rod, magazine, etc	1
Total	21

In brief, the reconditioning process involves disassembly, cleaning, inspection, gaging tolerances, detecting parts needing replacement, replacing parts, bluing, lubricating, reassembly, and final testing and inspection. The scope of needed repairs will vary, obviously, from pistol to pistol, hence, the $21 represents an average cost over an extensive number of pistols.

From 1950 and through fiscal year 1963, MAP has provided 217,329 .45-caliber pistols to various countries. In fiscal year 1964, the programed number is 4,218 and projected for fiscal year 1965 are 767. The tabulation of these quantities by country and year follows:

Country	Fiscal year 1950-63	Fiscal year 1964	Fiscal year 1965	Total
Belgium				
Bolivia				
Brazil				
Cambodia				
Chile				
Colombia				
Costa Rica				
Ecuador				
El Salvador				
Ethiopia				
France				
West Germany				
Greece				
Guatemala				
Haiti				
Honduras				
Indo-China				
Indonesia				
Japan				
Korea				
Laos				
Liberia				
Libya				
Morocco				
Netherlands				
Nicaragua				
Pakistan				
Panama				
Rep. China				
Saudi Arabia				
Thailand				
Tunisia				
Turkey				
Uruguay				
Vietnam				
Total	217,329	4,218	767	222,314

RELATIONS BETWEEN PAKISTAN AND RED CHINA

Mr. PASSMAN. General Wood, what information do you have as to the amount of cooperation between Communist China and Pakistan? Do you have any information as to whether or not Communist China

is supplying, or planning to supply, any military assistance to Pakistan?

Mr. SLOAN. Mr. Chairman, I might address that question.

So far, the contacts to date between the two has been a limited one—limited to three agreements. One has been a settlement of a border area which was made last year; one has been an agreement between them on civil aviation to permit the airline service from Pakistan into Red China, and a third one has been a very limited trade agreement. There is no military agreement or anything of that sort between them for any equipment or anything of that kind.

Mr. PASSMAN. If Pakistan should decide to buy military supplies from Communist China, we could not do anything about prohibiting it, could we?

Mr. SLOAN. I would be completely astonished because I can't imagine any military man buying either their equipment or a different equipment from what the——

Mr. PASSMAN. You know very well there are nations to which we are giving military equipment who are also buying military equipment from Russia. India is one of them. That practice is not unusual.

MAP AIRCRAFT PROGRAMED IN FISCAL YEAR 1964, BUT NOT JUSTIFIED

I note that you have programed one helicopter and two ——— aircraft for Pakistan out of fiscal year 1964 funds, even though you did not have any such aircraft contained in your justification book last year.

General WOOD. That is correct, sir.

Mr. PASSMAN. Thank you.

M–1 RIFLES PROGRAMED IN FISCAL YEAR 1964

I note also that you have programed ——— .30-caliber rifles for Pakistan in fiscal year 1964, and that you did not have any request for funds for this item last year.

General WOOD. That is correct.

Mr. PASSMAN. Are there any questions on Pakistan?

Mr. FORD. The rifles that are on page 33 of the justification book are listed as "Rifle, caliber .30." Is that the M–1?

General WOOD. That is the M–1; yes, sir.

Mr. FORD. Are those rifles we are buying new or are those from our mobilization reserve, or what are they?

General WOOD. These are unserviceable rifles from the Army's stocks which are to be rehabilitated to meet military assistance requirements. Because the rifle is out of production, the Army has had to buy parts in order to rehabilitate them. I will submit for the record the exact cost, but if my memory serves me, it is on the order of $45 a rifle, subject to correction.

Mr. FORD. I am looking at page 109. Perhaps I should look at 110.

Are those rifles listed on either pages 110 or 109 as excess stock items? A hurried look by me doesn't indicate they are on either 109 or 110.

General WOOD. I would like to check, that, sir. As you know, the production of the M–14 was terminated after a certain number were

produced. The Army began buying the AR–15 for airborne and special units and decided to retain the M–1 in inventory for certain units in certain parts of the world, which changed its excess stock position. The fact that they require rehabilitation led me to think they were excess, but I think they are not.

Mr. FORD. I am somewhat familiar with the problem of the M–14 rifle procurement termination and I am somewhat familiar with the reasons therefor. It roused my curiosity a little bit when you said we were buying new M–1's——

General WOOD. No; I didn't say that.

Mr. FORD. You said we were taking them out of stock.

General WOOD. That is right, and therefore I think they are not excess, but I would like to check that.

Mr. FORD. If they are not excess, then it raises the question whether we are buying new M–1's rather than continuing production of the M–14, which is allegedly a better rifle.

General WOOD. Well, of course, having gotten some ——— M–1 rifles into Pakistan which, as you know, uses different ammunition than the M–14, it would be a logistical problem if we mixed the type of rifle there.

Mr. FORD. But on the other hand, you could argue that it would be better to take from our excess of M–1's and continue the production of our M–14 so the United States wouldn't have this problem of mixed rifles. Which is the more important, not to have a mix of Pakistan rifles or a mix of U.S. rifles?

General WOOD. You are certainly getting into a good point, but not one which I am going to speak to because you are getting into the defense budget, which isn't my business.

PHILIPPINES

Mr. PASSMAN. Tell us the estimated amount of unexpended funds to the credit of the Philippines as of June 30, 1964.

General WOOD. Undelivered balance June 30, 1963, $22,165,000.

Mr. PASSMAN. Would you tell us the estimated unexpended balance as of June 30, 1964?

General WOOD. $28,044,000.

Mr. PASSMAN. That is an increase of how much?

General WOOD. An increase of about $6 million.

PROPOSED PREPARATION FOR CONSTRUCTION IN FISCAL YEAR 1965

Mr. PASSMAN. What type of construction do you propose in your ——— estimate for fiscal year 1965?

General WOOD. For shop facilities at ———.

Development of requirements, plans and cost estimates, $50,000. Not construction, but leading to construction.

M–1 RIFLES PROGRAMED UNDER THE MAP FOR FISCAL YEAR 1965

Mr. FORD. Mr. Chairman, may I ask General Wood to add one other detail to the rifle situation?

Mr. PASSMAN. Yes.

Mr. FORD. Will you get for us all of the M–1 rifles that are included in the funding for fiscal year 1965, not only those for Pakistan, but

the total, in numbers and in dollars, by country? You don't have to do it now, but put it in the record.

(The information supplied follows:)

Rifle, .30 Caliber, M–1 in fiscal year 1965 military assistance program

Country	Quantity	MAP Cost
Total	49,312	$1,627,296

The above figures do not include the M–1C (sniper version which costs considerably more) or the M–1918, .30 caliber.

These rifles have an acquisition value of $94 each; however, they are being provided from U.S. Army unserviceable stocks at a MAP unit cost of $33.

F–5 AIRCRAFT FOR THE PHILIPPINES IN FISCAL YEAR 1964

Mr. PASSMAN. Page 181 of the historical justifications indicates you have programed ——— F–5 aircraft for the Philippines in fiscal 1964; is that correct?

General WOOD. That is right.

Mr. PASSMAN. Where did you get the funds to buy the additional two aircraft, as you only requested funds for ——— in your 1964 justification?

General WOOD. The answer to such a question is standard, Mr. Chairman ——

Mr. PASSMAN. Please give us the standard answer, then.

General WOOD. The fiscal year 1964 program was presented some months before the beginning of the fiscal year. We naturally made some changes in it including adjusting the program to delete something else and put in the aircraft.

Mr. PASSMAN. It is nothing new to have this appropriation come along late in the calendar year, although it is a fact that the past year was the latest ever. However, you operated under the authority of a continuing resolution and had more money available to obligate, if you had wished to do so, for the first 6 months than in the last 6 months.

General WOOD. The fiscal year 1964 presentation book shows a justification of 83 F–5's whereas we were able to program only 71 in fiscal year 1964, so there are some countries where we were decreasing.

Mr. PASSMAN. Laos got an increase, did it not?

General WOOD. Not the ———.

Mr. PASSMAN. In some ———?

General WOOD. ———.

USE OF FUNDS FOR PURPOSES OTHER THAN THOSE JUSTIFIED TO COMMITTEE

Mr. SLOAN. In the Philippine program we dropped out two helicopters that were in the previous program.

Mr. PASSMAN. You could have spent that money elsewhere if you had been short of ammunition in Greece, as we have been told, you could have dropped out the helicopters and instead of trying to find

something to spend money for, you could have used it for some ammunition in Greece, if a shortage really existed.

Mr. SLOAN. We have to follow the advice of the unified commanders on the things that should be dropped.

Mr. PASSMAN. I believe you reduced ammunition for Vietnam by 50 percent, did you not?

Mr. SLOAN. I can't answer that one.

Mr. PASSMAN. If you did, could you not have used this money for ammunition? The legislation is sufficiently broad to permit you to do so.

General WOOD. The Vietnam program was increased from the presentation figure and the Philippine one decreased from $34.4 million to $25 million.

Mr. PASSMAN. You can allocate the funds any way you want to for any purposes. These illustrative justifications are that, are they not?

General WOOD. You will recall we had a discussion last year about whether the program was illustrative and concrete and I said neither adjective was particularly applicable. The word is "flexible."

Mr. PASSMAN. What is the word?

General WOOD. The adjective is "flexible" because the program reacts to a situation in the world which we don't create.

Mr. PASSMAN. Is it not both illustrative and flexible?

General WOOD. No, sir. No, sir.

We put down our best guess but, of course, the program as submitted in this book was based on new obligational authority of $1,405 million. Naturally, it had to be considerably changed because the appropriation was cut 30 percent to $1 billion.

Mr. PASSMAN. If you request funds to rehabilitate three pistols for Pakistan, could you rehabilitate the same three pistols for the Philippines, if you should decide the Philippines needs them worse than Pakistan? Do you have that right?

General WOOD. Yes, sir, the law allows that.

Mr. PASSMAN. Then you do not necessarily program for country and item according to justification. Even with a reduced appropriation, you might greatly increase the number of certain types of planes for Laos, could you not?

General WOOD. The programing sequence is quite a complicated one, but it is based on, of course, the force objectives. It is based on the priorities which the unified commanders submit and in the end, of course, it is based on the funds available. Naturally, there have to be changes in it.

We give you our best guess as to how the situation looks when we print this book—the estimates presented last year—or this book—the fiscal year 1965 estimates.

Mr. PASSMAN. General, I am not going to argue with you, but we know this is an illustrative program. Mr. Bell comes down and all the people who run the four areas under him say, and I paraphrase, "Yes, it is illustrative. We believe we need the money for this purpose, but we have the right to spend it for whatever purpose we deem proper, and we come in and justify a road for the Argentines; if we decide we need a building in Algeria, under the legislation we can take the previous money and construct the building." And I say that these three pistols you are rehabilitating for Pakistan, you could have

given them to the Philippines and you so stated, so we would be arguing this until 3 o'clock in the morning. However, you ought to get your counterpart in AID to change his line of testimony so we would know whether it is illustrative or not.

I yield to Mr. Andrews.

Mr. ANDREWS. I don't want to belabor this question, but I just want to ask the general if certain things could be done.

You have a budget request for $1 billion here before us. You have designated in this budget ——— million-plus for the Philippines, as part of the total $1 billion request. Now, you could, if circumstances, in your opinion, demanded or justified it, double this ——— million for the Philippines, or cut it in half, couldn't you?

General WOOD. Yes, sir.

Mr. ANDREWS. And that is true throughout the whole budget?

General WOOD. That is right.

Mr. ANDREWS. Then in effect what it amounts to is just giving the military people $1 billion to spend wherever, or for whatever they want within the bounds of the countries named and the materials specified.

General WOOD. I would say the authority to come up with that result is there but I would say in practice that by far the largest percentage of our planned program is implemented, based on the funds available.

If the situation doesn't change in the world, that is. Certainly it is true we had planned a program last year for Cambodia. The situation changed in Cambodia and we were told to get out of there. Naturally we didn't implement any program for Cambodia after the time we were told to get out.

The situation in Vietnam changed and we had to increase the funds for Vietnam.

Mr. ANDREWS. That was my next question: If, in some of the hotspots of the world—Vietnam being the hottest. I assume—conditions got to be where, in your opinion, you had to double your allocation for Vietnam, you could do it?

General WOOD. Yes, sir. I think that is within the flexibility of the law.

RESPONSIBILITY FOR PROGRAM ADJUSTMENTS

Mr. ANDREWS. Who makes the final determination for changing this plan that you outline to this committee? For instance, designating x amount for y country, and so on and so on.

Suppose the situation arose where you felt like you had to shake up this blueprint and double the money in Vietnam. Who would make that final determination?

General WOOD. It depends, really, on the importance and the nature of the determination.

Now, a minor amount or a minor charge related to united commander's request, which calls for a small dollar change in order to give something a different priority for a country, is processed through the Secretary of Defense and through Mr. Bell's office.

Mr. ANDREWS. Mr. Bell wouldn't be interested in military, would he?

General WOOD. Mr. Bell has the job of coordinating the two programs, economic and military. If it gets to be a large amount or a

more important problem, Secretary McNamara, Mr. Bell, and Mr. Rusk, might get into it—like Vietnam recently—and perhaps the President himself. It is rare, of course, for the White House to get into the actual changes in the programs, unless it is something like starting a major new program. When India came up, the Secretary of State and the Secretary of Defense had a meeting with the British in Nassau and the White House approved the results of that meeting before we started.

But, the day-to-day changes in the programs don't have to go to the top people.

Mr. ANDREWS. If you did find it necessary to make a major change—when I say "major" I am speaking of the amount involved and the amount of equipment involved—that would be made by, as far as Defense is concerned, the Secretary of Defense?

General WOOD. That is right.

Mr. ANDREWS. Concurred in by the Secretary of State and Mr. Bell?

General WOOD. That is right. An executive branch determination.

FUNDS REQUESTED COMPARED TO ALLOCATIONS FOR CONSTRUCTION IN THE PHILIPPINES

Mr. PASSMAN. Now, General Wood, I note that you have allocated $830,000 for construction in the fiscal year 1964 program for the Philippines. Could you give us a list of those programs?

General WOOD. I think you just asked that, sir.

Mr. PASSMAN. No; this is another question. You have allocated $830,000 for construction in the fiscal 1964 program. What we want to find out is for what purpose you have allocated the $830,000.

General WOOD. In the Philippines in fiscal year 1965?

Mr. PASSMAN. For fiscal 1964.

General WOOD. Yes, sir; I will have to put it in the record.

Mr. PASSMAN. We want it in the record now if possible. I have some questions to ask about this matter.

Do you have the information, Mr. Secretary?

Mr. SLOAN. I do not, except the figure.

Mr. PASSMAN. Do you not show for what purposes you obligated the funds?

General WOOD. No, sir; I am not prepared to speak to that today. I will be happy to insert it in the record.

Mr. PASSMAN. I believe the Secretary might have some information. Do you have anything on it, Mr. Secretary?

Mr. SLOAN. I have the breakdown of the 1964 program. If you will give me 1 minute, Mr. Chairman.

General WOOD. I have a memorandum entry but no detail. This is for the communications system.

Mr. PASSMAN. Do you mean the $830,000?

General WOOD. Yes, sir; but I don't have the details of the system. I will be glad to supply it for the record. It is Starcom.

Mr. SLOAN. Mr. Chairman, I have there only the figure itself. I don't have the breakdown.

Mr. PASSMAN. Your figure is $830,000. You did allocate $830,000 for the system, did you not?

General WOOD. Fiscal year 1964, $830,000 for the communications system entitled "Starcom." That is all the detail I have with me, sir.

Mr. PASSMAN. Is it not true you asked for only $10,000 in justifying the funds last year for the same purpose?

General WOOD. Last year?

Mr. PASSMAN. Yes, sir, 1964.

General WOOD. That is what existed here——

Mr. PASSMAN. We just wanted the record to show that you asked for $10,000 and later we find that you allocated $830,000.

General WOOD. I think it can be shown, and I will research it, that the figures included in the 1964 book under "Electronics and communications" are the ones referred to.

Mr. PASSMAN. There is quite a spread between $830,000 and $10,000. I wish Secretary McNamara could read these hearings sometime. This is not putting it at your door.

General WOOD. I really don't know what point you are after, Mr. Chairman. The total program, of course, was reduced by $10 million for the Philippines and, as I said, we had to reshape the program and with the difference of money we had to make a different amount. The different program had different details, of course, based on the appropriation.

Mr. PASSMAN. I will ask the question a little differently then.

I note that you have allocated $830,000 for construction in the 1964 program, despite the fact that you requested only $10,000 for this purpose last year.

General WOOD. Yes, sir, but as I think I said in my presentation, we moved to a different system of accounting in the Department in the last 2 years and you will note that the communications and electronics funded under the 1964 program is only $1,289,000 whereas we had requested for that, $2,946,000 and the $830,000 which is shown now for construction in the final program was included in that figure.

Mr. PASSMAN. I just wanted to know if I made a statement of fact that you requested for the program $10,000 but you allocated $830,000.

General WOOD. I said some time ago that was correct.

Mr. PASSMAN. I thought you said you did not know what I was talking about.

Mr. SLOAN. I think the fact that is communications construction and that the amount allocated for communications was greatly less than that which was requested shows where the $800,000 came from. I am sure the researching which we will provide for the record will show.

(The information supplied follows:)

The primary reason for the increase from $10,000 results from the fact that electronic and communications equipment items involved in the installation of the communications system previously were programed as separate requirements and now are included in the programed requirement for construction of the facilities.

Mr. PASSMAN. Are there questions on the Philippines?

PHILIPPINE GOVERNMENT DEFENSE EXPENDITURES

Mr. FORD. What is the amount of money the Philippine Government spends on their defense program? What was it in fiscal year 1964 and what does the picture appear to be for fiscal year 1965?

General WOOD. The last year for which I have figures of national defense expenditures by the Philippines in 1962, $46 million. I don't even have an estimate for 1963, sir.

Mr. FORD. Do you have the figure of what we provided for the Philippines in fiscal year 1962?

General WOOD. No, sir. I have 1963—yes; we have it. The program in 1962 was $27 million.

Mr. FORD. $27 million the United States provided?

General WOOD. Yes.

Mr. FORD. For a ratio of about $2 of Philippine money to $1 of ours, or even not quite that good.

Do you think the ratio has changed any in 1963?

General WOOD. I don't know. I will be happy to try and insert that in the record.

Mr. FORD. Let's put in the ratio for 1963 and fiscal year 1964.

(The information supplied follows:)

[Dollars in millions]

	MAP deliveries/ expenditures	Philippine defense expenditures	Ratio
Fiscal year 1963	$23.7	$72	1 to 3
Fiscal year 1964	19.7	79	1 to 4.

MILITARY ASSISTANCE PROGRAMS FOR THE PHILIPPINES AND PAKISTAN COMPARED

Mr. FORD. Are these ratios for other countries different from what we have here as far as the Philippines is concerned?

General WOOD. Which one would you like to try?

Mr. FORD. Let's try Pakistan.

General WOOD. 1962 defense expenditures for Pakistan was $218 million.

Mr. FORD. And what did we provide?

General WOOD. ——— million.

Mr. FORD. Do you have any later figures?

General WOOD. No, sir; the table I have has only final data for 1962. Of course, these are always late. They are compiled by other agencies of the Government.

Mr. FORD. Why is the ratio of our contribution so high in the case of the Philippines? I am relating it in this case, for comparative purposes, to Pakistan.

General WOOD. Well, I can't answer that. I see the Philippine GNP is about $35 million; per capita about $120. Pakistan is about $75. I don't draw any conclusion from those figures. Both countries we are interested in from the standpoint of their own defenses, as well as certain facilities that we have, as you know.

Mr. FORD. It is somewhat interesting. I don't know what conclusions to draw either, as to which is being overfunded and which is being underfunded. Maybe all of them are. I don't know, but it is sort of interesting, the comparison of the two countries, one following another.

The Philippine contribution by us is so large and that of Pakistan, on a relative basis, being much lower.

General WOOD. Of course, the total military assistance to those two countries from the beginning, for Pakistan is roughly twice what it

is in the Philippines. The Philippines, through 1964, $315 million; Pakistan is ——— million.

Mr. FORD. Our contribution?

Mr. SLOAN. Yes, sir.

Mr. ANDREWS. Is that for the same length of time——

General WOOD. From the beginning of military assistance in each case sir, through fiscal year 1964.

Mr. FORD. What was the figure for the same basis in the Philippines?

General WOOD. $315.6 million.

MILITARY EQUIPMENT FOR THE PHILIPPINES UNDER THE MAP

Mr. FORD. Let's turn to the items listed on page 35 for the Philippines. Are all of those items listed under the heading "Significant items," new procurement? They must be if the information on page 110 is accurate.

General WOOD. That is correct.

Mr. FORD. On page 110 you only list ammunition for the Philippines as excess stocks?

General WOOD. That is correct.

Mr. FORD. The F–5 aircraft is new procurement?

General WOOD. Yes; the ships are overhauls. The ships they already have.

Mr. FORD. These are Philippine ships which are being overhauled?

General WOOD. Yes.

Mr. FORD. So those are ships that the Philippines have that we are paying for overhaul.

General WOOD. We are supporting them and have provided them in the past.

Mr. FORD. But they are not ships we are taking out of mothballs?

General WOOD. No, sir. They are ships that they have in use at the present time.

Mr. ANDREWS. Did we originally give them those ships?

General WOOD. Yes, sir.

Mr. ANDREWS. They are American-made ships?

General WOOD. Yes, sir.

Mr. ANDREWS. And were combat ships during World War II?

General WOOD. This is part of the maintenance and support, a proper part of the operating cost which is applicable for all three services. I would say these are probably World War II or ex-Korean war vessels.

Mr. FORD. The truck wrecker, is that a new item?

General WOOD. Yes, sir.

Mr. FORD. The radio, AN/TRC–4, is that a new item?

General WOOD. Yes, sir.

SPARE AIRCRAFT ENGINES

Mr. FORD. Engine, jet, J–85, is that a new item?

General WOOD. Six engines, part of the maintenance spares.

Mr. FORD. For what aircraft is that engine?

Mr. SLOAN. Probably for the F–5 aircraft.

General WOOD. It is the F–5 aircraft.

Mr. FORD. These are spares.

General Wood. Part of the concurrent spares with the aircraft.

Mr. Ford. Is the F–5 a single-engine aircraft?

General Wood. Dual.

Mr. Ford. So you are buying six spares for ——— aircraft, is that about the ratio that we use?

General Wood. I am not personally familiar, but the concurrent spares, of course, are based on experience.

Mr. Ford. The experience of the Air Force in buying spares for Air Force in the past has not been one of the brighter moments of Air Force procurement.

General Wood. That is true, I understand, but we use factors based on our experience in MAP which varies in various parts of the world.

Mr. Ford. I hope you don't use the Air Force experience over the last 10 years.

General Wood. We start off with all three services' experiences and we modify them based on the country we are dealing with. Some countries, of course, don't have the POL to fly as many hours or use vehicles as many hours as we do in our services, but in general, maintenance spares are done on a requisition basis when needed. These engines are concurrent spares because they show under "Investment cost" in our books.

Mr. Ford. You are buying ——— aircraft with ——— engines when you buy the aircraft?

General Wood. Right.

Mr. Ford. And you are buying six spares?

Mr. Andrews. Are those spares for the F–5's?

General Wood. Yes, sir.

Mr. Andrews. Why do you have the J–85?

General Wood. J–85 is the number of the engine.

Mr. Andrews. For the F–5 aircraft?

General Wood. Yes. It is a jet engine. I don't know whether it is used in other aircraft or not, but in general, jet engines are used in more than one aircraft.

Mr. Ford. Is this the same ratio we are using in the procurement of the F–4's, the McDonnell aircraft?

Colonel Simpson. These are based on shipping the engines back to the United States to be repaired. These are pipeline engines to keep the aircraft in operation over there and, of course, a long pipeline requires at least six engines for the ——— engines that we have in service. That is based on the pipeline.

Mr. Ford. Did you buy any engine spares for the procurement of J–85's?

General Wood. For those aircraft we bought in 1964, we bought concurrent spares with them; yes, sir.

Mr. Ford. As I understand, you bought ——— F–5's in fiscal year 1964, is that correct?

General Wood. Yes, sir.

Mr. Ford. How many spare engines of the J–85 type did you buy in fiscal year 1964?

General Wood. We didn't list that as a significant item last year but I can get that for the record. I would guess an equivalent number.

Mr. Ford. Let's get the number. My curiosity is raised by the fact that in fiscal year 1965 you list six jet J–85 engines as a significant

item and you don't list any spares for fiscal year 1964. Let's see what the record is, whatever it is.

General Wood. Very well, sir.

(The information supplied follows:)

Nine J–85 spare aircraft engines are included in the fiscal year 1964 program for the Philippines in support of F–5 aircraft.

THAILAND

Mr. Passman. I believe you are requesting ——— for Thailand in fiscal year 1965?

General Wood. Yes, sir.

Mr. Passman. Would you tell the committee the amount of the unexpended balance credited to Thailand as of June 30, 1964?

General Wood. ———.

Mr. Passman. How about fiscal year 1964?

General Wood. We estimate ———.

Mr. Passman. This is a decrease?

General Wood. Yes, sir.

Mr. Passman. What is your current program for construction in Thailand for fiscal year 1964?

General Wood. We show ——— at page 184.

Mr. Passman. But you requested only a third of that amount for construction in Thailand for fiscal year 1964; is that correct?

General Wood. That is correct.

Mr. Passman. When we go through these records, it appears that you people had a pretty hard time finding supplies, actually, to allocate $1 billion last year.

General Wood. I would be interested in how you document that conclusion, Mr. Chairman.

Mr. Passman. Simply because I see so many items here, such as construction, which are so greatly increased over the amount that you requested of the committee. In one instance back there, $830,000 against $10,000. Here you requested last year ——— and you have allocated in excess of ———. Could I reach any other conclusion?

General Wood. This is partly again a bookkeeping presentation problem, as we explained on the Philippines. The amount we requested for electronics and communications was about ——— and we spent about—we programed about ——— ultimately because included in that was, again, part of the communications system in Thailand which is subsequently being carried under "Construction" rather than lumped into "Electronics and communications."

Mr. Passman. Would you agree that we would certainly be confused when we go through the justification books and run into all these discrepancies?

General Wood. I don't think you should be too confused if you consider the overall problems involved in putting together programs.

Mr. Passman. I do consider those problems, but I have heard some top echelon witnesses talk about shortage of ammunition in certain countries, and I should think that maybe ammunition, if there is any threat of shooting, would be more important than, say, certain types of construction out in Thailand and Cambodia and Laos and the Philippines.

Mr. SLOAN. I think one of the things we face in the programing from year to year is that many projects, particularly construction of communications facilities or other longer term items of that sort, are the least suitable for change at the time you have a considerable reduction in your total program.

It is the delivery of an item such as a truck or an aircraft that is subject to the change. I am sure that the chairman would agree that if midway in a construction contract of a communications system you received a reduction in your appropriation, if you terminated that contract midway the loss both to the United States and to the program would be unacceptable. Therefore, the losses come in the reduction in the delivery of trucks and vehicles and things of that kind.

Mr. PASSMAN. Yes, but we find those items in many instances substantially increased. We find that aircraft have been greatly increased. I am quite familiar with the planned, very expensive communications system in the area of Burma and Thailand. I do not know but what we are leading into that by this increased amount of construction. You are familiar with the plan to set up a telephone system stringing all over that region, from Burma to Thailand to Laos and Cambodia, that might go into hundreds of millions of dollars?

Mr. SLOAN. I am generally familiar with the plan, yes, sir.

Mr. PASSMAN. That plan could go into hundreds of millions of dollars.

Mr. SLOAN. Mr. Chairman, I visited those sites in Thailand last year. The communication construction then was very well along and had not gone into hundreds of millions of dollars.

Mr. PASSMAN. They have not, but they could if they carried out what they envisioned at the time we visited there.

Mr. SLOAN. I am not aware of any plans to tie in a civilian communications system.

Mr. PASSMAN. I am not speaking just of military; I am speaking, of course, of certain types of loans and certain types of grants. It is an extremely expensive project they discussed with us during our trip there.

Mr. SLOAN. I am not aware of any civilian communications projects.

Mr. PASSMAN. I doubt that it will be civilian.

I note that you propose to spend an additional ——— for construction in fiscal 1965 in Thailand; is that correct, sir?

General WOOD. ———

Mr. PASSMAN. Unless you change your bookkeeping system, will this be what you figure you may allocate?

General WOOD. I can tell you what we plan to program in those figures.

Mr. PASSMAN. You can put that in the record, but I want to know if the change in bookkeeping system may greatly increase this amount next year or would this stay firm, up or down, under the same system; that is what I am trying to find. I am trying to be fair about this and understand your program.

General WOOD. I don't contemplate any change, but it isn't necessarily under my control. We have to make ourselves conform with the overall Department of Defense budget structure——

PROGRAM FLEXIBILITY

Mr. PASSMAN. I note that you are requesting 18 ——— and I am wondering why, in view of the fact that in your 1964 program you requested 28 ———, but the historical justification indicates that you have programed 70, which is an increase of 42 over what you requested last year.

Did the bookkeeping system bring about that change, or did you just have to allocate the funds, or what was the reason?

General WOOD. No, sir; this was based on a request from the field to increase the number of ——— and that in turn was due to the situation in northeast Thailand where the country is threatened by an internal security problem ———.

The unified commander in the area and the Ambassador both recommended the increase in ——— and that was done. Of course, again we had to reduce something because, as you probably noticed, the overall program for Thailand ended up at about ——— million compared with the ——— million we had in mind in the 1963 book.

Mr. PASSMAN. Even after increasing greatly the numbers of certain vehicles and aircraft in other categories; is that a correct statement?

General WOOD. Some increases and decreases which amounted to a reduction in the overall program ———.

Mr. PASSMAN. But, even with a reduced program, you still had sufficient funds to increase the ——— from the 18 that you requested last year, up to 70?

General WOOD. They were given the necessary priority to——

Mr. PASSMAN. To provide, or program, 70 against the original request of 18?

General WOOD. That is right; yes, sir.

Mr. PASSMAN. Thank you, sir.

Mr. SLOAN. But at the same time, Mr. Chairman, we dropped 39 ——— a comparable type of equipment; ——— vehicles and approximately ——— aircraft in that program.

Mr. PASSMAN. But you increased aircraft to some of the other countries, did you not? Certain types of aircraft?

Mr. SLOAN. Yes; but the total number of aircraft through the program worldwide was less than the total requested in last year's request.

Mr. PASSMAN. That does not necessarily have much meaning when you see a doubling of the size for a country such as Laos.

GAO REPORT ON OVERPROGAMING

I note that your fiscal year 1964 program includes 41 ———, despite the fact that you requested only 4 last year; is that correct?

General WOOD. The 1965 program——

Mr. PASSMAN. I am talking about fiscal year 1964 now. You requested 4 ——— but you programed 41; is that correct?

General WOOD. That is correct.

Mr. PASSMAN. Is Thailand one of the countries which was mentioned in a GAO report dealing with overprograming of ———?

General WOOD. I don't know, sir.

Mr. PASSMAN. Do you know, Mr. Secretary?

Mr. SLOAN. I am not familiar with that. I notice we took out nine ——— from the fiscal year 1964 program.

Mr. PASSMAN. I am talking about a GAO report, Mr. Secretary, that stated you were overprograming in certain countries, and my question is, Is Thailand one of the countries for which you programed more than was necessary?

Mr. SLOAN. The programing is the matchup of the ——— in the program itself——

Mr. PASSMAN. Let us see what the GAO had to say about this matter.

Mr. SLOAN. Are you speaking of the GAO report on targeting?

Mr. PASSMAN. We shall get it right now. I quote:

(Off the record.)

Mr. SLOAN. We are familiar with that report.

Mr. PASSMAN. Thailand is one of the countries?

Mr. SLOAN. Yes, and the reason they did not use them for the targeting system is because they felt they needed them for their own use and did not use them for targeting.

Mr. PASSMAN. I do not want to involve any of our military personnel, but we were told in Thailand that they used only two of those ——— per year. Do you want to comment?

Mr. SLOAN. I am not familiar with their usage rate.

Mr. PASSMAN. If they do not increase the number they are using, you will have a 20-year supply out of last year's allocation.

Last year, your program for fiscal year 1964 for Thailand included 10 ——— aircraft; is that correct?

General WOOD. Yes, sir.

Mr. PASSMAN. The historical justification indicates that you have programed 12 such aircraft in fiscal year 1964; is that correct?

General WOOD. That is correct.

Mr. SLOAN. At the same time we were reducing the total aircraft program by 29, sir.

Mr. PASSMAN. What defense does that give you? You are just programing things that could wait in all probability—if they have a shortage of ammunition in Greece—yet we see these tremendously expensive allocations being made.

Mr. SLOAN. Mr. Chairman, I think it is proper to point out that Thailand is the central anchor in the SEATO Treaty arrangement, going from the Philippines through to Pakistan and we are considerably concerned, particularly by Communist Chinese activity in northwestern Laos ———. Our effort to bring the Thai Army, particularly its counterinsurgency capability, up to strength, is one that is first priority.

Mr. PASSMAN. We were discussing Laos where you doubled the number of planes, I think, from 6 to 13, and we received a similar answer. All I am trying to do is point out, as the general would say, the "flexibility" of the program.

Could you tell us something about your fiscal 1965 program for ——— Thailand?

General WOOD. We have only four programed in fiscal year 1965, sir.

Mr. PASSMAN. They told us they were using only two of these ——— per year. That was a direct statement by top military people in Thai-

land. Now, if that be true, and you are allocating additionally 41 ——— for fiscal year 1964, and you have 4 planned for fiscal year 1965, do you not really believe, General Wood, that you should ask for a report, yourself, from that country, to find out something about what they are using?

General Wood. May I ask how recent is that information, Mr. Chairman?

Mr. Passman. It was 17 months ago.

General Wood. Did they differentiate between training use and war reserve?

Mr. Passman. I would rather you would get the report, because I am going to stop involving MAAG chiefs.

Will you find out and let us know?

(Note.—A classified document has been received by the committee.)

Mr. Ford. We are going to procure four ——— in fiscal 1965. Is that not a very small number for any effective use?

General Wood. Of course, the only way to really answer your question is to go back to the unified commander and say, "Why are you procuring four ———?" He will probably say that he wants a stockage of x number but probably has x minus 4. I do not have the answer.

Mr. Ford. Do you have any idea what the stockage situation is?

General Wood. Not the slightest.

Mr. Sloan. Forty-one of last year match up with the eighty-six ——— on hand and there should be a certain ratio of ——— to the number of ———. The GAO report spoke of a reluctance upon the part of the Thais to use these in training. I imagine that they, too, are pointing toward having this war stockage availability figure, as the general refers to.

Mr. Ford. How many did you procure in fiscal 1964?

General Wood. Forty-one.

Mr. Ford. How about fiscal 1963?

General Wood. The total buy around the world for 1965, you might be interested, is just under a thousand.

Mr. Ford. Including our forces?

Mr. Sloan. Four for 1963.

Mr. Ford. Is that including our forces?

General Wood. Military assistance only. I do not know what the total for our forces is.

Mr. Passman. There is such a discrepancy between the request of 4 and the funding of 41 and the report given to us on the spot in Thailand. That is why I wanted to see if you could not get your report from there and find out why it is that way.

Mr. Ford. Four on the surface looks like a very inconsequential amount. We either ought to buy none or buy a lot more.

Mr. Sloan. Following on the 41 of last year and 4 of the previous year, I would imagine that is it.

Mr. Passman. You requested only four for fiscal 1964. You had four in 1963 and requested four in 1964. You funded 41 in fiscal 1964. You are asking for only four in fiscal 1965. This is the program which the GAO indicates is being overprogramed.

Mr. Sloan. I think the obvious answer is the first are "married" to the second and we have to continue to program the 86 of the second item over a longer period of time.

Mr. RHODES. Mr. Chairman.
Mr. PASSMAN. Mr. Rhodes.

THAI PATROL SHIPS IN EXCESS OF FORCE OBJECTIVE

Mr. RHODES. I note that you have a force objective for patrol ships of ——— but that there are ——— in being. Are you taking any action to reduce the number of ships to the force objective?

General WOOD. I think the answer is there that at least half of these that are in being we are not supporting nor should they be supported. We are encouraging the Thais to inactivate them.

Mr. RHODES. I wonder if it would not be well for future presentations, General, to have another column, not only showing what the forces in being are but show the forces we are supporting if there is a difference. Looking at this, it appears you are way over your force objective and, as I understand it, that is not the situation.

General WOOD. Yes, sir.

Mr. RHODES. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Rhodes.

TURKEY

You are requesting ——— for Turkey for fiscal 1965. Is that correct?

General WOOD. Yes, sir.

Mr. PASSMAN. What was the amount of unexpended funds for Turkey in fiscal 1963?

General WOOD. $252,514,000.

Mr. PASSMAN. What is the estimated figure for fiscal 1964?

General WOOD. The estimated figure for 1964 is $243,447,000.

CESSNA 185 AIRCRAFT PROGRAMED

Mr. PASSMAN. How many Cessna 185 aircraft did you request for Turkey for fiscal 1964?

General WOOD. At the time we came up with this program, I do not think we contemplated any.

Mr. PASSMAN. How many did you program for Turkey in fiscal 1964?

General WOOD. We programed ———.

Mr. PASSMAN. Is that the type of aircraft which is sometimes referred to as the executive-type aircraft?

General WOOD. I have never heard that name applied to it, sir.

Mr. PASSMAN. It is not a combat aircraft, is it?

General WOOD. Maybe the chairman has referred to that plane as an executive-type airplane.

Mr. PASSMAN. Some others have concurred in that description.

General WOOD. We describe it as one used for liaison, command, and control.

Mr. PASSMAN. It is a similar aircraft, is it not, to an aircraft used by the executives in America, the little aircraft we think of in America as an executive type?

General WOOD. It is used as a private light transport aircraft. It seats two people in addition to the pilot and copilot.

Mr. PASSMAN. What does it transport?

General WOOD. A transport is a noncombat aircraft that carries people or cargo.

Mr. PASSMAN. Noncombat aircraft?

General WOOD. It carries people or cargo.

Mr. PASSMAN. Or cargo. This is the type we talked about yesterday which the sheiks in Iran use for internal security?

General WOOD. Iranian Armed Forces use it for internal security.

Mr. PASSMAN. What do they use these aircraft for in Turkey?

General WOOD. They are used by Army forces for liaison, command, and control purposes. The reason we purchase this aircraft is it has good flying capabilities, it will serve for reconnaissance, for liaison or command, and it was the cheapest one we could get to replace the L–19, now out of production.

We had programed for Turkey some of these aircraft last year, but we decided to replace them with what we now call the U–17.

Mr. PASSMAN. You did not request any Cessna 185 aircraft for Turkey for fiscal year 1964 but now you tell us that you have programed ———; is that correct?

General WOOD. ——— is correct.

Mr. PASSMAN. Thank you.

What is the cost of those aircraft?

General WOOD. The cost of the airplane itself is $18,000, and is $20,000 with 2 years' concurrent spare parts.

Mr. PASSMAN. The ones we are delivering cost $20,000?

General WOOD. $20,000, with 2 years' concurrent spare parts.

FISCAL YEAR 1964 REQUEST FOR MINESWEEPERS

Mr. PASSMAN. I note, on page 39, that you are requesting ——— minesweepers in fiscal 1964. I note also on page 38, that Turkey now has ——— minesweepers, and the Joint Chiefs' force objective is ———. Do you want to comment?

Mr. SLOAN. I think I can comment on that, Mr. Chairman. I was there last year. The ——— that are in this year's program are to replace ex-Canadian ships that were given to the Turks. Those are World War II types that have reached the point where they no longer can be economically overhauled or repaired. This will be ——— of a force goal of ——— of this modern type that the Chiefs have set up for Turkey.

The listing of the JCS force objectives and the forces in being include a total number of minesweepers but does not point out that of that ———, all of them, with the exception of ———, are World War II vintage.

Mr. PASSMAN. These are going to be new minesweepers you are going to procure for this program?

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. What does this type minesweeper cost?

Mr. SLOAN. The ——— total ———.

Mr. PASSMAN. I am speaking of each.

Mr. SLOAN. ——— million for the ———.

General WOOD. They cost about $1.7 million apiece.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews.

Mr. ANDREWS. Where will they be built and from whom will they be bought?

General WOOD. These will be built in the United States on a contract basis which the Navy will handle.

Mr. ANDREWS. The Navy will ask for bids on that?

General WOOD. Yes, sir.

Mr. ANDREWS. You have no assurance the cost will be $1.7 million?

General WOOD. That is our estimate. The Navy prepares these estimates.

Mr. PASSMAN. You are in reality replacing usable minesweepers that have become, or are becoming, uneconomical to operate; is that correct?

General WOOD. They are scheduled already, 12 are already scheduled for inactivation by the Turks because of their age and because of the cost of maintenance.

Mr. PASSMAN. Could I get a direct answer? You have a program for replacing usable but uneconomical minesweepers; is that right?

General WOOD. That is correct.

Mr. PASSMAN. So had there been an emergency, inasmuch as they are usable, as you just indicated, and, say, there is a shortage of ammunition maybe in Turkey and Greece and Vietnam, had there been a strict limitation, then the cost of this program could have been put into ammunition, could it not?

General WOOD. I would like to correct your feeling and interpretation.

Mr. PASSMAN. If you say you are replacing usable minesweepers simply because they are uneconomical, had there been an extreme shortage of funds, this particular program could have been postponed and that money could have been used to purchase ammunition.

General WOOD. They are not combat worthy, which is the reason they need to be replaced. They are only usable in the sense that they will float at the moment and help train sailors, but they are not combat worthy.

Mr. PASSMAN. You are programing at least one more, are you not, total JCS force objective? Or, tell us how many you contemplate programing.

General WOOD. We have had in the program for the last 3 years naval vessels which we have had to delete because of lack of funds. We are trying to start a program to replace these vessels which are not combat worthy. They may or may not last until we are able to have ships to replace them. Meantime they are listed as being in existence and that is about all they are.

Mr. RHODES. Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes.

RESPONSIBILITY FOR ESTABLISHMENT OF PROGRAM PRIORITIES AFTER CONGRESSIONAL FUND REDUCTION

Mr. RHODES. General, when there is a cut of funds, the option as to where the cut will be put in the program is that of the Department of Defense or of the State Department? Who decides where the cut will be absorbed?

General Wood. The Defense Department comes up with proposals for country programs based on the reduced total program, which means a reshaped program. This is a matter for the Joint Chiefs of Staff and my office to look at based upon recommendations from the unified commanders as to what priorities are within and among countries. The Joint Chiefs do not always agree with us and say, "Do not take this out, take this out." But before the program is finalized, it is discussed, on the staff level with AID and the State Department people to see if they have any views from a political standpoint. Eventually the program is approved as it was last January after the passage of the appropriation, at the top level in State and Defense.

Mr. Rhodes. The point I am trying to make is that if X item is short, it is because somebody decided that it did not have quite the priority that Y item had, and therefore, Y item was purchased instead.

General Wood. That is correct.

Mr. Rhodes. If Greece is short of ammunition, somebody in the Defense Department decided instead of buying ammunition for Greece they would buy something else.

General Wood. That is correct. That is absolutely correct. That does not mean the requirement for ammunition does not still exist.

Mr. Rhodes. I understand.

Mr. Sloan. Mr. Rhodes, we do attempt to adhere to the unified commanders' priorities as closely as we can. In effect, messages go right back to them saying the program is down to this level, or that level, and asking again for reexamination on priorities.

Mr. Rhodes. Again taking the case of ammunition in Greece, apparently the opinion of the commander in the field was sought as to his idea of priorities of purchase for funds to be allocated to that region, and apparently he decided that instead of buying ammunition, he would buy something else with the money available.

General Wood. That is right.

AIRCRAFT MODERNIZATION PROGRAM

Mr. Passman. I note that you request ——— F–5 aircraft for modernization of the air defense capability. However, I note that we have programed for Turkey ——— F–104–G aircraft and, in addition, we have programed ——— F–5 aircraft in fiscal 1964.

Would you care to comment on this grant-aid aircraft program, in view of your comment on page 11 of your general statement that the annual reductions in military appropriations by Congress have severely hampered our attempts to modernize these forces?

General Wood. This relates to the discussion I just had with Mr. Rhodes where, within funds available, it is necessary to give priorities. The unified commanders, Joint Chiefs of Staff, and Defense Department decided that because older aircraft would not be supportable beyond fiscal year 1968, we should begin to replace the aircraft as soon as we could in Turkey.

So we have priority to aircraft since we have aircraft in production at the moment which are an economical buy. Within the total availability we deferred Navy's modernization and did something for the Army within the funds available.

We hope by the time the older aircraft are nonsupportable in 1968 we will be able to program sufficient replacement aircraft to modernize the Air Force.

Mr. PASSMAN. I did read the statement correctly, did I not?

General WOOD. Yes, sir.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews.

AMMUNITION PROGRAM FOR TURKEY

Mr. ANDREWS. How much is earmarked for ammunition for Turkey? I do not see any breakdown on page 39, the line item of ammunition. Where would that come, General?

General WOOD. This system of showing programs does not isolate as much as you would probably like to see it, but it shows either under——

Mr. ANDREWS. Materials?

General WOOD. Or under maintenance. I can give you exact figures on ammunition in the Turkish program. Under investment, which means ammunition essentially for war reserve or for new weapons ———. Under operating, which is training and operations, ——— million, for a total of ———.

Mr. ANDREWS. Is that an appreciable amount of ammunition?

General WOOD. Yes, sir, that is an appreciable amount of ammunition, but when you consider the forces that the Turks have ——— divisions—when you consider in South Vietnam we are firing ammunition at the rate of about ——— million a month, then this is not a large amount.

Mr. ANDREWS. About a 30-day supply?

General WOOD. Not a large amount.

Mr. ANDREWS. From what other sources do the Turks get ammunition, if you know?

TURKISH PLANT FOR MANUFACTURING AMMUNITION

General WOOD. The Turks, with our help, have instituted an ammunition plant which is beginning to make certain calibers of ammunition.

Mr. ANDREWS. Will that be for their own consumption or for sale to other countries?

General WOOD. It would certainly be for their own consumption, and if they are able to produce enough beyond their own needs, I imagine they might sell some.

Mr. ANDREWS. They are not in a shooting war at this time. Why do they need so much ammunition?

General WOOD. This amount is ——— not an inordinate amount for a year's training.

Mr. ANDREWS. When will their plant be in operation?

General WOOD. The plant is in operation now.

Mr. ANDREWS. Producing?

General WOOD. Certain calibers. I would have to furnish it for the record. I know they make a certain type of artillery shell, 105 and 155. I do not know what the capacity is, but I can find out for the record.

The objective of having a locally available arsenal for manufacture of ammunition is to ease the logistical problem of shipment in the event of combat.

Mr. ANDREWS. Do you think they can produce it cheaper than we can ship it to them?

General WOOD. They at the moment are producing it more cheaply than we can ship it to them. We have assisted them in the past in starting up this plant.

Mr. ANDREWS. At the present time all ammunition they get is either given by this country or produced in their new plant?

General WOOD. Yes, sir; I would say that is correct. They have not had the foreign exchange with which to buy it.

Mr. ANDREWS. How did this ——— for ammunition in 1965 compare with their orders in the past? Just offhand, that is.

General WOOD. For 1964 we planned a program, we had a program of ——— million in ammunition. As we have said, we felt it was low last year and we tried to increase it for 1965.

Mr. ANDREWS. What about 1963?

General WOOD. We had a program of ——— million for ammunition.

Mr. ANDREWS. Do you go back any further than that?

General WOOD. 1962, ——— million.

Mr. ANDREWS. 1961?

DOMESTIC PRODUCTION

General WOOD. That is as far as I have it, sir.

Mr. ANDREWS. That does not look good to me, General. You have earmarked for 1965 the biggest amount you have given them for ammunition as far as the records you have indicated. This is in a year when their plant is coming into production. How do you explain that?

General WOOD. I think it would have to be explained based on the basis of weapons which they had acquired in the meantime. We have shipped them some artillery and some tanks in the meantime. Plus how long this plant has been in operation and what its production is. I would have to get the production rate for the record.

Mr. ANDREWS. Do you know how long it has been in production?

General WOOD. No, sir.

Mr. ANDREWS. I have been hearing about that plant on the economic side of this bill, I believe, for several years.

General WOOD. Two or three years, maybe longer.

AMMUNITION FOR GREECE

Mr. ANDREWS. By comparison, could you tell us what the allocation for ammunition for Greece is for the years 1962, 1963, 1964, and 1965? Do they have an ammunition plant?

General WOOD. Nothing has been programed for a plant since I have been in this business. I am not sure. They may have one which they built themselves in the past. I would have to get that for you.

For 1965 ammunition, total of ——— for Greece. For 1964, ———. For 1963, ———. 1962, ———.

(NOTE.—Classified information has been furnished to the committee.)

Mr. ANDREWS. Theirs has been going down until this year.
General WOOD. Yes, sir.
Mr. ANDREWS. Thank you.
Mr. PASSMAN. Mr. Rhodes, any more questions on Turkey?

AIRCRAFT MODERNIZATION PROGRAM FOR TURKEY

Mr. RHODES. Could you furnish us with figures as to the aircraft modernization for the last 4 years in Turkey, including the number of planes and types of planes which have been purchased?
General WOOD. Yes, sir.
(The information supplied follows:)

The following are the aircraft programed for Turkey in the last 4 years (fiscal years 1962–65):

Type	Quantity	Type	Quantity
F–104G		U–17	
F–84F		C–130	
RF–84		OH–23	
F–5		OH–19	
T–37B		OH–13	
L–19			

MAP EQUIPMENT REQUIREMENTS FOR TURKEY

Mr. RHODES. I note you have ——— tanks for general support activities. What would ——— tanks be used for in general support activities?
General WOOD. Under this categorization they would show under the attrition spares, maintenance spares, in the part of that ——— million. As a matter of fact, I have tanks and vehicles at ——— there, ——— at ———, aircraft ——— million, to make up the ——— million. In other words, they are replacement spares. Again this is an accounting system.
Mr. RHODES. I notice that the Joint Chiefs of Staff force objective for infantry divisions is ——— and forces in being are ———. Is it because we are only supporting ——— that this is the force objective?
General WOOD. That is right.
Mr. RHODES. Would that same answer also apply to the fact that the armored brigades ———?
General WOOD. That is right.
Mr. RHODES. The same for the ———.
General WOOD. Well, that is true, but there is a difference of organization.
Mr. RHODES. What is the difference between these two categories of units?
(Discussion off the record.)
General WOOD. That is the technical answer.
Mr. RHODES. I note also there are ——— tactical aircraft squadrons, ——— for the force objectives.
General WOOD. That is the old F–84's they have, ———.

DEFENSE BUDGET FOR TURKEY

Mr. RHODES. The program for this nation for 1965 is ——— million. What is the programed amount for national defense in the budget of this country?

General Wood. Mr. Ford was asking me some questions. I just do not have the figures. I think maybe I can get them but I do not have them.

Mr. Rhodes. That information used to be available in the presentation in former years. If you could, please furnish it for the record.

General Wood. Yes, sir.

(The information supplied follows:)

Turkey defense budget

	Millions
Fiscal year 1963 [1] (preliminary)	$336
Fiscal year 1964 [1] (budget)	370

[1] Fiscal year ending Feb. 28.

SLIGHT REDUCTION IN PIPELINE DESPITE FISCAL YEAR 1964 PROGRAM LEVEL

Mr. Rhodes. I note that the program for 1963 was $167 million, the program for 1964 was $142 million. However, I also note that the pipeline, which was $252 million at the end of 1963, July of 1963, will be reduced by only $9 million after 1964.

Is there any explanation for that or is it just the fact that you have some longer leadtime items?

General Wood. Well, you will notice that estimated deliveries for 1964 are $127 million. That shows on page 146. This means it is mostly against the undelivered balance of July 1963 because I was saying earlier, with the appropriation approved January 6 and apportioned by the Bureau of the Budget on February 6, we did not buy a lot of end items until late in the year. The $142 million programed for 1964 is carried over almost completely to be delivered after June 1964. The amount of reduction of about $9 million comes from delivery of fiscal year 1963 and prior programs.

FACTORS CONTRIBUTING TO SLOWLY DECLINING PIPELINE FOR EUROPE

Mr. Rhodes. This question has to do with Europe. The projected program for fiscal year 1965 is $49 million-plus. I also note that in the presentation book the pipeline for Europe estimated after July 1964, is $417,234,000. Your program has gone down from $193 million in 1964 to $49 million in 1965. As I recall the figure for 1963, it was considerably higher than the figure for 1964. Would it be beyond the realm of reason to expect the pipeline to take a real nosedive this year?

General Wood. To answer that question, no; it would not be beyond reason, but you are misleading yourself a little bit because of the different interpretation of Europe in the tan book from what it has been in the past.

For example, this $49 million is just country programs in Europe, whereas, last year and in the past the category "Europe" also included infrastructure and support of international headquarters. The comparative figure for "Europe" for fiscal year 1964 is $126.8 million.

Mr. Rhodes. There is not the difference there appears to be.

General Wood. Not quite as much. I know, as a matter of fact, that the pipeline for Europe should go down considerably this year and next year.

Mr. Rhodes. You have a pipeline, judging from a number of years, of about 3½ years there.

General WOOD. Yes, sir.

Mr. RHODES. I would certainly assume it would be reduced, either through recoupments, deobligations, or deliveries of hardware.

MILITARY EQUIPMENT CONSORTIUMS

General WOOD. Two or three things keep it looking higher than it should be. The principal things are the funds we have invested in the F–104–G consortium. The airplanes have not yet been delivered. They are just starting deliveries, as you know, and will not complete delivery for 2 or 3 years.

Similarly with the Hawk consortium. Also with the cost sharing of ships in both Denmark and Norway. These three items will make it go down slowly and all of a sudden it will go out.

Mr. RHODES. Speaking of the 104, the slowest portion of this program has been the Italian, has it not? Have not the Germans done a pretty good job of this?

General WOOD. I have the figures here.

Mr. RHODES. When we first went into this consortium, as I recall, we believed that the deliveries would occur much faster than they have.

General WOOD. Yes, sir.

Mr. RHODES. Of course, this leads to the inevitable conclusion that this has not worked as well as we hoped it would.

General WOOD. It has not been too far behind, Mr. Rhodes.

Mr. SLOAN. The Canadian production was pretty much on schedule, I think.

Mr. RHODES. Mr. Chairman, as I recall, the first time we heard about this was in Paris in 1959 or 1960, was it not?

Mr. PASSMAN. In 1959.

Mr. RHODES. This was from Mr. Shuff. They called it the FX program at that time. This has been going on 4 or 5 years. After all, it was not an airplane that had to be engineered from scratch; it was a plane which had been built, which was flying. It seems to me it would be worthwhile to get some sort of statement from the officer or officers in charge of this program as to just how it has worked out. We mean a candid report.

Mr. PASSMAN. Especially in view of the GAO report as to how they are working to maintain a high level of personnel with a dwindling program.

General WOOD. I thought I had it with me, but I do not have everything I wanted. I do have the total number of aircraft being manufactured, the areas they are being manufactured in, and the countries that will get them. It is interesting to note, for example, that the Germans are manufacturing only ——— and will get ———.

PROGRESS REPORT ON EUROPEAN AIRCRAFT CONSORTIUM PROGRAMS

Mr. RHODES. Do they not get a lot of airplanes that were manufactured in the United States?

General WOOD. No; the only F–104's they are getting manufactured in the United States are the duals, trainers. The total number of those is of the order of ———.

I have a study on this. I will insert it in the record. It shows when these countries are getting these aircraft.

Mr. RHODES. Can we also get the evaluation of somebody who is responsible and knowledgeable as to just how this thing is working. We may be tempted to do this again in the future some time. It might be well to know how it has worked.

Mr. PASSMAN. It would be well to put it in the record.

(The information supplied follows:)

The F–104G aircraft is in volume production in Europe although slightly behind the overall established schedule. Flight testing and weather remains the big problem although there is a little problem in getting aircraft through final assembly.

This program is a very comprehensive undertaking. It has been extremely successful in view of the complexities of producing a highly sophisticaed aircraft, a lack of experienced personnel, the requirement for a management organization from four countries (Belgium, Italy, Netherlands, Germany) all with different languages, establishment of production quotas, and integration of hundreds of contractors across country lines, qualification of each contractor to build specific items, financing arrangements, and problems of licensing of each contractor by a contractor from this country.

The military benefits of this program extend far beyond the deterrent and protective power of this significant force of advanced type U.S.-designed aircraft. Logistics costs for all are lower and training problems are minimized through procurement of a single aircraft type. An interesting feature of this program is that by agreement all of the support provided by the United States ($145 million) is in the form of U.S.-produced materiel and technical assistance. Additionally, an estimated $800 million in purchases by the consortium from the United States is expected to result from this project.

The main purpose of the F–104G program was to enable the consortium countries to develop their technology and to participate more aggressively in the NATO defense. The climate at the time was most favorable for a project of this type, as the countries concerned were at the time largely dependent on the United States for assistance. This program had the complete backing of all governments and industry which contributed to the success of the program.

General WOOD. They have had their troubles, but I have not seen any particular problem areas in the recent past. We agreed to contribute some money for research and development because of the aircraft we were getting out of the consortium production ——— incidentally.

After the consortium studied the situation, they decided not to do it. That was not done.

Mr. RHODES. What is NATO using for an all-weather fighter?

General WOOD. (Off the record.)

Mr. RHODES. That is all, Mr. Chairman.

U.S. CONTRIBUTION OF AIRCRAFT PARTS FOR ASSEMBLY IN EUROPE

Mr. PASSMAN. What is the amount, annual or total, of the entire program of component parts, if that is stated correctly, that we are shipping over to be assembled in Europe as part of the aircraft?

General WOOD. The total U.S. contribution is $145 million to the production of the F–104C aircraft. Other countries contribute $1.2 billion, roughly, $298 million of orders will be placed in the United States with fiscal year 1965 funds, estimated. The total amount expected to be placed in the United States is $850 million.

Mr. PASSMAN. Is that information classified?

General WOOD. It is marked "Secret." I do not know whether those particular figures are. I will check them.

PHASEOUT OF MAP IN EUROPE

Mr. PASSMAN. Earlier in the week when we were discussing the available funds for the MAP program, we established that you are phasing out the military assistance program in Europe and that the net reduction, beginning with fiscal 1965, maybe fiscal 1964, would be about $130 million less than in the preceding 3 years—1961, 1962, and 1963. Do you recall that colloquy?

General WOOD. I think you figured the average.

Mr. PASSMAN. Average, yes.

General WOOD. The average reduction was $130 million from what it had been 3 years ago.

Mr. PASSMAN. For the fiscal years 1962, 1963, and 1964 the average per year was $256,802,000. It is down $130,800,000, including infrastructure, beginning with fiscal 1965.

Of course, you will have the continuation of a substantial program for Europe in what we call expenditures, drawing down from the pipeline.

It will not require an appropriation, but as far as actual drain on the U.S. Treasury, withdrawing to meet bills, it will be substantial, no doubt, for the next 4 years. In fact, you will have to add $417 million of unexpended funds as of June 30, 1964, to the new funds in order to get the average expenditure.

It would have an effect on the public debt, that you are drawing out of the Treasury and putting nothing back in for it.

General WOOD. It certainly has an effect on the expenditures for the year.

VIETNAM

Mr. PASSMAN. For Vietnam, you request $143,122,000 for fiscal 1965. Is that correct?

General WOOD. That is correct.

Mr. PASSMAN. How does that sum compare with the program for fiscal 1964?

General WOOD. The 1964 program was $205,283,000.

Mr. PASSMAN. What is the unexpended balance to the credit of South Vietnam?

General WOOD. The unexpended balance as of June 30, 1963, was ———. Estimated at the end of the current fiscal year is $176,197,000.

EQUIPMENT PROGRAMED FROM EXCESS STOCKS IN FISCAL YEAR 1965

Mr. PASSMAN. In addition to the dollar estimate for fiscal 1965 in the amount of $143 million, how much excess stocks are programed for South Vietnam for fiscal 1965?

General WOOD. Within that total, of course, is cost to MAP of roughly $1.6 million for repair and rehabilitation. Acquisition value of excess for fiscal year 1965 is $3.7 million.

AMMUNITION

Mr. PASSMAN. Is any of that ammunition?

General WOOD. Yes, sir; some of it is ammunition.

Mr. PASSMAN. Do you have a rehabilitation cost on ammunition?

General Wood. Yes sir; we often do.

Mr. Passman. What percentage?

General Wood. That which has been in storage any length of time and needs to be cleaned up and rotating bands cleaned.

Mr. Passman. Rehabilitation cost of that would be much less than it would on the military equipment as such, would it not?

General Wood. Our overall figure on the ammunition of all types, it looks like about a third of the acquisition cost.

Mr. Passman. I hope it is not the same percentage as on that pistol rehabilitation cost we discussed earlier.

General Wood. This is mostly labor. It depends on how cheap the labor is.

Mr. Passman. Could you tell us the amount of ammunition we have given to the Vietnamese out of our excess stocks for fiscal 1960 through 1964?

General Wood. May I insert it in the record, sir?

Mr. Passman. Yes.

We always have to add the excess ammunition to the new ammunition allocation to get the total for ammunition, do we not?

General Wood. The MAP cost of the excess ammunition is included in the figure shown in the program.

Mr. Passman. That is only the rehabilitation cost?

General Wood. That is right.

Mr. Passman. Which is about one-third, and could be less. We are going to have to ascertain the figures from your records.

General Wood. The acquisition would be greater.

Mr. Passman. Would you supply a statement as to the acquisition costs for the years I indicated?

General Wood. Right.

Mr. Passman. And the same type of information for Turkey and Greece?

General Wood. Yes, sir.

Mr. Passman. Thank you.

(The information supplied follows:)

Acquisition cost of excess ammunition provided Turkey, Greece, and Vietnam, fiscal year 1960 through fiscal year 1964

[In thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Total
Turkey						
Greece						
Vietnam						
Total	$706.6	$725.2	$2,652.9	$745.0	$367.0	$5,197.2

TOTAL AMMUNITION REQUEST FOR VIETNAM

Mr. Passman. You are requesting ——— million for ammunition for Vietnam for fiscal 1965, are you not?

General Wood. The total request is ——— million.

Mr. Passman. You did program for fiscal 1964 ———; is that correct?

General Wood. For fiscal 1964; yes, sir. That is correct.

Mr. PASSMAN. That large allocation for fiscal 1964 would probably bring about a reduction in the fiscal 1965 requirement; would it not?

General WOOD. Not necessarily. The expenditure rate is running about ——— million a month, is my last information. One would certainly hope that we will need less in 1965, but this is the basis of our estimate.

ADDITIONAL RIFLES AND CARBINES PROGRAMED FOR FISCAL YEAR 1965

Mr. PASSMAN. General, on page 41 of the justifications, you indicate you are programing in fiscal 1965 an additional ——— .30-caliber rifles and carbines.

How do you justify this program in view of the fact that through fiscal 1964 we have programed ——— .30-caliber carbines and rifles for a force that now numbers ———? Is that not going to give you almost five weapons for each four soldiers, not taking into account the number of supporting forces that are not in combat?

General WOOD. I trust that that will not be the situation. In the first place——

Mr. PASSMAN. I am reading the figures correctly, am I not?

General WOOD. In the first place, the forces are being increased as a result of Mr. McNamara's last trip out there. This book does not reflect that.

In the second place, there is always a wastage in combat of material, of which rifles are one example.

Mr. PASSMAN. Using the latest figure you provided to us, from the justifications, of ——— and I am rounding this off in personnel—what percentage of that number would be used in the rear supporting the frontlines that would use rifles? What is the usual ratio of people in combat that would require weapons?

General WOOD. I think any ratios I might have in mind for a situation I have experienced would not hold true in Vietnam.

Mr. PASSMAN. What is ours? That information is not classified, is it?

General WOOD. No, sir. It depends on how far overseas you are from your source of supply.

Mr. PASSMAN. Give us a guess. If you ever had to use them in the United States, and I hope we never will, would you say one out of four would be used at the front? Would they need rifles or carbines in that ratio?

General WOOD. That is a good guess until we can check it, sir. I think I can get you a figure on that.

Mr. PASSMAN. Still guessing, that would mean for fiscal year 1964, if they had not lost any of the rifles and carbines we had given, it would be just about four rifles to each soldier?

General WOOD. You and I know that is not true.

Mr. PASSMAN. You said that guess is as good as any.

General WOOD. You said for United States——

Mr. PASSMAN. I am willing to compromise. Two out of four? We still would have two rifles and carbines per soldier. I am trying to understand this and I am not trying to win any arguments.

I am using your own statistics.

If you have ——— personnel and there are only ——— on frontlines, who need a gun, it simply means you have about five rifles or carbines per man up on the front lines. If it is 2 of 4, rather than 1 of 4, then it follows it is about 2½ rifles per man. That is, if there had not been any loss.

I am trying to find out whether or not we have rifles we do not need and we are shipping them oversea out of excess stocks, new purchases, or whether there is anything else to which we can relate this situation.

General Wood. I think the question is well merited and I would like to submit an answer for the record.

Mr. Passman. All right, sir.

Mr. Sloan. I would like to make a comment.

Mr. Passman. All right.

Mr. Sloan. Of course, there is not any frontline, as such, in that country.

Mr. Passman. You know what I had reference to, in use.

Mr. Sloan. Well, the highest number, I suppose, of armed troops on a relative basis anywhere in the world would be in South Vietnam where even in Saigon, all except a few are actually armed at all times. I know from my own experience in looking at units out there, there is not anyplace to find a frontline. It may be next to you. A very high proportion of men I have seen in the army had guns in their hands.

Mr. Passman. You know what I had reference to.

If the gentleman will supplement what you have put in, and what he intends to put in the record, then we shall have some idea as to the number who are supposed to have guns.

(The information supplied follows:)

In Vietnam, the required ratio of rifles to troops is 1 to 1. There are no frontlines as such in this conflict. Major combat actions occur throughout the war zone and all Vietnamese forces must be armed to fight. Hard evidence of this is the proportionately high casualties sustained by the Vietnamese Civil Guard and self-defense forces. The following facts should be noted:

The total number of rifles programed to Vietnam is more than the total active military strength shown in the justification books. (However, this total strength does not include tens of thousands of irregulars who must be also armed although not on a 1-for-1 basis.)

The projected increase of 50,000 in the strength of the regular Vietnamese military forces recently announced by the White House will require rifles in amounts over and above the quantities already on hand and those in the fiscal year 1964 and proposed fiscal year 1965 programs.

In war, a number of weapons inevitably are lost, destroyed, or worn out and allowance must be made for such losses.

In summary, there is no overage of rifles in Vietnam and there is no overprograming of such weapons in the future. On the contrary, there are requirements which have not yet been fulfilled.

PISTOLS SUPPLIED TO VIETNAM

Are there any pistols for South Vietnam?

General Wood. I see ——— revolvers, caliber .38, in the program on page 41.

I see that out of excess stocks we are able to utilize ——— pistols which are caliber .45.

Mr. Passman. It would appear in the Vietnam program that through fiscal 1964, we already have given them ——— pistols; is that correct?

General Wood. Yes, sir.

EQUIPMENT AND SERVICES FINANCED FROM DEPARTMENT OF DEFENSE APPROPRIATIONS, FISCAL YEARS 1963–65

Mr. PASSMAN. If you will, supplement the information that you are going to put in the record as to the cost to the Department of Defense appropriations for equipment and services furnished to Vietnam in fiscal years 1963, 1964, and estimated for fiscal year 1965.

General WOOD. Yes, sir.

That is not quite clear, sir. You mean the MAP costs of material furnished to Vietnam?

Mr. PASSMAN. The cost to the Department of Defense appropriations.

General WOOD. Of equipment utilized by the American troops in Vietnam?

Mr. PASSMAN. By all troops.

General WOOD. Department of Defense budget?

Mr. PASSMAN. In addition to this.

General WOOD. Yes, sir. In addition to MAP. I think that is essentially what you asked me the other day. If it is not, I will——

Mr. PASSMAN. I think maybe this pinpoints it just a little bit more than what we asked you for the other day.

General WOOD. All right, sir.

(Note: A classified document was furnished to the committee.)

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. Is this aircraft ———.

Colonel SIMPSON. ———.

Mr. RHODES. Are you delivering any of the Army fixed-wing aircraft to Vietnam?

General WOOD. (Discussion off the record.)

ADJUSTMENTS IN PROGRAM ANTICIPATED FOR VIETNAM

Mr. RHODES. The program for this country seems to be down considerably compared to last year. Is this a realistic figure?

General WOOD. At the time we prepared this presentation book, we had a plan prepared by General Harkins' headquarters through Admiral Felt's headquarters, which was done now some 8 months ago. We do not yet have a better plan though the Secretary has stated, and I would certainly agree, unless things get a lot better faster than we expect them to, this figure will go up.

Mr. RHODES. It is not a realistic figure then? Do you have any better figure?

General WOOD. My own guess is it is on the order of $40 million to $50 million too low.

Mr. RHODES. It will really be about the same as last year then?

General WOOD. I would think so.

RIFLES

Mr. RHODES. General, is the .30 caliber rifle mentioned the old Springfield?

General WOOD. M–1.

Mr. RHODES. Is this the standard weapon for the Vietnamese foot soldier?

General WOOD. I would say they have more carbines than anything else but they are using the M–1 to a considerable extent.

Mr. RHODES. I was about to make that point. The carbine fits the Vietnamese a lot better than an M–1, does it not?

General WOOD. True, but some people don't like it because they say it just does not have punch.

Mr. RHODES. It does not have great accuracy either.

Mr. SLOAN. The new AR–15 is a tremendous weapon. It is just slightly over a .22 caliber and we saw them firing them out there. It has tremendous velocity and tremendous punch.

Mr. RHODES. That is all.

RECOUPMENTS

Mr. PASSMAN. General, in deobligating funds when it has been determined certain funds can be deobligated, squeezed out, recouped, or whatever terminology you want to use, can this money then become available in the particular year in which the funds are deobligated or recouped?

General WOOD. Yes, sir. We count it as a part of our program.

Mr. PASSMAN. You are going to have $135 million in recoupments in fiscal 1965?

General WOOD. That is our estimate; yes, sir.

Mr. PASSMAN. How much of that has become firm at this time?

General WOOD. Not a penny.

As a matter of fact, for 1964, we have only actually recovered about $12 million to date of the $127.7 million we have estimated.

Mr. PASSMAN. That is because you spoke of the slow motion of bureaucracy?

General WOOD. That is——

Mr. PASSMAN. Again, it is a question of paperwork more or less, is it not?

General WOOD. Yes, sir. Of course, it is a question of the departments that have to do the work of going through their records of what has been shipped, what has been called for, so far as spare parts are concerned, what prices have been changed, and it is a bookkeeping job in detail. That does not mean certain big items might not come up which one can see, but the majority of the thing is detail work.

I wonder if you would like to have Mr. Comer speak to this? He handles these details.

Mr. PASSMAN. No. It is a "yes" or "no" question.

These things are determined and you have a history which will support you in these estimates. Usually the recoupments are higher than the estimates, and the reason you do not finalize this, is on account of the tremendous amount of paperwork involved; is that correct?

Mr. COMER. Yes, sir. Part of it is a revalidation of prior year undelivered balances. We must revalidate the undelivered balance by country and verify again with the country MAAG's that these are still required and the military departments as to whether or not these are still the right unit prices. Without all that we cannot come up with a specific dollar value that can actually be recouped.

Mr. PASSMAN. Why would it take the mission chief 3, 4, or 5 months to send a cablegram to Washington to check on check No. X08925 in the amount of so-and-so which has been issued?

We come here and get a dozen different estimates as to what is unobligated and then we learn later they are just waiting for the field to report on the number of a check or the date it was drawn and the amount of the check.

If they have a surplus they are not going to use, and the chances are they do, or otherwise they would not have $50 million available. I was in hopes you would get this out of deobligated funds.

Gentlemen, thank you.

The committee will adjourn until Tuesday afternoon at 1 o'clock.

TUESDAY, APRIL 14, 1964

Mr. PASSMAN. The committee will come to order.

ALLIANCE FOR PROGRESS

We are going to discuss this afternoon the MAP with relation to the Alliance for Progress.

The fiscal 1965 estimate is $66,215,000.

UNDELIVERED BALANCES

Could you tell the committee the amount of unexpended funds to the credit of the Alliance for Progress military aid program as of June 30, 1963, and the estimate for June 30, 1964?

General WOOD. The undelivered balance on June 30, 1963, was estimated at $81,377,000 in our 1964 presentation book. We estimate for July 1964, $88,229,000.

Mr. PASSMAN. The pipeline is up by approximately $7 million?

General WOOD. Yes, sir. This includes the 1964 program and due to legislative requirements for obtaining Presidential determinations, we have not been able to implement our program completely as yet because the President has not as yet made final determinations.

Mr. PASSMAN. Is that requirement something new or has it been in effect for many years?

General WOOD. Certainly part of it has been in effect for many years. I think I am correct in saying that it was slightly amended last year or at least the ceiling was reduced but there was a ceiling before.

Mr. PASSMAN. In the main, it is about the same kind of situation as you have been operating under in previous years?

General WOOD. Yes, sir.

Mr. PASSMAN. How many of the 15 countries will require Presidential determinations?

General WOOD. By law, three sections are applicable here and one or more bear on all countries in Latin America.

Mr. PASSMAN. You may insert that information in the record.

General WOOD. Yes, sir.

(NOTE.—See further statement on p. 508.)

EFFECT OF MAP ON INTERNAL GOVERNMENTAL CHANGES

Mr. PASSMAN. I noted in Mr. Sloan's statement on page 13 that you could find no foundation in fact for the direct allegation that U.S.

military assistance programs are contributing to revolutions in Latin America. According to the statement, the statistical facts are that the rate of revolutions are no higher than they have been for many generations before the MAP program began in 1952.

If that is the case, what is the effect, then, of the military assistance program for supplying hardware and services for internal security purposes?

Mr. SLOAN. The fact is, that although that part of the world is undergoing very heavily increasing pressures for internal governmental changes, much more so than it did a few generations back, the frequency of revolutions and constitutional government changes is not increasing with the amount of pressure is a tribute to the military in Latin America who are becoming more and more professional in their approach.

We have no doubt in our minds that both Mr. Betancourt's ability to maintain the election in Venezuela last year and the ability of the Bolivians to overcome the recent crisis there in an attempt by the Communist labor unions to gain control, were both of considerable credit to the military people who have become more professional and more responsive to the civilian arm of the Government.

The fact that they do not have revolutions as often in a time when the pressure for revolution is greater, we think, is a significant indicator, Mr. Chairman.

General WOOD. Mr. Chairman, may I answer the question?

Mr. PASSMAN. May I proceed briefly, General?

Let me quote from Mr. Sloan's statement:

> The statistical facts are that the rate of revolution is no higher than it has been for many generations before the MAP program began in 1952.

Is the rate any lower?

Mr. SLOAN. About the same.

Mr. PASSMAN. If that is the case, what is the effect, then, of the military assistance program for furnishing hardware and services for internal security purposes if, for generations, there has been no change up or down?

Mr. SLOAN. I think I just attempted to answer that, Mr. Chairman. I said that although——

Mr. PASSMAN. You did attempt to answer it.

Mr. SLOAN. I think I did. I think the pressure for revolutions there is much greater and the fact they do not have more disturbances and turmoil is at least in part credited to the fact that the military are becoming more professional in their attitudes.

We think that our training programs—and, Mr. Chairman, you realize many training programs have been going on before the military assistance program as such was originated—have contributed greatly to the increasing professionalism of the forces.

Mr. PASSMAN. Could you say the situation is static and it has been about the same for many generations? It is neither up nor down? No more revolutions and no less?

If I may go back to the Congressional Record of June 28, 1952, our late President made this statement:

> Mr. Chairman, I offered a similar amendment to cut the military assistance to the South American Republics last year, and I am offering it again now to cut $20 million. It does not seem to me there is any use spending as large an amount of money as this on military equipment to South American countries.

When I try to reconcile the conflicting positions of Members of Congress who later become President I am unable to do so.

General WOOD. Actually, coups in Latin America are endemic, Mr. Chairman. They are part of the social structure of those countries.

I think I would amend Mr. Sloan's statement to say that I think the facts would show there have been fewer coups in the 15 years since military assistance has been there than in the 15 years before. From that, we can draw at least the deduction that military assistance is not causing them.

USE OF EXCESS MATERIEL

Mr. PASSMAN. Then, is this a case of having a dumping ground for excess military equipment without creating trouble?

General WOOD. Incidentally, I noticed you were quoted in the press as saying:

To a very large extent the military program is a dumping ground for purchases made by the Department of Defense.

I think you are aware of the figures I gave the other day as to the amount of excess materiel we are programing.

Mr. PASSMAN. I do not think anybody is going to disprove the statement.

General WOOD. I think you would have a little difficulty documenting——

Mr. PASSMAN. I will not have any trouble documenting it.

If I may go to the record, and this is cumulative from fiscal years 1950 to 1963, it would appear that excess equipment put into the MAP amounted to $2,590,268,000. I am familiar with many instances, and one in particular where one country had $309 million worth of equipment allocated and the MAAG people in that country and the government said, "We don't need that equipment."

Our people said, and I paraphrase, "It has been charged to you and it is going to be shipped anyway."

The equipment was delivered to that country and at a subsequent date orders were given to ship it out of that country into other countries. I can document that matter fully.

General WOOD. May I say something?

Mr. PASSMAN. Of course.

General WOOD. First, $2 billion out of $33 billion is not by itself, "to a very large extent." Second, in the early 1950's, as you know, all we had was World War II and Korean war equipment to furnish. We built up the European nations with what we had and it was all they had. They wanted it.

If I interpret the statement I am quoting as applicable today, 1964, and 1965, I do not think the facts bear it out, Mr. Chairman.

Mr. PASSMAN. We shall have to wait and see how much our Military Establishment overpurchased in fiscal 1963, 1964, and 1965. I am dealing with what has been done in recent years. You may not think this is a small item. I am not putting it at your doorstep, but let me say that my files on this situation are loaded.

There is one other instance I am going to recite for the record and I do not think anyone can ever brand what I am stating as erroneous.

I arrived in Monroe, La., my home city, one weekend some years ago and went down to my office on a Sunday morning. I was in the hotel-

restaurant-institutional wholesale equipment business, and there was a card from the Grogan Manufacturing Co. of Chicago, Ill., announcing that Blodgett ovens, model No. 959, natural gas, were offered for $200. I immediately called the manager of the company and I said, "Isn't the Blodgett oven, model 959, the type of oven we furnished to schools?"

He said, "Yes, that is true."

The following morning I called the Grogan Manufacturing Co. and bought four carloads of the ovens. I found out later that this oven cost about $481, and under a contract to the Government it cost the Military Establishment about $436 and they declared them surplus and were selling them for $200.

Then an order came through from a Government agency and they said they wanted to purchase six of the ovens. Because of my position as a Member of Congress and as sole owner of the company, I could not sell to the Government so I called a friend of mine who was in a similar business and who formerly operated one of my small companies. I said, in effect, "Do you want to make some money?"

He said, "Yes."

I said, "I have bought four carloads of Blodgett ovens. I bought them for $200 and these are excess to the Government. They were shipped in from Denver."

I gave him the price and said, and I paraphrase, "Now the Government wants to buy some of these ovens and ship them back. Grogan paid this much and the Government paid this much and if you wish, I will take the names off the crate, but you can bid on these ovens."

I said, "I would suggest you bid $410 and you will probably be the successful bidder."

So he bid $410 and the Government awarded him the contract.

And, then, he had me ship these ovens back to the same place from which they were shipped to Monroe.

General Wood. I would like to speak to the point when you return, Mr. Chairman.

Mr. Passman. We want you to do so.

We shall take a brief recess.

(A short recess was taken.)

Mr. Passman. The committee will come to order.

We were talking about Blodgett ovens when we recessed. I believe the general wants to discuss the matter.

General Wood. May I add a little on the business of the military program as a "dumping ground for excess purchases"?

Mr. Passman. Yes, sir.

General Wood. The military departments dispose of considerable amounts of excess every year. The figure for 1963 was $5.7 billion at acquisition cost for materiel. The military assistance program in that year used only $105 million.

Mr. Passman. That was what was charged to the military assistance program, or was that the acquisition cost?

General Wood. That was the acquisition cost as related to the $5.7 billion.

Mr. Passman. That was last year?

General Wood. 1963.

Mr. Passman. $105 million?

General Wood. Yes, sir.

Mr. Passman. To me that is a lot of money.

General Wood. It is a lot of money to me. I am a country boy and $100 is a lot of money.

I argue as to the "to a very large extent" when that is such a small percentage of $5.7 billion. It is less than 1 percent.

Mr. Passman. I admit there could be some modification to "a very large extent." It is a matter of interpretation as to "to a very large extent."

I did not say "the largest proportion," did I?

General Wood. No, sir.

You are not quoted as saying that.

Mr. Passman. Sometimes you are doing business with companies and are given one-quarter of 1 percent cash discount and that is considered very little, but when you get 2 percent cash discount, that is substantial.

What is "to a large extent"?

General Wood. If the military services dispose of property worth $5.7 billion, and the military assistance program is a "dumping ground" for only $105 million of that, that is a very small extent, Mr. Chairman.

Mr. Passman. Would 10 percent be considered " to a large extent"?

General Wood. I would say as used in your phraseology, "very large extent" would mean the majority.

Mr. Passman. That is your interpretation, but if I read the record correctly, with reference to your fiscal 1964 program, about 10 percent of it is represented by excess equipment?

General Wood. No, sir; in 1964, $27.6 million at acquisition cost was the excess actually available. We originally estimated more than that.

Mr. Passman. I am going by your estimate. Was it approximately 10 percent originally in your justifications when you were before the committee last year?

General Wood. I do not recall that, sir. I doubt it very much. Ten percent would be considerably larger than we have had for years.

Mr. Passman. $48,704,000?

General Wood. That was our estimate.

Mr. Passman. What was the actual figure?

General Wood. $27.6 million.

Mr. Passman. Where did you get the $105 million you referred to a minute ago?

General Wood. That is the 1963 figure.

Mr. Passman. The total has been $2,590,268,000? It appears that through fiscal 1964 it would be $2,611,122,000; is that correct?

General Wood. I will accept your figures.

Mr. Passman. Is that the amount of the acquisition cost or the amount charged to the Military Assistance Program?

General Wood. That is acquisition cost.

Mr. Passman. Are you leaving some degree of uncertainty as to whether it is or not?

General Wood. I do not have that figure. I do not know where you got it.

Mr. Passman. Would you verify it one way or the other?

General Wood. Delighted to.

Mr. Passman. This is shown on page 39 of your justifications. I am reading from your justification book.

General Wood. The black book?

Mr. Passman. Yes, sir.

General Wood. Thank you, sir.

Cumulative through 1964?

Mr. Passman. Yes, sir.

General Wood. $2.6 billion.

Mr. Passman. My book shows $2,611,122,000.

General Wood. Correct.

Mr. Passman. We would not drop off $11,122,000, when it is just about as easy to put it correctly in the record.

PRESIDENTIAL DETERMINATION REQUIRED FOR ASSISTANCE TO LATIN AMERICA

General Wood. Sir, do you want me to answer the question you asked earlier on the legal determinations on Latin America?

Mr. Passman. Yes, sir.

General Wood. If I may, sir, I said that the ceiling was changed last year. Section 511(a) and 511(b) of internal security programs for Latin America require approval of the President. Section 505(a) was added and that has two parts. The first prohibiting further military assistance to any Latin American country except (1) to fulfill prior commitments; or (2) to the extent that the President finds the furnishing of such assistance to any Latin American country is necessary for safeguarding U.S. security or the security of Alliance for Progress countries against the overthrow of a duly constituted government.

The only point I think we were examining is as to whether or not all countries in Latin America require Presidential determination. I think that affirmative is the correct answer to that question.

Mr. Passman. All of them do?

General Wood. Yes, sir. All of them come under one or more of these provisions.

FISCAL YEAR 1965 MAP FOR ARGENTINA

Mr. Passman. For Argentina you are requesting ——— for fiscal year 1965, an increase of ——— above the estimate you requested and justified for Argentina last year; is that correct?

General Wood. Yes; that is correct.

(Discussion off the record.)

General Wood. We feel we do need a program of some size for Argentina this year.

Mr. Passman. Is it true that Argentina is a wealthy nation, as we generally think in terms of the wealth of foreign nations?

General Wood. Without having the figures I would not consider it as one of the wealthiest nations of the world.

Mr. Passman. I do not believe I said that; I said a wealthy nation.

Mr. Sloan. It has relatively the lowest inflation problems as compared to its neighbors and is essentially fairly solid. I might say, Mr.

Chairman, it has been one of our better customers in the military assistance sales.

Mr. PASSMAN. Customers?

Mr. SLOAN. Customers in the military assistance sales program. There are sales and purchases of military equipment to date since the military assistance sales program began——

Mr. PASSMAN. Is it sales we are discussing here for Argentina?

Mr. SLOAN. No; this is a new program.

Mr. PASSMAN. A grant-aid program?

Mr. SLOAN. Grant.

Mr. PASSMAN. If you increase the grant, would it not naturally follow that you would decrease your sales?

Mr. SLOAN. We would hope the sales would increase. They have been purchasing in Europe.

Mr. PASSMAN. I understand that they have. ———.

Mr. SLOAN. No; but we would prefer their purchases be made here.

Mr. PASSMAN. Certainly we would.

General WOOD. We expect they will be able to purchase, hopefully at least, ——— worth of equipment this year.

I see that GNP is $352 per capita which is one of the highest in Latin America. Chile has $460 and Uruguay has $450 and Venezuela, $693.

Mr. PASSMAN. What is their GNP today?

General WOOD. The per capita GNP is $352.

Mr. PASSMAN. I am looking at the AID book and they show it as $443.

General WOOD. These figures are supposed to come from AID.

Mr. PASSMAN. That does not mean anything. You would find even another set of figures if you keep looking. Let us refer to one of their statements on page 57 of the divider sheet. See if I have stated it correctly, $443? If they had a 23-percent increase since that sheet of yours was prepared, maybe we could reverse it and they would give us some aid.

Have I made a statement of fact about the GNP?

General WOOD. This is the 1964 estimate. Maybe it has changed since 1963.

Mr. PASSMAN. Let us see the same book for 1964. Maybe it is up again.

Do you have any later figures? What is the date on yours?

General WOOD. January 31, 1964.

Mr. PASSMAN. We are looking at the book that came down for fiscal year 1965 and on page 57 of the divider sheet it shows the per capita GNP at $443. I am reading this the 1965 justifications.

General WOOD. I will accept that figure.

Mr. PASSMAN. Do we agree that the GNP within itself does not necessarily mean very much? You have to relate the GNP to what it will purchase?

General WOOD. That is what I understand is the theory held by economists.

You have such things as home industry and farmers who grow their own food and things like that that enter into it. It is used as a relative——

Mr. PASSMAN. You can get a great big bowl of red beans and rice for a dime, and it will sustain you, in one country, but I think the same thing would cost you 85 cents in America. You can get bread free in one country but you will pay a dime for it in another place.

General WOOD. Among the countries of Latin America, I would assume the figure is an index of some sort.

Mr. PASSMAN. Mr. Rhodes?

SALES OF EXCESS AND NONEXCESS EQUIPMENT

Mr. RHODES. General, this concerns the previous colloquy on excess stocks. For fiscal 1965, there will be credit sales to various nations on equipment in the amount of about $200 million.

Looking at the shopping list which the various countries have presented, it appears practically all of the hardware to be bought is used hardware. Is that a correct assumption?

General WOOD. No, sir. I think that that statement is not correct. I think the majority is new hardware; such things as armored personnel carriers and the C–130 aircraft particularly are new.

There are some used, no doubt, as you say, but we are talking particularly about tanks to some of these countries.

Mr. RHODES. Used tanks?

General WOOD. Yes, sir.

Mr. RHODES. I would imagine some used trucks would be in here, too?

General WOOD. Yes, sir; some used trucks, ———.

Mr. RHODES. You have some C–130's which are surplus?

General WOOD. The C–130's in general are all off-the-line. The C–130E is what they want to buy.

Mr. RHODES. The purchases are made from the Department of Defense. However, this is a government-to-government operation rather than a loan financed by the MAP, is it not?

General WOOD. This would be a government-to-government operation because if credit assistance from the military assistance program is used, this has to be done that way.

The total sales we are making annually run over $1 billion and the great majority being Export-Import Bank or commercial transactions.

Mr. RHODES. Can you tell us how much in the way of direct sales you anticipate for cash on a government-to-government basis in the next fiscal year?

General WOOD. Let me say I am not the best witness on that. I can talk about that part of MAP which is being used for credit but the U.S. sales program of military hardware has now gotten larger than grant aid. In the Department of Defense we have a Deputy Assistant Secretary of Defense for this job alone and if you really want to explore this, I can get him over here.

Mr. RHODES. I think it might be well if you or one of your assistants could get for the record, a figure on the volume of direct sales

which are anticipated. I would also like to have in that category and in credit sales a statement as to the probable percentage of hardware sold which will be new and that which will be used and surplus.

General Wood. I think we can give that to you.

Mr. Rhodes. So we have some understanding or expression as to the breakdown.

General Wood. I am sure that my figures are right but let me get that for you and insert it.

(The material supplied follows:)

Anticipated sales for fiscal year 1965

[In millions]

	Anticipated direct sales	Anticipated credit sales
Excess [1]	$9.3	$1.6
Nonexcess [1]	1,151.1	198.4
Total	1,160.4	200.0

[1] The division between excess and nonexcess is based on statistical data which reveals that 0.8 percent of the most recent $2 billion of sales were from excess stocks.

SOURCE OF SUPPLY OF MILITARY SUPPLIES AND EQUIPMENT

Mr. Passman. Will you also show the percentage that comes off of the shelf, or out of stocks originally purchased by the military and subsequently allocated to this program?

Then give us the percentage for the sales program and what you procure by request of the director of the military assistance program.

Something does not have to be excess so far as being in the free category is concerned. To be excess in the military and made available out of stocks, rather than new procurement, I should add.

(The information supplied follows:)

A detailed projection of anticipated sources of supply is developed for each years military assistance program. However, information showing whether an item is to be initially provided from the shelf stocks of the military services or is to be procured is considered to be of lesser significance, for management purposes, than information showing total procurement required whether bought for direct issue to MAP or to replace shelf stocks provided by the services. Therefore, MAP data are compiled to reflect primarily the latter.

A table depicting the anticipated sources of supply for the fiscal year 1964 and fiscal year 1965 programs follows:

Fiscal year 1964–65 MAP anticipated source of supply

[Dollars in thousands]

Service code	Definition	Fiscal year 1964		Fiscal year 1965	
		Value	Percent	Value	Percent
"K" procurement or replacement.	Articles which are provided by military departments from procurement or inventory. If from procurement initial funding is by military departments, if from inventory replace in kind is required (materiel only).	$652,045	54.3	$600,948	51.8
"I" special	Materiel and services procured solely for MAP and financed by direct citation of MAP funds (includes training).	416,211	34.7	479,989	41.4
"L" replacement, not in kind.	Articles provided from military departments, to be replaced, but not in kind (materiel only).	72,035	6.0	48,788	4.2
"O" offshore	Special procurement offshore, solely for MAP (materiel only).	48,048	4.0	20,852	1.8
"E" excess	Articles excess to military departments (materiel only).	[1] 10,162	.86	[1] 7,861	.7
	NOTE.—Acquisition value of excess, not a charge to MAP and nonadditive in this table.	(27,562)	(2.3)	(19,944)	(1.7)
"R" redistribution	Articles originally supplied by MAP but now excess to holding country requirements (materiel only).	[1] 1,020	.1	[1] 1,562	.1
"N" NMSSA	Articles from the NATO Maintenance Supply Service Agency.	479	.04		
	Total	1,200,000	100	1,160,000	100

[1] Cost of repair and rehabilitation only.

The above information relates to the military assistance program only. Data in this detail is not available for the sales program. The available data on sales programs are found on pages 1312 and 1315. No items for the sales program are procured at the request of the Director of Military Assistance.

Mr. PASSMAN. It may be a very interesting story to get a complete spread as to whether what you sell would be excess later if you did not sell it.

(The following statement was supplied subsequently:)

Due to continued advances in military concepts and associated scientific technology, all military supplies and equipment if not consumed or destroyed in normal usage must eventually become excess. Therefore it would follow that all military material if not sold prior to the end of its useful life would eventually become excess.

General WOOD. I think Mr. Rhodes addressed his question essentially to fiscal year 1965.

EQUIPMENT SALES—FISCAL YEARS 1950–64

Mr. PASSMAN. Please get the information he wants. However, this is a supplement to what he requested and, if we may, we would like to have it from fiscal 1950 through 1965, inclusive.

General WOOD. 1950 through 1965?

Mr. PASSMAN. Yes, sir; that will give us a better record on sales and grant aid, whether it came off the shelves or whether it was declared excess and given away for the rehabilitation cost.

General WOOD. We will certainly try to get you what you want but I am not certain the facts are available back to 1950.

(The information supplied subsequently follows:)

To extend the information in fiscal year 1965 previously provided at the request of Mr. Rhodes to date back to fiscal year 1950 the following table is provided:

Total sales, fiscal years 1950–64 [1]

[In millions]

	Direct sales	Credit sales
Excess [2]	$43.9	$4.4
Nonexcess	5,446.6	543.4
Total	5,490.5	547.8

[1] Fiscal year 1964 sales are estimated.
[2] The division between excess and nonexcess is based on statistical data which reveals that 0.8 percent of the most recent $2,000,000,000 of sales were from excess stock.

Mr. PASSMAN. Then I do not believe you are in a position to refute my statement, if you cannot get that information.

General WOOD. If you are quoted correctly—

to a very large extent the military program—

meaning the military assistance program—

is a dumping ground for excess purchases made by the Department of Defense.

I think what I have already said on that is enough and I will let the record speak for itself.

Mr. PASSMAN. We want to know whether those sales are coming out of excess stocks, off the shelf, or whether this is something you purchased or procured for the military sales program. Until we get a complete spread on that information, there is no way to determine whether you can refute my statement or not, because what you are selling——

General WOOD. The inference in your statement I am quoting has to do with the grant aid.

Mr. PASSMAN. If it has to do with anything else that may be excess because if you have purchased in excess of your needs, I should think you would have some pretty good salesmen out there finding a market for it. If not, this will come back to haunt us later like those ovens I referred to and a hundred other items.

I am talking now about the Department of Defense.

General WOOD. Things are excess in general because they are obsolescent or they are replaced by new items, not because they were excess purchases.

Mr. PASSMAN. If you move off the shelves an amount in sales in excess of the grant-aid part, and it is in excess of the needs, and you did not procure it to sell, then it looks as if you have a pretty good sales organization that is getting rid of what would be excess at some subsequent date if you did not sell it off your shelves. All I have asked for is a simple recapitulation of the different items from fiscal years 1950 through 1965, inclusive, whatever you can get.

General WOOD. Of course, you are talking about the Departments now? We do not procure things for MAP specifically to sell. We procure things for MAP as part of the grant-aid program.

Mr. PASSMAN. I am talking about the Defense Department using the military assistance program for a dumping ground either in sales

of excess equipment or outright gift, only the rehabilitation cost being added.

Please put a table in the record on what we have requested.

Mr. SLOAN. May I make a comment?

Mr. PASSMAN. Surely.

Mr. SLOAN. The military assistance program does not purchase goods to turn around and sell to Argentina or any other country. As a matter of fact, the great bulk of the sales being made are being made to our Western European Allies directly on a government-to-government basis, under the sales provision of the Foreign Assistance Act. I think the form of your question indicates it is an MAP sale.

The only sales activity in which the military assistance program is involved is in the credit account.

Mr. PASSMAN. I am quite familiar with that fact, Mr. Secretary.

Mr. SLOAN. We do not buy goods and sell them.

Mr. PASSMAN. Not that you advertise in magazines, but I am familiar with the overbuying of the Department of Defense in certain categories of equipment.

Mr. SLOAN. I am in no position, Mr. Chairman, to deny there has never been overprocurement of many items, but I am familiar with the negotiations of several of these sales agreements. These countries are buying equipment largely which is not yet manufactured. They are buying new aircraft and new ships and new tanks and things of that sort, rather than used equipment.

Mr. PASSMAN. It does not have to be used to be in excess and so carried on your shelves, in the regular stock. I made a simple request, and if you will, put that information in the record; then I will be completely satisfied.

If it is not something new, but one of those pistols that cost $60, which you are paying $40 or $50 to rehabilitate, let the record speak for itself.

GRANT AID TO ARGENTINA

You are greatly increasing the grant aid to Argentina. They have been one of our customers to which we have sold military equipment, and they probably paid for it with dollars we have given them, but let that be as it may. I would think, however, that sales would drop off if you increase greatly the grant-aid program.

Mr. SLOAN. Their plan is to increase greatly their defense budget. We expect them perhaps to purchase more rather than less.

NUMBER OF LATIN AMERICAN COUNTRIES PARTICIPATING IN THE MAP

Mr. PASSMAN. Do you have military assistance programs for all of the Latin American countries with the exception of Cuba and Peru?

Mr. SLOAN. We have a total of——

Mr. PASSMAN. How many of the 20?

Mr. SLOAN. Fifteen.

Mr. PASSMAN. Does that figure include training programs?

General WOOD. Fifteen for material and 3 for training, for a total of 18.

Mr. PASSMAN. You have a military program of some kind in every Latin American country but one or two; is that correct?

General Wood. Training in Mexico.

Mr. Passman. I said, you have in all Latin American countries, with the exception of Cuba and possibly one other, a military program—and what other?

General Wood. Cuba and Haiti.

DEFENSE EXPENDITURE OF LATIN AMERICA COUNTRIES

Mr. Passman. Could you provide for the record an estimate of what each one of these 18 Latin American countries is allocating out of its own budget for its military program?

General Wood. I think we can get that.

(The information supplied follows:)

Defense expenditures for Latin American countries (for calendar year 1963 except as noted)

[Dollars in millions]

Argentina (fiscal year ending Oct. 31, 1963)	$342.0
Bolivia	8.5
Brazil	565.0
Chile	109.0
Colombia (fiscal year ending Dec. 31, 1962)	62.0
Costa Rica	3.5
Dominican Republic	33.0
Ecuador	19.5
El Salvador	9.2
Guatemala (fiscal year ending June 30, 1964)	11.0
Honduras	4.0
Mexico	119.0
Nicaragua (fiscal year ending June 30, 1964)	8.0
Panama	1.3
Paraguay	11.4
Peru	97.0
Uruguay	21.0
Venezuela	140.0

Mr. Passman. Mr. Natcher?

TRAINING PROGRAM IN ARGENTINA

Mr. Natcher. General, what does your training item consist of in Argentina?

General Wood. We contemplate, as you see on page 12, a consolidated training program for ———.

Mr. Natcher. Thank you, Mr. Chairman.

Mr. Passman. Mr. Montoya?

Mr. Montoya. Thank you, Mr. Chairman.

Mr. Montoya. You mentioned that this ——— had the sanction and support of ——— and that it was ———.

General Wood. Right.

(Discussion off the record.)

General Wood. The evidence of clandestine supply of Cuban arms revealed by the Venezuela arms cache is well known to this committee. That is the most I have ———.

Mr. Montoya. (Off the record.)

General Wood. (Off the record.)

General Wood. General O'Meara, the unified commander in the Caribbean, reports that Argentine communications are very, very primitive and most of their vehicles are at least 20 years old.

Mr. Montoya. (Off the record.)

General Wood. (Off the record.)

SALES VERSUS GRANT AID TO LATIN AMERICA

Mr. Montoya. Is it your intention under the military assistance program to make a grant to these countries or to sell this equipment on credit?

General Wood. This is grant aid to the Argentine Army. The Argentines themselves want to buy some C–130 aircraft which, as you know, is an excellent aircraft not only for transportation per se but for moving troops and material against any guerrilla or any dissident actions. Our position is that those countries that can should help themselves as much as possible.

Mr. Montoya. Would you say that this ———.

General Wood. I have no intelligence that confirms that, Mr. Montoya.

Mr. Montoya. Why would the amount of ——— be necessary to take care of this situation or is your justification not confined to this?

General Wood. That is correct, that is the principal reason for some urgency so far as we are concerned.

Mr. Montoya. You say these ———.

General Wood. Yes, sir.

Mr. Montoya. What is being done in the other countries?

General Wood. I would say, based on General O'Meara's report, there is no uniform action such as we would like, but all the countries are aware of the situation and some are moving more than others. We run into various reasons for not doing as much or as rapidly as we would like.

(Off the record.)

General Wood. They have an election coming up.

I am rather convinced that each of these Latin American countries think it is an entity in itself and each has its own ideas. We do not want to push anyone too hard, but we can help in alerting them to the situation and training them and hoping what we do pays off.

U.S. MILITARY MISSION TO ARGENTINA

Mr. Montoya. How many officers and men do you have in Argentina at the present time? I mean American.

General Wood. We have a mission—actual strength as of July 31, 1963, of a total of 64 Americans—55 military, 1 U.S. civilian, and 8 local civilians.

Mr. Montoya. What are their duties?

General Wood. Their duties are a combination of training missions with the Argentine services, programing military assistance in line with the request of the Argentines and in cases such as in this country, where a country is able to buy, assisting in promoting sales.

COOPERATION FROM THE ARGENTINE GOVERNMENT

Mr. MONTOYA. Have you been receiving cooperation from the Argentine Government?

General WOOD. From the Argentine Government, yes, very strong cooperation since the new President has come in.

Mr. GARY. Will the gentleman yield?

Mr. MONTOYA. Yes.

Mr. GARY. What is the political situation in Argentina now?

General WOOD. The country is currently financially stable. The new President was elected not too long ago—last year, I believe.

(Discussion off the record.)

SOVIET ACTIVITIES IN LATIN AMERICA

Mr. GARY. Are there any Soviet missions in Argentina?

General WOOD. No missions other than the embassy with its attachés, and I do not know the strength.

Mr. GARY. Do they have missions in any of the Latin American countries such as in Cuba?

General WOOD. No.

Mr. MONTOYA. What do your intelligence reports indicate to you with reference to Communist infiltration of the universities?

General WOOD. In Argentina? I have nothing available. I will be glad to insert something in the record.

Mr. MONTOYA. There has been some infiltration, has there not?

General WOOD. That is true of some of the Latin American countries and it is ———.

(Note: A classified document was submitted to the committee.)

Mr. MONTOYA. What agency of our Government deals with that kind of infiltration by way of countermeasures? Would it be the military?

General WOOD. No, it would not be the military. I would say it would be——

Mr. MONTOYA. The State Department?

General WOOD. The State Department in general and probably the USIA functions in that field, generally.

Mr. MONTOYA. That is all, thank you.

IMPACT OF INCREASED ECONOMIC STABILITY ABROAD ON U.S. MILITARY SUPPORT PROGRAMS

Mr. PASSMAN. General, we read in the press, and are told otherwise, that many of the countries are becoming self-sufficient and we are cutting back or cutting out economic aid. Would that practice also follow for military aid? Will their economy become strong enough to support their own military requirements?

General WOOD. I think it certainly should follow. It may not be concurrent. A country may be able to avoid further economic aid and still not have the excess capital to buy its defense needs.

Mr. PASSMAN. What would our position in those countries be when they have become strong enough to support themselves economically, then they might decide they want to flirt with the other side and carry on very close relationships with the Communist bloc?

General Wood. That is an "iffy" question and a generalized one.

I would say you are getting into a matter of national policy that varies, I would think, depending on what the situation is. Certainly now it is obvious that the political and economic situation vis-a-vis the Soviet bloc is not the same as it was a few years ago. On the other hand, we still have the problem of the Chinese to worry about.

There are always problems in the world, of course. It does not run as smoothly as we would like it to run and each generation solves, or tries to solve its problems, so whatever the situation is as to a country liking one bloc more than another will have to be solved when it arises.

Mr. Passman. Did I ask a good question?

General Wood. Yes; you asked a good question and I think it indicates the frustration of the people in the world in which we live.

U.S. FISCAL POSTURE

Mr. Passman. If we price ourselves out of the world market to a point that we cannot meet competition without a substantial subsidy and we finally reach the point that we have very little gold, if any, left, and we still have a balance-of-payments problem, are we not then going to have to stop, look, and listen and analyze?

General Wood. I think that is a situation we need to worry about all the time.

Mr. Passman. I do, too, General.

General Wood. And yet it is not one which, in my confidence in the greatness of this country, causes me to worry too much.

Mr. Passman. When you see that our public debt exceeds by about $26 billion the combined debts of all the other nations in the world, and only by influencing the other nations not to demand payment in gold are we able to maintain our fiscal position, and our balance-of-payments situation is still serious, there is cause to worry.

AID TO FRANCE

With reference to France, for example, a friend of this country since there has been an America. During World War I we made loans to France to the extent of billions of dollars, and so far as I know they have not repaid much, if any, of it. Certain obligations, of course, they did pay. Then consider the obligations they incurred during World War II. Our grants and loans have been about $15 billion, yet France is at the point of telling us to jump into either of the oceans closest to us. That situation illustrates what I mean by giving to other people our wealth and then they might go contrary to what we think are our best interests. This matter of giving our wealth away has not given us what is desired.

As you say, this kind of situation is something we should worry about all the time and there are some questions that need to be answered along this line.

Would this matter be appropriate to discuss at this time, General Wood?

General Wood. I am here, of course, to justify $1 billion for the military assistance program for fiscal year 1965.

Mr. PASSMAN. But you are tying it in——

General WOOD. I am answering your question. I did not raise the matter of France or anything else. I am glad to talk about it because I think it is part of the world in which we live. I often think, when we recall military assistance advisory groups we put around the world, when you go to the square across from the White House, you see statues of what is probably the first military assistance advisory group, Lafayette, Von Steuben, Kosciusko, De Grasse, who gave us help when we were becoming a Nation. Certainly there is a rapport between our people and the people of France. Governments come and go, but I think so far as our attitude toward France is concerned we should think of the things we have in common with those people. In your conversations about worrying about our becoming broke you are exhibiting self-interest.

Mr. PASSMAN. I intend to continue to exhibit it.

General WOOD. That is all right. I am indicating others have the same thing.

Mr. GARY. Are we giving France any aid at the present time?

General WOOD. No, sir.

Mr. GARY. No military or aid of any kind?

General WOOD. No, sir.

Mr. PASSMAN. What is the unexpended balance to the credit of France that we will expend in France in subsequent years? You have $1,443,000 left so at least you have that much to the credit of France that will be expended?

General WOOD. No, sir; that is the total value of undelivered materials to be delivered. The money will not be spent in France. It will be spent in the United States. You are quite correct in correcting me. We do not have a new program for France but we have an undelivered balance.

LATIN AMERICAN MILITARY EQUIPMENT PURCHASES FROM EUROPEAN COUNTRIES

Mr. PASSMAN. I thought you would say we have an undelivered balance. I believe the Secretary mentioned earlier, when we were discussing Argentina, that the Argentines had been purchasing military equipment from Europe.

Mr. SLOAN. Yes.

Mr. PASSMAN. Is that condition true also with respect to some of the other Latin American countries?

Mr. SLOAN. To some extent.

Mr. PASSMAN. Would you state some of the countries from which they have been purchasing military equipment?

Mr. SLOAN. We can supply that for the record.

General WOOD. The purchases are primarily trucks and small aircraft and most of the purchases are from West Germany and the United Kingdom.

Mr. PASSMAN. Last year you said that Argentina must procure most of its modern equipment abroad.

Mr. SLOAN. That is correct.

Mr. PASSMAN. I thought you said they were purchasing from Europe and we, too, were getting them as a customer.

Mr. SLOAN. No. I said Argentina was one of our best customers in Latin America. They also do some purchasing in Western Europe. We would like for them to do that purchasing in this country, also.

U.S. MILITARY GRANT AID TO EUROPE, FISCAL YEARS 1950–64

Mr. PASSMAN. We have given to the European countries, in grant aid, from fiscal 1950 through 1964, $15,775,171,000. Even though I think I read in the press that we will cut Great Britain by $12,000 and some other country by $15,000, is it not true that we have to the credit of countries in Europe, that will be expended in the future for the benefit of Europe, $417,234,000? Is that the correct figure?

General WOOD. That is the correct figure.

EUROPEAN SALES TO LATIN AMERICA

Mr. PASSMAN. Would you know whether or not the European nations which have been the recipients of this $15 billion-plus, with $417 million yet to be disbursed, are selling any of the equipment and ammunition we gave them to the Latin American countries or are they selling them their own manufacture?

Mr. SLOAN. They are selling their own manufacture. They cannot sell ours without our consent.

Mr. PASSMAN. But if we give them our equipment they, in turn, can take what they manufacture and sell it to Latin American countries?

Mr. SLOAN. It is not that simple.

Mr. PASSMAN. What is the situation?

Mr. SLOAN. As they increase their production of aircraft and automobiles and everything else, they are purchasing, I am happy to say, almost as much military equipment from us as we now expend in support of our troops overseas. Their commercial military equipment salesmen, the airplane companies and truck companies and so forth, are out in the world selling as they can, and they are making some sales in Latin America. They are not selling equipment which we have provided to them.

Mr. PASSMAN. Mr. Secretary, I was referring to the fact that we have given Europe $15 billion-plus and have $417 million yet to be expended for their benefit, and while this is grant aid, they are in turn taking what they manufacture in military equipment, or some of it, and selling it to Latin American countries. Is that a fair statement?

Mr. SLOAN. Their commercial manufacturers are making sales of their commercially manufactured equipment to Latin America, some of it.

Mr. GARY. Most of that is trucks and airplanes?

Mr. SLOAN. That type of thing, but of course, as you are aware, Mr. Gary, in the last 10 years they have increasingly gotten into the production of arms. I am very glad to see that because they have some strong programs in support of NATO and they are increasing their production.

General WOOD. I think it is no secret that we have assisted the economy of the European countries so that they are now economically self-sufficient, and when a country becomes economically self-sufficient there are manufacturing items they want to sell. What we have remaining

to these countries are commitments, principally Denmark and Norway and the infrastructure program, which is a large part of the $417 million. But the objective of the military assistance program is to promote the peace of the world and the security and general welfare and foreign policy of the United States. That, I think, we are not doing too badly.

Mr. PASSMAN. General, I am not trying to criticize or defend. We want an accurate record. Now, let me go off the record.

(Discussion off the record.)

General WOOD. I do not quarrel with your questions.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes, I yield.

ATTITUDE OF WITNESSES

General WOOD. I sometimes think maybe there are inferences that you think a lot of the people in this program are a bunch of crooks. We are trying honestly to carry out the mission given us by the Congress.

Mr. PASSMAN. I have never implied that any one of you is a crook. I have implied that frequently some of the people in the program do not know what they are talking about, and I have proved my point. When I say "you," I am not speaking of you as an individual, but I am speaking of all the people who come before this committee to justify the aid program.

General WOOD. I wondered if you were speaking of me.

Mr. PASSMAN. I said I was not speaking of you as an individual.

General WOOD. I will refer to a newspaper article which quotes you as saying, "McNamara's top military subordinates stand in mental fear of him," and I say that is absolutely untrue of me; I stand in mental or physical fear of no one.

Mr. PASSMAN. Is it not true that I asked for information and you put it in the record and when the Secretary, at a subsequent date, said it was not accurate you said if the Secretary said it was not correct the Secretary was right?

General WOOD. "McNamara's top military subordinates stand in mental fear of him."

Referring to the transcript of March 25, it appears at page 853 of the transcript that I said: "Mr. McNamara is the boss and if he says something is right, it is right."

I do not believe you have an understanding of a staff officer.

Mr. PASSMAN. Yes, I do, General.

General WOOD. One of the principal characteristics of the oft-maligned military man is loyalty to his boss. I argue plenty with the Secretary about various parts of the military program, but when he makes a decision that is it. If I don't want to work with him I can get another job. But I am his staff officer and he makes the decisions and I support him.

Mr. PASSMAN. But if Secretary McNamara should say 2 and 2 add up to 9 that would not make it correct, would it?

General WOOD. I think 2 and 2 certainly do not add up to 9, not in my arithmetic.

Mr. PASSMAN. And not in Mr. McNamara's either. That is why I refer to the statement put in the record last year.

General WOOD. I think we were talking about a table in the book, as I recall.

Mr. PASSMAN. That is correct.

General WOOD. And I think the Secretary was addressing himself more to the semantics of the title on the table than the figures.

Mr. PASSMAN. Mr. Andrews, do you have any questions on Argentina?

Mr. ANDREWS. Yes, Mr. Chairman, I have a question.

I am sure this does not come under your jurisdiction, General, but the cattle people in this country are raising cain about beef imports from certain foreign countries and Argentina seems to be one of the biggest suppliers of foreign beef coming in this country. Do you know anything about that problem?

General WOOD. No, sir; I am sorry, I am completely uninformed on that, Mr. Andrews.

Mr. ANDREWS. Thank you.

BUDGET FOR 1965 AND PRIOR YEAR UNEXPENDED BALANCES FOR LATIN AMERICAN COUNTRIES

Mr. PASSMAN. How much trouble would it be to give the amount of the estimate for fiscal 1965, the amount of the unexpended funds to the credit of the country for fiscal 1963, and then the estimated amount that will be to the credit of the country at the close of business fiscal 1964, by country?

Off the record.

(Discussion off the record.)

General WOOD. Yes, sir; I can give you that country by country or insert it.

Mr. PASSMAN. Do you have it so you can give the information rapidly?

General WOOD. Yes, sir.

Mr. PASSMAN. Let us try one or two.

General WOOD. Let us try it on Bolivia.

Mr. PASSMAN. All right.

General WOOD. The 1965 program for Bolivia is estimated at ———.

Mr. PASSMAN. The unexpended funds on June 30, 1963?

General WOOD. Estimated undelivered balance end of fiscal year 1963, $3,559,000.

Estimated end of 1964, $3,109,000.

Mr. PASSMAN. Brazil?

General WOOD. Brazil, the program for 1965 is ——— estimated undelivered balance at the end of fiscal year 1963, $24,087,000; estimated at the end of fiscal year 1964, $18,738,000.

Mr. PASSMAN. Chile?

General WOOD. Chile, the program for 1965 is ——— estimated undelivered balance end of fiscal year 1963, $11,369,000; and the fiscal year 1964 estimate is $13,062,000.

Colombia, the 1965 program is ——— estimated undelivered balance end of fiscal year 1963, $10,132,000; and estimated at the end of fiscal year 1964, $10,037,000.

Costa Rica, the 1965 program is ——— estimated undelivered balance end of fiscal year 1963, $299,000; estimated end of fiscal year 1964, $672,000.

The Dominican Republic, program for 1965 ——— estimated undelivered balance end of fiscal year 1963, $2,596,000; end of fiscal year 1964, $2,430,000.

El Salvador, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $3,610,000; estimated undelivered balance end of fiscal year 1964, $4,351,000.

El Salvador, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $1,415,000; estimated undelivered balance end of fiscal year 1964, $1,088,000.

Guatemala, program for 1965 ——— estimated undelivered balance end of fiscal year 1963, $2,476,000; estimated undelivered balance end of fiscal year 1964, $1,835,000.

Honduras, 1965 program ——— undelivered balance end of fiscal year 1963, $988,000; estimated undelivered balance end of fiscal year 1964, $684,000.

Nicaragua, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $906,000; estimated undelivered balance end of fiscal year 1964, $1,044,000.

Paraguay, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $987,000; estimated undelivered balance end of fiscal year 1964, $1,535,000.

Peru, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $10,591,000; estimated undelivered balance end of fiscal year 1964, $15,447,000.

Uruguay, 1965 program ——— estimated undelivered balance end of fiscal year 1963, $2,374,000; estimated undelivered balance end of fiscal year 1964, $3,776,000.

TOTAL AID TO LATIN AMERICAN COUNTRIES

Mr. PASSMAN. Now, General, if you could, please, give us a table following those figures giving the total amount of aid given to each of those countries from the inception of the program.

General WOOD. Yes, sir. That shows in the black book.

Mr. PASSMAN. I know that it does but all the other stuff you gave also shows in the black book, but we want to get it in the record. You may insert that part of it.

General WOOD. Yes, sir.

(The information follows:)

Military assistance to Latin America cumulative fiscal year 1950–64

[Dollars in thousands]

Argentina	$13,564	Haiti	$3,405
Bolivia	10,858	Honduras	3,596
Brazil	186,846	Jamaica	545
Chile	74,259	Mexico	1,198
Colombia	55,325	Nicaragua	6,603
Costa Rica	1,828	Panama	1,799
Cuba	10,575	Paraguay	3,579
Dominican Republic	12,098	Peru	66,776
Ecuador	29,567	Uruguay	32,912
El Salvador	3,825	Venezuela	3,685
Guatemala	8,702	Latin America area programs	8,353

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. CONTE. Mr. Chairman, I agree with you. But this article says McNamara contradicted things said by a four-star general and when asked about it the general said, "If the Secretary says it is so, it is so." It makes it look like a quote. I am glad we are clearing it up because it looks that way.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. GARY. We have all been subject to that pressure, Mr. Chairman. The press is always trying to get a scoop and they are after us all the time. I always say, "I have no comment. See the chairman."

Mr. CONTE. This also says, "We found his statements were loaded with inaccuracies."

Mr. PASSMAN. Off the record.

(Discussion off the record.)

CESSNA 185'S REQUESTED FOR LATIN AMERICA

Mr. PASSMAN. General, could you tell us the total number of Cessna 185's for your Latin American program?

General WOOD. A total of nine, sir. That is 1964.

Mr. PASSMAN. How many did you request for ——— last year?

General WOOD. One, sir.

Mr. PASSMAN. But you programed five?

General WOOD. That is correct.

Mr. PASSMAN. Will you give us that same type of information on all the other Latin American countries? You may put it in the record, the amount of the request and the number that you programed.

General WOOD. 1964? Yes, sir.

(Classified document was submitted to the committee.)

UTILIZATION OF AIRCRAFT

Mr. MINSHALL. What use is made of these aircraft in ——— sir?

General WOOD. The aircraft, particularly in the countries that border the Caribbean, are used in a liaison and reconnaissance mission.

Mr. MINSHALL. With whom do they liaison?

General WOOD. With their own forces and reconnaissance missions in all these countries bordering the Caribbean is for surveillance and observation of infiltration. It is tied to infiltration.

Mr. GARY. Particularly directed to Cubans?

General WOOD. Hopefully to keep them out. This is a utility aircraft.

Mr. MINSHALL. Rather than combat?

General WOOD. Yes, sir.

Mr. PASSMAN. General, as you will recall, we expressed some concern over the fact you had actually allocated in many instances more aircraft than you had requested. For example, you requested one and programed five. Will you document in the record at this point the number requested for each of the recipient Latin American countries and the number programed? Could you do that for all nations,

leading off with the Cessna 185 aircraft, which, it would appear, is the one for which you are funding many more aircraft than you requested funds for last year?

(NOTE.—A classified document was furnished to the committee.)

General WOOD. I think around the world we are programing less than we requested but this is related to the aircraft we took out. This aircraft is replacing the Army's L–19, which is no longer in procurement, and this aircraft is the cheapest one we could get. It cost $18,000 for the aircraft plus $2,000 for spare parts for 2 years, and we thought it was a good buy for that purpose.

Mr. PASSMAN. I am not quarreling with that statement. I want to point out that this aircraft is not used for combat, and if we had known that, at least it could have been postponed probably. I think in Iran there are 37 of these aircraft.

General WOOD. It is not a combat aircraft so far as being armed is concerned but neither is the L–19.

Mr. PASSMAN. But this aircraft could take a lower priority, could it not?

CONTROL OF ARMS TRAFFIC

Mr. SLOAN. Mr. Chairman, this country, in cooperation with the Caribbean coastal countries concerned, have been pushed very hard to try to establish a satisfactory coastal survey program. That is why the small coastal patrol boats are included in this program. This is an effort to do something about controlling Cuban arms traffic in the Caribbean and it is a high priority program.

Mr. MINSHALL. You do not think they will come out in broad daylight and try to bring arms in from Cuba, do you? They will do it under cover of night, will they not?

Mr. SLOAN. That is true, but if the program worked out by General O'Meara is effective to any degree at all it will reduce the times when they can move, because even if they move ships in the night, they cannot hide them in the daytime, and they succeeded in finding the arms caches ———.

Mr. MINSHALL. The coastal area you describe would not include El Salvador?

Mr. SLOAN. Yes, all those contiguous areas have that problem and it is a very important program.

AIRCRAFT SPARE PARTS

Mr. MINSHALL. The general said this aircraft costs $18,000 plus $2,000 for spare parts. You are very heavy on spare parts and I think they could be reduced substantially. I have made inquiry of aircraft manufacturers and they said they do not know why you are supplying so much in spare parts.

Mr. PASSMAN. The same type of program applies to Iran and the Middle East.

I pointed out that you programed more than you requested.

Mr. SLOAN. Usually it is a substitution for other aircraft and the answer to your question is we do need liaison aircraft wherever you have an internal subversion problem.

PRIORITY FOR AIRCRAFT

Mr. PASSMAN. In a real emergency this aircraft would have a low priority, would it not?

General WOOD. This and many other things.

Mr. PASSMAN. I will say perhaps 90 percent of other things. This Congress has been accused of not appropriating sufficient funds to properly fund ammunition requirements for some of the nations, and I want the record to show that you have some items which could take a lower priority, and I am thinking of the Cessna 185's as one of those items.

Mr. GARY. In case of war you will have a greater need for reconnaissance searching for submarines, will you not?

General WOOD. In case of war. In case of hostility there is need for all kinds.

Mr. PASSMAN. The Cessna 185 is not amphibious, it is landplane and is used largely for internal security. Is that not correct?

General WOOD. That is correct but it is capable of course, of flying over waters adjacent to a coastline.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

MILITARY AID PROGRAMS SUSPENDED IN LATIN COUNTRIES

Mr. PASSMAN. Have you suspended military aid to any of the Latin American countries during fiscal 1964?

Mr. SLOAN. The Dominican Republic and Honduras both were suspended.

Mr. PASSMAN. Those are the only two?

Mr. SLOAN. Haiti had previously been suspended.

Mr. PASSMAN. You did not deobligate the amount of funds to these countries; you suspended the programs, but the funds allotted to these countries remained intact?

Mr. SLOAN. Some parts of them were deferred, and the programs would be resumed when the governmental difficulties were settled. I do not know whether the entire balance undelivered were recouped or not.

DOMINICAN REPUBLIC

Mr. PASSMAN. What amount did you have to the credit of the Dominican Republic as of June 30, 1963?

General WOOD. $2,596,000.

Mr. PASSMAN. What sum will you have June 30, 1964?

General WOOD. We estimate we will have $2,430,000.

Mr. PASSMAN. About the same?

General WOOD. Yes, sir. As we say here, the program for 1965 is based upon the assumption that assistance to this country will have been resumed by June 30, 1964. It has not been resumed yet.

Mr. PASSMAN. Did you make allocations out of 1964 funds to the Dominican Republic?

General WOOD. I think we had some for training, sir.

Mr. SLOAN. About $119,000 for training.

Mr. PASSMAN. In a country where you had suspended certain phases of the military aid program?

Mr. SLOAN. The training was in process when the suspension came.

Mr. PASSMAN. Then you have had no funds deobligated in the Dominican Republic during fiscal 1964? If you shall have, give us the amount.

General WOOD. Of course, we are not at the end of the fiscal year yet, Mr. Chairman.

Mr. PASSMAN. We are basing that upon estimates.

General WOOD. We left the training programs in existence, but did not start any new ones. I do not have the figure for that. I can submit it for the record.

Mr. PASSMAN. You programed $719,000 for fiscal 1964 and you delivered against that $1,441,000. Is that correct? The record page is 193–X.

General WOOD. These are the estimated deliveries.

Mr. PASSMAN. And they are still firm, as far as you know?

General WOOD. I do not have a better estimate at the moment.

Mr. PASSMAN. It would be $2,430,000 as the estimate at June 30 of this year?

General WOOD. That is the estimate.

Mr. PASSMAN. What sum are you requesting for the Dominican Republic for fiscal 1965?

General WOOD. We are requesting a program of ——— consisting of ———.

Mr. PASSMAN. Is that military program still in suspension?

General WOOD. Yes, sir, and that is based on the assumption that assistance to this country will have been resumed.

Mr. PASSMAN. Am I making a fair statement when I say that you suspended the military program in the Dominican Republic with the exception of certain training, for which you did make expenditures; but, even though your military program is in a suspended category, you are requesting ——— for fiscal year 1965?

General WOOD. That is correct.

HONDURAS

Mr. PASSMAN. What is the estimated unexpended balance for Honduras as of June 30, another country for which military aid was suspended?

General WOOD. The balance at the end of 1963 was $988,000. We estimate at the end of 1964, $684,000.

Mr. PASSMAN. You estimated that you would program $104,000 in fiscal 1964. You are estimating now that the deliveries will be $266,000, and there will be $684,000 to the credit of Honduras, according to the present estimate, on June 30.

General WOOD. Yes. It appears that reinstatement of aid to Honduras has been made. We are continuing ———.

Mr. PASSMAN. Are you requesting any new money?

General WOOD. ——— for 1965.

HAITI

Mr. PASSMAN. Is the military aid program still suspended in Haiti?

General WOOD. Yes, sir.

Mr. PASSMAN. What amount did you have to the credit of Haiti on June 30, 1963?

General Wood. We had $220,000.

Mr. Passman. What do you estimate for June 30, 1964?

General Wood. Wait a minute. That is 1964. 1963, $972,000, and $220,000 in 1964.

Mr. Minshall. What did you do about the airport? I understand that comes under economic aid.

General Wood. I do not know.

Mr. Sloan. They suspended it. I am pretty sure they have not agreed to complete it. They did suspend it at the same time.

General Wood. We have no 1965 program for Haiti. We plan to recoup all of the undelivered balance in the 1964 program.

TOTAL MILITARY AID TO HAITI

Mr. Passman. Could you tell us the total amount of our aid to Haiti through June 30?

General Wood. $3,405,000 since 1956.

PANAMA

Mr. Passman. General, last year the justification for Panama stated:

(Off the record.)

Mr. Passman. Is that the same rifle company that is discussed on page 227 of the historical justifications as follows:

(Off the record.)

General Wood. I followed the statement you read. What was the question, sir?

Mr. Passman. Is that the same rifle company that is discussed on page 227 of the historical justifications?

General Wood. The same as what? I read the statement.

(Off the record.)

General Wood. Is it the same rifle company as last year?

Mr. Passman. Let us go to page 227 of the 1964 justifications.

General Wood. I see the statement. I would assume it is the same.

Mr. Passman. Then it says:

(Off the record.)

Mr. Passman. It was organized last year and effective. Now it is ineffective and we are attempting to recover the equipment. Will you give us a little explanation on that?

General Wood. I will have to reserve that for you, sir. I do not know whether it is the same company or not.

Mr. Passman. One place it is good; one place it is bad. I just cannot reconcile it. Will you do some research as to whether it is the same rifle company?

General Wood. I will let you know.

Mr. Passman. Thank you very much, sir.

(Note.—Classified information supplied the committee.)

Mr. Passman. Let us take a brief recess.

(Brief recess.)

Mr. Passman. The committee will come to order.

LEVEL OF MAP IN LATIN AMERICA

Mr. Conte, do you have any questions regarding the MAP in Latin America?

Mr. CONTE. The only question I have, General, I think I have asked just about every year for the past 5 years. I am very much concerned about military assistance to Latin America. I notice this year we are going way up to $66 million. We have a limitation of $55 million, plus packing, crating, handling, transportation, and training.

NEED FOR MORE COORDINATION OF EFFORT

I am just wondering if we are going a little bit overboard. I have long suggested in this committee that maybe we should have a regional military defense for Latin America similar to the NATO setup or the SEATO setup or the CENTO setup, rather than have each individual country going off on its own and then finding later on that some of this military assistance is being used to overthrow governments and to fight each other.

General WOOD. Of course, we have the Organization of American States. We are dealing with Latin people. While we generalize and talk about the countries down there, they are all different entities. They did get together at the time of the Cuban trouble regarding the Russian missiles and they all supported that, not all of them have been willing in the OAS to break relations with Cuba. Some have. Not all have.

The OAS, as you know, is not the kind of organization NATO has been, principally because the threat has not been there. It seemed to us that with Cuba they might begin to see the threat.

I would say certainly a lot of people in this town in all the departments, including the President's interest since he has appointed Mr. Mann to this job, certainly are working on the problem of Latin America and have been for years, but I would agree with you that everything does not go quite as we would like it to go. On the other hand, we cannot tell sovereign governments what to do.

On military assistance itself, of course in the $66 million you mentioned, we do not exceed the materiel limitation of $55 million.

Mr. CONTE. Yes; I said that, but you go over that——

TRAINING PROGRAMS

General WOOD. Mostly with training, $13 or $14 million worth of training, which we think, dollar for dollar, is a very good investment because these people do go back there.

Off the record.

(Discussion off the record.)

(NOTE.—Portions of General Wood's responses to questions raised by Congressman Conte included specific examples and other material which had to be deleted for security reasons. In the deleted testimony General Wood agreed with Congressman Conte that it is essential that Latin American nations realize that the Communist threat affects all Latin American nations, not just a few. General Wood gave examples of the success of military assistance in certain cases, but recognized that success had not been universal. General Wood also acknowledged that a few Latin Americans who received training in U.S. military schools have been involved in coups.)

General Wood. Second, I would say the military takeover in many countries in Latin America is not particularly because of military capability, but because of a vacuum in the civilian political structure so far as running the country is concerned, and the only force for stability and orderliness is the military.

When they get into running the Government, most of them are not trained for that as well as they might be. Running a Government, as you know better than I, is the business of looking for the greatest good for the greatest number, of satisfying this ——— group somehow and that ——— group, so all pull for the good of the country. Latin America has always been a group of nations with a horizontal division of society.

I am generalizing, which I just said you should not do. This is not true of all of them. Of course, it varies in degree from one to another.

Philosophizing on the thing, I believe it is worthwhile to continue some military assistance to Latin America, because if the Communists ever get into that continent in force and take over some of the bigger countries, we are in a bad way here. If we can help, as I believe we can do, particularly with emphasis on civic action and internal security programs, I believe it is worth while.

Mr. Conte. If the military assistance is used to keep the Communists out, then it is worth our investment. However, if you have a situation such as Cuba, where you assist the wrong individual as they assisted Castro and his crusade, then we find ourselves behind the eight ball.

General Wood. I would put on the other side, at least for the moment, Brazil.

Mr. Sloan. Another thing which I think is worth noting in this part of the world is the stability of a number of the countries, civilian political government stability, starting out with Mexico and going on to Venezuela, which has managed to hold two or three elections in a row without any interference, and to Brazil itself, where there is still constitutional control, and in Bolivia. There is a real tendency for Latin American military people to become more and more professional and less and less political so they are not political activist organizations, but more professional military organizations and responsive to civilian control.

We have had many training missions down there long before we had the MAP program, in which our services sent people. They say, and I feel it is true, that the training program particularly has gradually built up in them an increasing feeling that they would like to be like the U.S. military and fit into the democratic scheme.

Mr. Conte. General, what percentage of the training takes place in the United States, if any?

General Wood. You can get a pretty good feel for that on page 12 by looking at the number of students. You will see the Alliance for Progress countries, and the total in the right-hand column is 4,500, of which roughly 2,700 are overseas, which is in Panama, and some 1,800 in the States. The schools in the Canal Zone are quite good. They teach in Spanish, incidentally, and they have various courses of all kinds—counterinsurgency courses, engineering construction courses. I have visited these schools, and there is an Air Force school, also, which is not training pilots, but maintenance people essentially.

TRAINING PROGRAM TO LATIN AMERICA COMPARED TO TOTAL PROGRAM

Mr. CONTE. What percentage of our military assistance program goes to Latin America?

General WOOD. $66 million, which is about 6 percent.

Mr. PASSMAN. General Wood, could you give us a breakdown, percentagewise, of our fiscal 1963, 1964, and 1965 programs for all Latin America that would go for training as against construction, ammunition, and equipment? I do not see that we could quarrel with training if it were limited to that, with exceptions, but when you pour military equipment into 15 nations out of the 18, that is different. If you could break it down, we would be very grateful to you.

(Information supplied follows:)

The following table compares the total training program for Latin America to the rest of the program for the 3 fiscal years requested.

	Training	Other	Total
1963	$14,710,000	$55,910,000	$70,620,000
1964	16,107,756	54,374,775	70,482,531
1965	16,889,134	[1] 55,154,455	72,043,589

[1] Includes supply operations which in fiscal year 1965 is not chargeable to the ceiling of sec. 511(A).

General WOOD. With approximately $52 million of this year's program going for materiel, that, of course, is the biggest percentage. That is not all weapons, of course. A lot of it is for civic action programs.

Mr. PASSMAN. Against how much for training?

General WOOD. The training is roughly $16 million, sir.

Mr. PASSMAN. The program goes into a total of 18 nations.

PROPRIETY OF INCLUDING CIVIC ACTION PROGRAMS IN MAP

With respect to the civic action phase of the military assistance program, that is properly in the military assistance program, is it not? Engineering battalions, and so on?

General WOOD. We have found it worthwhile, particularly in Latin America. It is the utilization of military units for tasks which would be part of their normal training anyway—engineering battalions building roads, building schools, draining swamps, sanitation measures, medical units treating in the provinces, transportation units hauling produce as well as military equipment. We have found several advantages to this. In the first place, it is practical training for the troops. It would be the same kind of training as in combat. In the second place, in many places it has brought the military closer to the people. It certainly has been true that in many of the countries the military has been an organization which the people thought were ill-mannered police. They were going to shoot them all. Getting them out into the provinces to talk to the people, they realize the military are trying to do something for them.

General O'Meara particularly makes this point in Venezuela and Columbia, where the antiguerrilla activity has been furthered by the natives now furnishing intelligence to the troops, which they would

not do before, because they now feel the troops are trying to help them in the way of civic action programs.

From the standpoint of the economy of the country, it has added to what the country is able to do for itself, particularly in the outlying provinces where development is an objective. These particular jobs they do are pretty carefully reviewed by the country teams.

To sum up, I think we have found in this year we are putting in roughly $10 million. We think it is worthwhile.

Mr. PASSMAN. I am not quarreling with it. I am familiar with what a civic action program is, because in prior years we have documented it. It could be roads, bridges, schools, and so forth. I merely asked the question if it was proper to have this item under the military assistance program, and you answered in the affirmative.

AID AND MAP FINANCING FOR BOLIVIAN ROAD PROJECT

I am looking at an AID press release dated Friday, April 3, 1964:

AID grants to equipment, Bolivian roadbuilding battalions. Two more Bolivian army engineer battalions will be equipped with heavy equipment for building roads, bridges, and airfields under the Alliance for Progress through a $450,000 grant from the Agency for International Development.

If it is good that this type of activity to be in the military assistance program, then it seems to me it should be in the military assistance program. If you get one allocation out of the military assistance program and then another grant of aid out of the economic side, it is practically impossible for us to know what it is all about.

General WOOD. Of course, AID and military assistance are coordinated, as you know. This is a joint action in many of these countries, where the Agency for International Development furnishes the expendable material which is used for building a road or bridge, for example, and the military assistance program equips the engineer unit with its basic military equipment and of course the local people furnish the personnel.

Mr. PASSMAN. This is equipment I am talking about.

General WOOD. I see it is.

Mr. PASSMAN. General, I am not quarreling. I am trying to understand a very complicated program. If they are going to have a civic action project under the military program, and if that is the right place for it, then it seems to me that they should have obtained your permission.

General WOOD. May I keep this and check on it?

Mr. PASSMAN. Please do so.

(The information supplied follows:)

The funding of support for Bolivian engineer Battalions has been an exception to the normal funding formula for civic action under which AID provides expendables and the MAP the equipment. Prior to fiscal year 1962 Bolivia did not receive regular military material assistance although two special grants of equipment for internal security purposes were made in 1958 and 1961. In 1958 the engineer battalions were the best available units to undertake construction of feeder roads in isolated areas, so it was decided to provide construction equipment through the AID program with technical services being provided by the U.S. Army Mission. This method of coordination over the years proved very effective, and in 1962 when the present funding formula was adopted it was decided to continue with this method as a temporary exception to the new funding formula to avoid disruption of the program.

Since fiscal year 1962 the MAP has provided the engineer units general purpose vehicles, communications and weapons to improve their internal security capability and in fiscal year 1964 engineer vehicles were programed. For fiscal year 1965 AID is programing only for expendables since initial equipping of the units is completed and the follow-on funding for replacement equipment shifts to the MAP, thus completing the transition to the current funding formula.

Mr. PASSMAN. Mr. Natcher, any questions relative to the military program for Latin America?

Mr. NATCHER. I do not believe I have any at this moment, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

Mr. ANDREWS. No questions, Mr. Chairman. You have covered it very, very thoroughly.

(Off the record.)

Mr. PASSMAN. Were you ever able to recondition this tank that they used to go through this fence and to take a President out and then isolate him on an island? I wonder if it ruined the tank or the fence. It was a Sherman tank, I believe.

General WOOD. I do not believe I know that story, Mr. Passman.

Mr. PASSMAN. Do you not recall that in Peru they decided they did not like the President, and the military took a Sherman tank right up to the palace door. I wondered if they were able to rehabilitate that tank or whether it was ruined.

General WOOD. I do recall something on that. Were not those tanks bought rather than granted?

Mr. PASSMAN. It does not make any difference.

We go ahead and give them military grant-aid. Then we give the countries in the aggregate billions of dollars in economic aid. Either they take that money indirectly and pay for what they purchase from us, or else we give them commodities, thereby releasing to them what they earn from their exports and they have that money. If we are pouring it in from two sides, economic aid and military, we never know but what the money we give them in economic aid does not indirectly buy the military equipment that we say we sell them.

I would like someday actually to know the facts. The table on gold holdings and transactions that we put in our report last year gives a pretty good indication of what happens.

Off the record.

(Discussion off the record.)

AFRICA

ETHIOPIA

Mr. PASSMAN. Let us now turn to Africa for a moment. I believe the first country is Ethiopia. Fiscal year 1965 is ———.

General WOOD. Yes, sir.

Mr. PASSMAN. Does that include the entire military assistance program for Ethiopia, or is that just——

General WOOD. The only thing it excludes in the organization of the book this year is the supply operations, the cost of shipping things, which we discussed the other day.

Mr. PASSMAN. That cost will be added to this figure?

General WOOD. Yes.

Mr. PASSMAN. What amount did you request and justify in the fiscal 1964 hearings for Ethiopia?

General WOOD. $8,823,000.

Mr. PASSMAN. What amount did you program?

General WOOD. What kind of items?

Mr. PASSMAN. No. What amount did you program for fiscal 1964?

General WOOD. $9,506,000.

Mr. PASSMAN. That sum exceeds the original request by how much?

General WOOD. Roughly a million dollars—$700,000. That was added in the recent past due to appeals from the country team for additional training. I think I am correct in saying all of that money that was added was for training and spare parts.

Mr. PASSMAN. If you had been in an extremely tight program, could you have kept it within the amount of the request? As you know, the request was reduced substantially, but you still had enough left in the billion dollars to increase the allocation to Ethiopia.

Mr. SLOAN. Off the record.

(Discussion off the record.)

AID TO SOMALIA

Mr. PASSMAN. Have we a military aid program in Somalia?

Mr. SLOAN. No.

Mr. PASSMAN. Do we have a grant-aid program?

General WOOD. You mean economic?

Mr. PASSMAN. AID.

General WOOD. I think AID had a police training program there. I do not know whether it is still there or not.

Mr. PASSMAN. How about the economic aid?

General WOOD. I do not know.

ECONOMIC AID TO ETHIOPIA

Mr. PASSMAN. I think we do have. Have we an economic aid program in Ethiopia, in addition to this program?

Mr. SLOAN. Yes.

Mr. PASSMAN. Again, if we had been following an extremely tight program, this additional $700,000 could have been moved over into fiscal 1965?

Mr. SLOAN. We would not have been able to respond to the need at that time.

Mr. PASSMAN. You mean respond to the request.

Mr. SLOAN. Our military people thought there was a need for it, Mr. Chairman.

Mr. PASSMAN. Naturally they would.

You are programing ——— aircraft for this country, are you not?

General WOOD. Yes.

Mr. PASSMAN. Page 92 of the historical justification indicates the cumulative program through 1964 is ——— aircraft in this program. When were these aircraft justified to the committee?

General WOOD. There was a reprograming action.

BASE RIGHTS PROGRAM

Mr. PASSMAN. Do you have a program for base rights for fiscal 1965, sir?

General WOOD. We have programs in four countries.

Mr. PASSMAN. Am I correct in naming them? ——— Libya, Portugal, and Spain?

General WOOD. That is correct.

LIBYA

Mr. PASSMAN. For Libya you are requesting ———?

General WOOD. That is correct.

Mr. PASSMAN. I note your proposed fiscal 1965 program contains a further increase of approximately ——— above the fiscal 1964 program. Is that correct?

General WOOD. Above the 1964 program; yes, sir.

Mr. PASSMAN. What sum did you request for Libya in fiscal 1964?

General WOOD. $2,199,000.

Mr. PASSMAN. What amount did you allocate?

General WOOD. $2,159,000.

Mr. PASSMAN. A reduction of what amount?

General WOOD. $40,000.

PORTUGAL

Mr. PASSMAN. It is my understanding that at one time we had a limited economic aid program in Portugal, and this is one of the countries which said, and I paraphrase, "We are reasonably contented. We have learned to live with this standard, even though it is the lowest of any European country. We would be very happy just to have you move out of all phases with your aid program, even your technical aid program. The reason is that someday you will have to go, and you will spoil our people by establishing a standard we could not maintain."

I believe the only military program we have for Portugal is ——— for the base rights in the Azores. Is that correct? Do you know of any other program?

General WOOD. I do not know of the economic program, sir.

Mr. PASSMAN. You do not know of any other?

General WOOD. No, sir.

Mr. PASSMAN. This ——— is disbursed for what purposes?

General WOOD. Training and material only, sir.

SPAIN

Mr. PASSMAN. Your estimate for Spain in fiscal 1965 is ———?

General WOOD. That is correct.

Mr. PASSMAN. I believe this ——— program for fiscal 1965 represents the first increment of a 5-year program in which we agreed to provide ——— grant military assistance to Spain; is that correct?

Mr. SLOAN. They have in preparation, Mr. Chairman, a program for all three of the services for their own purchases.

(Off the record.)

Mr. PASSMAN. Please give me credit for understanding that we have a consideration.

Mr. SLOAN. I want the record to show that.

Mr. PASSMAN. I am trying to establish for the record that, for all practical purposes, we are committed in grant-aid ———.

(Off the record.)

Mr. PASSMAN. Beyond the 5 years, then what takes effect?

Mr. SLOAN. Beyond that time, we should renew or make a new agreement.

Mr. PASSMANN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. The gentleman from Massachusetts' statement cleared it up that the ———.

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. SLOAN. Correct.

General WOOD. Off the record.

(Discussion off the record.)

Mr. PASSMAN. ———. However, should we not state for the record that Spain is getting just as much security out of this program as the United States?

General WOOD. Yes, sir; ———. Off the record.

(Discussion off the record.)

Mr. PASSMAN. That is fine. This program is for the security of Spain as well as for the United States?

General WOOD. Yes, sir.

Mr. PASSMAN. Sometime I would like to hear of some nation giving us something; that is, of a case where we do not have to give them something in return.

General WOOD. As I said earlier, we are operating from self-interest.

Mr. PASSMAN. Do you not think they operate the same way?

General WOOD. Yes, sir; I think the world does.

Mr. PASSMAN. But this is a one-way street. Unfortunately, we are traveling that street and it goes downhill.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Gentlemen, we shall recess the hearings on the military assistance program until 1 o'clock tomorrow afternoon.

WEDNESDAY, APRIL 15, 1964.

GRANT AID PHASEOUT PROGRAM

Mr. PASSMAN. The committee will come to order.

We shall take up this afternoon the grant aid phaseout programs of military assistance.

Under this category I note there are three countries, Denmark, Japan, and Norway, in the fiscal 1965 estimate, and $52,964,000 is the

amount of the phaseout program for these countries. Is that correct, sir?

General Wood. That is right.

Mr. Passman. What did these three countries receive, by country and total, in fiscal 1964?

General Wood. The Danish program for fiscal 1964 was $19,847,000. For Japan it was $12,032,000. For Norway it was $37,292,000.

NORWAY

Mr. Passman. Why was Norway that high in 1964? Were there prior commitments and heavy shipments against those commitments?

General Wood. Yes, sir. The Norwegian program is a commitment one which will run out in about 3 years. One part is cost sharing of ships and the other is assistance for the Air Force. The Norwegians in return are increasing their own defense expenditures.

Mr. Sloan. They agreed to increase their own defense budget from $165 million in fiscal year 1962 to at least $214 million by fiscal year 1965 in increments to provide this $115 million difference. It was primarily for Army and later some Air Force modernization. The increment in this year's program for the agreement is $33.7 million.

Mr. Passman. Did you have any emergency items or anything approaching an emergency which you had to fund for Norway in fiscal 1964?

Mr. Sloan. The principal items in the 1964 program were aircraft, ship construction, and M–48 tanks and armored personnel carriers.

Mr. Passman. M–48 tanks come out of stock procured for Norway? Is that what we refer to as a shelf item and stock item transfer?

Mr. Sloan. Actually they are being phased out at the present time from our forces.

Mr. Passman. How many tanks were involved?

Mr. Sloan. ——— tanks.

Mr. Passman. At acquisition cost?

Mr. Sloan. I don't know whether it was handled as excess.

General Wood. M–48 is not yet excess to the Army's needs.

PROGRAM LEVEL IN EXCESS OF REQUEST FOR FISCAL YEAR 1964

Mr. Passman. You requested $31,744,000 for Norway last year?

General Wood. Yes, sir.

Mr. Passman. You programed $37,292,000?

General Wood. That is right.

Mr. Passman. You programed for Norway $5,548,000 over the estimate submitted to the committee last year. Is that a correct statement?

General Wood. That is right; yes, sir.

Mr. Passman. Had there been a real emergency, something of a top priority, such as ammunition for Greece or some other place, you could have delayed funding those tanks until you reached the 1965 program? We want the record to show there were ample funds which could have been used, for perhaps higher priority, had the actual demand been there. We are thinking of tanks that you are on the verge of phasing out but which are not yet excess, and we are thinking of ship overhaul. Even after the reduction Congress

made, you funded $5,548,000 over the request for Norway. I think I am being fair to indicate that funds were ample in the event of an emergency of a high priority which could have been used to fund any ammunition shortage, wherever the shortage might have been.

General Wood. Actually this was a country to which the Secretary of Defense felt we were committed and the requirement turned out during conversations during the year to require this much funding.

I recall we made up part of it by reducing the program for Italy in order to find the amount that the Secretary desired to fund.

Mr. Passman. All these things have a reason behind them.

However, the facts are that when you appeared before the committee last year you were testifying for $1,405 million originally. Is that correct?

General Wood. $1,405 million.

Mr. Passman. $31,774,000 for Norway was part of that presentation. Is that a statement of fact?

General Wood. Yes.

Mr. Passman. Even after Congress reduced the appropriation to $1 billion you still funded $5,548,000 more than you requested for Norway. Is that a statement of fact?

General Wood. That is right.

Mr. Sloan. $5 million more.

Mr. Passman. I get $5,548,000.

Mr. Sloan. That is correct. We have been maintaining considerable pressure on both Norway and Denmark to increase their state of readiness in their contribution to NATO forces. I think as far as we are concerned from a worldwide military posture that NATO force improvement is of first priority.

Mr. Passman. But you are doing business with a 2-year phaseout program.

General Wood. We are programing nothing new beyond the commitment.

Mr. Passman. The action taken would indicate to me that you had sufficient money in the phase-out program to give them $37,292,000 out of $1 billion, and at least the record should show this thing has not been squeezed so tight that there is not a little juice left in it yet.

Mr. Sloan. I think the correct statement would be that the record shows we made our reductions deeply and drastically, and we made them in several of the largest forward defense country programs along the Iron Curtain. This is the only place where there are funds available——

Mr. Passman. You didn't make a reduction but an increase.

Mr. Sloan. A $5 million increase in that one NATO program.

Mr. Passman. I am showing that in the phaseout program, out of the $1.405 million request which Congress reduced to $1 billion, you wanted $31,774,000 for Norway, yet you programed $37,292,000, an increase of $5,548,000.

General Wood. In return we got expenditures by the Norwegians which we think are worth while.

Mr. Passman. You do not think that action could have waited until this year? I still think of that ammunition shortage which was claimed in Greece and Vietnam and other places.

Mr. Sloan. I think, Mr. Chairman, you may be interested to note that we expect the Norwegians' defense expenditures out of their

increased budget to be made in large part in the United States. We expect at least $50 million and perhaps as high as $90 million of their expenditures will be spent in the United States as part of the agreement that they would increase their defense expenditures.

Mr. PASSMAN. In order to sell them something later, you funded a greater amount than you justified at the expense of a claimed shortage of ammunition in Vietnam and Greece?

What will we do, Mr. Secretary, if Norway comes along, in this phaseout program and says, "If you continue the program we will increase our expenditures in the United States for a certain amount"? What will be your answer then? What will be the answer when you have no further request and they come along and say, "If you go back into this grant aid then we will increase our expenditures in the United States"?

Mr. SLOAN. This current program for Norway covers the fiscal year 1962 through 1967 period.

General WOOD. However, we have notified——

Mr. SLOAN. They have all been told that grant aid is being terminated.

Mr. PASSMAN. We are talking about the phaseout, which will run several years. Is that correct?

Mr. SLOAN. In each of the three countries it is different; yes.

General WOOD. We told them all that we are phasing out in economically sufficient countries, as Congress directed, except for existing commitments. This is a judgment matter, as you know, Mr. Chairman.

We decided this was the best use of available funds.

PRIORITY DETERMINATION PROCEDURES IN THE MAP

Mr. PASSMAN. You could have funded more ammunition in Vietnam and Greece had you wanted to do so. I do not know how you establish your priorities, but could we get for the record, if it is not classified, your priority list?

General WOOD. There is no such thing as a single priority list.

Mr. PASSMAN. How do you know ammunition has a higher priority than perhaps tanks? Don't you have some way——

ROLE OF UNIFIED COMMANDERS

Mr. SLOAN. The unified commander in reviewing the program each year sets the priorities not only in the individual country but across a group of countries under his command generally.

Then there are reductions. We take the items the unified commander has put at lowest priority out of a program first. This is not based on a list but an annual evaluation by the unified commander and the Joint Chiefs as to the requirements.

Mr. PASSMAN. Then it seems that the unified commanders made the decision that increasing this program for tanks for Norway had a priority greater than ammunition for the NATO countries. That decision was made by the unified commanders?

Mr. SLOAN. I am sure the unified commander recommended we go forward with the M–48 tank program in Norway as part of the NATO defense.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

ROLE OF THE SECRETARY OF DEFENSE AND SECRETARY OF STATE

General WOOD. One final statement—decisions are made by the Secretary of Defense. Recommendations from the unified commanders, recommendations from the Joint Chiefs, and from my office are made, but the Secretary made this decision.

Mr. PASSMAN. Did the Secretary of State make this decision or Secretary McNamara?

General WOOD. The Secretary of Defense made this decision.

Mr. PASSMAN. Secretary Rusk wears the tall hat on this thing, does he not?

General WOOD. Yes, sir.

Mr. PASSMAN. It is under his overall direction?

General WOOD. He concurred in it.

Mr. PASSMAN. He is really the boss of this thing, is he not?

General WOOD. You know what the law says.

Mr. PASSMAN. The law says he is boss.

AIRCRAFT PROGRAMED FOR NORWAY IN EXCESS OF BUDGET REQUEST

I note on page 68–A that you have programed for Norway five F5–A and F5–B aircraft. How many such aircraft did you justify last year?

General WOOD. The situation on the aircraft is this, sir: We had justified last year and planned to supply to Norway two squadrons of F–104 aircraft.

The Norwegians received one squadron of this type of aircraft and then carried on discussion with us as to whether they needed more of this type of aircraft or could they consider a different type of aircraft which they knew we were programing.

We had no F5–A's programed in Norway as we presented it last year but we have substituted a squadron of F–5's and reallocated the squadrons of F104–G's which are now in the program for ———.

Mr. PASSMAN. You requested a total of five F–104G's in your presentation last year to the committee?

General WOOD. We presented a cumulative program which included 1963. Twenty F104–G's and 16 RF–104–G's in 1963 and cumulative through 1963, nine of which were in 1963 itself.

Mr. PASSMAN. Let us get back to the question.

When you appeared before the committee last year you requested $1,405 million for military assistance, and you indicated in your justification that you needed for Norway a total of five F–104G's and RF104–G's. Is that corect?

General WOOD. That is correct.

Mr. PASSMAN. But out of the $1 billion appropriation you funded 11 aircraft. Is that correct?

General WOOD. We substituted the 11 F–5's for the F–104G's.

Mr. PASSMAN. Which aircraft costs more?

General Wood. The F–104G.

Mr. Passman. Put the cost in the record.

General Wood. You see, we reprogramed those previously funded.

Mr. Passman. But I am dealing with what you requested. You requested funds in the $1.4 billion for five aircraft for Norway, but you funded 11 aircraft?

General Wood. That is correct. We didn't have them funded for Norway. We had justified and funded them in the overall F–104 program. It was a question of allocation of the aircraft.

Mr. Passman. I refer to this instance of Norway. That is what you requested when you asked for $1,405 million. You said that you wanted five F–104G aircraft for Norway. Nevertheless, after Congress cut you down to $1 billion, you were able to fund 11 aircraft for Norway.

General Wood. That statement is correct but by itself it does not explain the entire method of handling the decision.

As I said, it was a matter of agreement with the Norwegians on the type of aircraft. The ones previously programed, F–104G's, had not been delivered. So we withdrew them, including those funded in 1964 and made them ———. We substituted the F–5, of which there are 11 in 1964 and you will see there are 22 more in 1965.

Mr. Passman. Does that aircraft, the F–104G, serve the same purpose?

General Wood. Yes, sir. The airplane is essentially a day fighter.

Mr. Passman. What does that airplane cost, approximately?

General Wood. The F–5 is running about $700,000 and the F–104–G about $1.2 million.

Mr. Passman. Had funds for this program been critically low, they could have said, "We originally had planned to allocate five 104–G's. We shall, however, substitute five F–5's." Then you could have taken seven times six, $4,200,000, and bought ammunition for Greece or Vietnam, could you not, if these unified commanders wanted it?

General Wood. It is a judgment.

Mr. Passman. But had there been a real shortage, and we were expecting an emergency situation elsewhere, we could at least have given them money for the five, as you said we would in the higher appropriation request and allocated more ammunition to Greece, if the people in the field determined it should have been that way?

General Wood. I think——

Mr. Passman. The next question——

Mr. Sloan. Mr. Chairman, I thought General Wood was going to make a comment.

I would like to make a comment on that last statement of yours, sir.

Mr. Passman. Please proceed.

Mr. Sloan. The fact is that the F–5 production program overall worldwide had to be reduced because of the allocations and the funds available. Although there is a substitution here of the F–5 type aircraft for the F–104, the total number of aircraft in this program worldwide had to be reduced for allocation because of a reduction in funds.

The reduction, or the cutting off of a production line, as I am sure you are aware, sir, in order to save money today would make starting the production line back up and the production of your aircraft for

next year twice as costly, so the adjustments were worldwide down in the total and the cost of the aircraft was maintained at the relatively more economic level.

Some of the countries had an increase in the allocation. Some had a decrease. The worldwide allocation of aircraft was lower.

Mr. PASSMAN. When a witness of the highest echelon comes before the committee and says that this program is just as solid as concrete, and then we see all these shifts of items which, it seems to me, should not have a higher priority than ammunition if there were an emergency situation in that regard, then, of course, the facts need to be pointed out.

How many, out of the $1,405 million estimate, 104–G's did you request for ———.

General WOOD. None, sir.

Mr. PASSMAN. How many did you program for ———?

General WOOD. The 20 which I mentioned which we withdrew from Norway.

Mr. PASSMAN. Out of $1,405 million budget estimate you requested no F–104G's for ———, but out of the $1 billion appropriation you programed 20?

General WOOD. Yes, we had them in the Norwegian program.

Mr. PASSMAN. You had five for Norway in fiscal 1964. We are dealing with 1964.

General WOOD. True.

Mr. PASSMAN. You went up 15. You took those 6 and you requested none for ——— but you took 5 from Norway and got 15 more from somewhere else?

General WOOD. That is right, they were funded in prior years.

Mr. PASSMAN. But you pulled them out of other programs.

General WOOD. We pulled them out of the program from Norway for 1962 and 1963.

Mr. PASSMAN. Just summing it up, you asked for Norway, out of the $1.4 billion budget request, the five aircraft. Out of $1 billion appropriation, you gave them 11 aircraft of a different type. For ———, out of the $1,405 million budget estimate, you did not ask for any F–104G's but you provided 20.

General WOOD. We didn't fund them. They were programed for the first time in 1964. They had not been programed for ——— before, but they had been funded in prior years. We funded the five for Norway.

Mr. PASSMAN. Where did you get the 15 aircraft?

General WOOD. Funded in 1962 and 1963.

Mr. PASSMAN. For what country, or countries?

General WOOD. Norway.

Mr. PASSMAN. All 20?

General WOOD. The Norwegians, as we discussed earlier, had a total program of 2 squadrons, roughly 40 aircraft. We can check the number.

Mr. PASSMAN. Go to the record, on page 72 of the justifications.

General WOOD. Yes, sir.

Mr. PASSMAN. In fiscal year 1963 you programed nine aircraft for Norway. Is that right, sir?

General WOOD. That is right.

Mr. PASSMAN. Go back to 1962. You programed nine then.
General WOOD. Yes, sir.
Mr. PASSMAN. That is 18.
General WOOD. Yes, sir; 2 in 1964 makes 20.
Mr. PASSMAN. You delivered none of these aircraft to Norway. You allocated, reserved, and obligated funds for Norway in 1962 and 1963 and requested in 1964, but you made no deliveries?
General WOOD. None came off the line. You recall how these aircraft were produced.
Mr. PASSMAN. At the time they were ready you did not need them for Norway?
General WOOD. No. We were glad to have them for the ——— program.
Mr. PASSMAN. You substituted something else for Norway?
General WOOD. That is right.
Mr. PASSMAN. Could you have deobligated this item and used that money for ammunition, had the priority justified it?
General WOOD. No.
Mr. PASSMAN. You did take it from them?
General WOOD. Money was obligated for the aircraft.
Mr. PASSMAN. For a different country.
General WOOD. It makes no difference.

FLEXIBILITY OF PROGRAM

Mr. PASSMAN. The Secretary of Defense said this program was as hard as concrete. I think you have said it is not illustrative. It is not as hard as concrete, and it is not even firm, so it must be illustrative, or very loose.
General WOOD. By law the program was a flexible one and I have said so many times. That is just what it should be.
Mr. PASSMAN. Off the record.
(Discussion held off the record.)

NORWEGIAN AIRCRAFT PREFERENCES

Mr. PASSMAN. You say that Norway likes the F–5 better than the F–104G?
General WOOD. They wanted to buy a total of 60–80 aircraft. The F–5 is a cheaper airplane than the F–104. They sent a team over and tried out these airplanes plus others to decide on which ones they would buy.
Having decided they liked the F–5 they asked us whether we could reprogram for the second squadron of interceptors F–5's rather than F–104G's.

DENMARK

Mr. PASSMAN. You had an unexpended balance of $85,162,000 on June 30, 1963, for Denmark; is that correct?
General WOOD. $85,162,000 as of July 1963 is the correct figure.
Mr. PASSMAN. That is the close of the fiscal year?
General WOOD. Close of fiscal year 1963, page 51.
Mr. PASSMAN. June 30, 1964, the unexpended figure will be up to $88,306,000?

General Wood. Yes, sir.
(Discussion held off the record.)

JAPAN

Mr. Passman. You requested ——— for grant aid for Japan in fiscal year 1965?
General Wood. Yes.
Mr. Passman. An increase of ——— above 1964?
General Wood. Yes, sir.
Mr. Passman. Last year you requested ——— for Japan. How much money did you allocate for this purpose?
Mr. Sloan. None. The Japanese Government did not make the decision within the year as to the ——— equipment, and therefore the ——— item that you see in the 1965 program includes that ——— million item.
Mr. Passman. Is this a new approach to the program, that you request matching funds even before the nation which is to be the recipient has considered or approved the programs?
Mr. Sloan. The program itself had been agreed to many months before.
Mr. Passman. In purpose, but they had not approved the money.
Mr. Sloan. The Japanese budget included the money and it was set aside in the Japanese military budget. They agreed with us on the program but they were testing three different types of equipment, and the decision as to which of the three types of equipment would be purchased was delayed for technical reasons. Therefore we did not fund that item last year.
Mr. Passman. You requested the money prior to actually firming up the program?
Mr. Sloan. The program was firm.
Mr. Passman. I do not see how you can say it was firm. Funding is part of the program.
General Wood. The project was firm but the contractor was not selected.
Mr. Sloan. That is correct.
Mr. Passman. Are you telling us that the governments we do business with on a matching basis do not allocate the money until they select a contractor?
Mr. Sloan. The Japanese defense budget included the funds and they have the funds on hand; yes.
Mr. Passman. But they did not make the allocation so our part could be put up.
Mr. Sloan. They did not decide which of the three contractors to buy the equipment from.
Mr. Passman. They should have made that decision before we put up our money.
Mr. Sloan. We did not put up the money.
Mr. Passman. Congress appropriated it.
General Wood. We requested it. This book was printed in January of 1963 on the basis it would be finalized before the end of the fiscal year.
Mr. Passman. What happened to this money? Was it used for other purposes?

Mr. SLOAN. Actually that is where part of the reduction in the whole MAP was taken. The $6 million item there was one of the places where we met the reduction down to $1 billion.

Mr. PASSMAN. The current estimate is ——— for Japan.

Mr. SLOAN. That is correct.

PHASEOUT OF GRANT-AID PROGRAM FOR JAPAN

Mr. PASSMAN. What will be the balance of our commitment to Japan if this sum should be appropriated?

General WOOD. We have no further commitment for materiel. We will have a training commitment in connection with ———.

Mr. PASSMAN. This phases out the request for grant aid for materiel for Japan?

General WOOD. Yes, sir.

Mr. PASSMAN. You have no infrastructure program for Japan, have you?

General WOOD. No, sir. Infrastructure is a NATO project.

TOTAL MILITARY GRANT AID TO JAPAN

Mr. PASSMAN. What has been the total amount of military grant-aid to Japan since the inception of this program?

General WOOD. Japan?

Mr. PASSMAN. Yes.

General WOOD. Through 1964, $838,419,000.

UNEXPENDED FUNDS CREDITED TO JAPAN

Mr. PASSMAN. What amount do you have unliquidated to the credit of Japan, as we think in terms of unliquidated funds?

General WOOD. Estimated for the end of 1964, $33,718,000.

Mr. PASSMAN. Compared with how much for fiscal 1963?

General WOOD. $77,932,000.

Mr. PASSMAN. So the pipeline is going down for Japan?

General WOOD. That is right.

DENMARK

Mr. PASSMAN. What amount did you request for Denmark?

General WOOD. $21,071,000.

Mr. PASSMAN. For fiscal 1964?

General WOOD. Yes, sir.

Mr. PASSMAN. What amount did you program?

General WOOD. $19,847,000.

Mr. PASSMAN. What was the unliquidated balance to the credit of Denmark as of June 30?

General WOOD. 1963?

Mr. PASSMAN. 1963 and estimated for 1964.

General WOOD. 1963, $85,162,000; 1964 estimated, $88,306,000.

Mr. PASSMAN. It is up $3 million.

Mr. Conte?

Mr. CONTE. General, who makes the F–5?

General WOOD. Northrop.

Mr. CONTE. Who constructs the F–104G?

General WOOD. Originally a Lockheed product. There have been two other sources, the joint United States-Canadian production in Canada and the consortium production of four nations—Germany, Italy, Belgium, and Netherlands.

Mr. CONTE. The F–5 is constructed here in the United States?

General WOOD. Yes, sir.

Mr. CONTE. Really the main reason you switched from the F–104G to the F–5 in Norway was because of the cost factor?

General WOOD. We were looking for an airplane to replace the F–84 and F–86 which were beginning to wear out. The Director of Defense, Research, and Engineering made a study about 2 or 3 years ago on various types of aircraft. The Northrop proposal was selected. The factors entering into the Secretary's decision had to do with cost, ease of maintenance, safety (because it was based on the T–38 trainer which had been one of the best trainers we have ever had so far as safety was concerned) and effectiveness in doing the job, a supersonic fighter and a day interceptor.

Mr. CONTE. It is almost half the price of the F–104G.

General WOOD. When you start up a program the initial ones cost more than they do later. It is now about $700,000 and the F–104G is a little over $1 million, about $1.2 million.

Mr. CONTE. How do they compare in formidability?

General WOOD. F–104G is a little faster.

Colonel SIMPSON. F–104G is faster in straight flight. The F–5 holds several climbing records.

General WOOD. F–5 is a faster climber. The other is faster in level flight.

Mr. CONTE. How does the F–5 compare with the Russian Mig?

Colonel SIMPSON. Depends on the version of the Mig. Off the record.

(Discussion off the record.)

Mr. SLOAN. In the F–104G program, the Canadian-American understanding our share at the time we made our commitment to contribute was expected to result in 110 aircraft. But a matter of fact, the price of the production costs worked down so that a substantially larger number of aircraft will be made available for the MAP program, 131. For prior year programing of 110 we will finally obtain 140 aircraft.

General WOOD. For the same amount of money, $150 million, we put into the Canadian production.

Mr. CONTE. The F–5 is built and constructed right here in the United States?

Mr. SLOAN. Yes, sir.

Mr. RHODES. What is the range of the F–5?

Colonel SIMPSON. With no external tanks and normal cruise power you would have a radius of about 425 miles. If I remember correctly. I would like to correct this for the record.

Mr. RHODES. Can it be refueled in flight?

Colonel SIMPSON. No, sir; and, of course, the countries we are furnishing it to do not have any requirement for in-flight refueling nor do they have any equipment for it.

Mr. RHODES. The NATO forces do. You mean it has no capability for refueling in flight?

Colonel SIMPSON. It does not at the present time.

Mr. RHODES. Can it be modified without too much difficulty to provide that capability?

Colonel SIMPSON. Yes; the aircraft has been provided with structural, tankage, and valving provisions so that an air-to-air refueling can be provided when required on a retrofit basis.

General WOOD. Denmark, Norway, Greece, and Turkey are the only NATO countries using this aircraft because the others of course having gone into the consolidated F–104G production are using that aircraft.

Mr. RHODES. Off the record.

(Discussion off the record.)

FREE WORLD PROGRAM

Mr. PASSMAN. General Wood, the next general item we should like to discuss would be the Free World program. That is primarily political, is it not, in consideration?

General WOOD. I think it is correct to say that the political factor is predominant in these programs.

We desire these countries to be oriented toward the free world or influence their orientation to this country.

BUDGET ESTIMATE FOR FISCAL YEAR 1965

Mr. PASSMAN. I note the program has a budget estimate for seven countries in the amount of $15,218,000 for fiscal year 1965. How does this compare with your fiscal year 1964 program as of January 25, 1964?

General WOOD. Could I insert that, sir, because I would have to add them up. We do not have them grouped that way.

Mr. PASSMAN. Add them up, if you will, please, sir.

General WOOD. Very well, sir.

Mr. PASSMAN. For the seven countries in this category——

General WOOD. You asked about the figure for 1964, Mr. Chairman?

Mr. PASSMAN. Yes.

General WOOD. On the same basis that we computed programs this year, the figure for 1964 for Western orientation countries is $15.4 million.

Mr. PASSMAN. How does that amount compare with fiscal year 1963?

General WOOD. For 1963, $55.3 million, sir.

POLITICAL BASIS FOR PROGRAMS

Mr. PASSMAN. Since the program for these seven countries is more political than military, if the Congress, in its wisdom, were to reduce

the $1 billion estimate for military assistance, this is the one place where it could be done more easily than elsewhere, could it not?

General Wood. Well, I would say that—I would say yes and no. I would say certainly that we place primary emphasis as shown by the amount of money or percentage of funds available to the peripheral countries around the Sino-Soviet bloc, but while the objectives are different in the countries we are now discussing, and the amount of dollars spent is considerably lower, the program there is still worthwhile so far as U.S. security is concerned.

Mr. Sloan. Mr. Chairman, if I may comment.

Mr. Passman. Please do.

Mr. Sloan. I think the programs in at least two of the places listed here are especially important. If these countries move into the Communist orbit, it would obviously produce security problems for us; the real thrust of the program is the prevention of the development of a really big and dangerous national security problem. Off the record.

(Discussion off the record.)

Mr. Passman. Some of these days we are going to come down out of the sky and get away from this kind of fuzzy dreaming, that this Nation can continue indefinitely dissipating its wealth in approximately 100 of the other 112 nations of the world, plus those that were born since that last figure was given.

Mali

If I recall correctly, Mali is one of the seven countries in this program and is also one of the countries, is it not, with regard to which the State Department recently expressed an opinion that it was becoming more and more under the Communist influence?

General Wood. It is one of the seven countries. On the second point, I cannot speak.

Mr. Passman. Let the Secretary speak to it.

Did I make a statement of fact that the Department of State expressed the opinion that Mali was coming more and more under Communist influence?

Mr. Sloan. I am not aware of that statement. There is no question there is considerable Communist influence in that country.

Mr. Passman. Do you not have access to the information that is put out by the State Department?

Mr. Sloan. My answer, Mr. Chairman, was I am not aware of the precise statement you refer to but I do certainly agree that there is considerable Communist influence.

Mr. Passman. If the State Department made this statement——

Mr. Sloan. It sounds accurate.

Mr. Passman. Are you going to suspend, withhold, tie up this program until the atmosphere is a little clearer?

Mr. Sloan. No, sir. We hope the program will help make the atmosphere a little clearer.

Mr. Rhodes. Would you yield?

Mr. Passman. I would be so glad to yield.

Mr. RHODES. A year ago didn't we have a colloquy about the fact that you are arming and equipping a paratroop battalion in this Communist-dominated country?

General WOOD. Yes; a parachute company; that is correct.

Mr. RHODES. Are you still arming and equipping a paratroop company in this Communist-dominated country?

General WOOD. We are still engaged in training in this country, though most of our effort is on an engineer unit this year. I was looking to see if there were any parachutes being furnished but there were not. The program is essentially training in Mali.

The parachute unit is still in existence. As a matter of fact, it is considered an elite unit and that is the principal reason why the Malians wanted it. Whether rightly or wrongly, not being a paratrooper myself, these people consider the paratroop outfits have an aura of eliteness and while I think it may or may not be true at least it has been a well-trained outfit and it has been useful to them there. It was used to guard Government buildings, assist in the suppression of riots about 1 year ago, and portions of the company are now being employed against the dissident Tuareg tribes while another portion has been used to patrol the cease-fire lines in the Algerian-Morocco dispute. Those are three things it has done.

Mr. RHODES. That is in furtherance of the continued control of the country by the Communist government.

General WOOD. I do not think it has been brought out the Government is Communist yet, Mr. Rhodes.

Mr. RHODES. I thought the Secretary indicated the Communist influence was predominant.

Mr. SLOAN. I think it is very strong. There is no question it is very strong.

Mr. RHODES. In the Government itself?

Mr. SLOAN. Yes, but the Government is an independent Government and is remaining so.

Mr. RHODES. These are security forces, are they, this parachute company?

Mr. WOOD. Internal security is their mission; yes.

Mr. RHODES. I have never heard of a parachute unit being used for internal security.

Is this usual, General Wood?

General WOOD. It is used by the Malians like we would a special services outfit. It is the type of an elite organization in the U.S. Army. I do not think that they have dropped by parachute in an operational role but they have that capability.

Mr. RHODES. Do they have airplanes capable of airlift and airdrop?

General WOOD. Yes, sir. They have C–47's.

Mr. RHODES. For a company you would need several; would you not?

How many airplanes would you need to airlift a paratroop company? Does anybody know right offhand?

General WOOD. Well, a C–47 will take about 20 or 22. Company strength is probably 150.

Mr. RHODES. About eight, roughly.

What is the state of the equipment of this paratroop company? Is it comparable to one of our paratroop units of similar size?

General Wood. I would not go so far as to say that, but the report does say that the organization is well trained, it has high morale, and its equipment is in excellent shape.

Mr. Rhodes. What sort of an armed services establishment does Mali have compared to its neighbors? Is it better armed than other nations around its perimeter or not as well armed? I am thinking primarily, of course, of nations which do not have such a high degree of Communist influence.

General Wood. I can give you the figures for the strengths in the adjacent countries. Senegal has military forces of ———, Mali, ———. Ivory Coast has ———.

Mr. Ford. Did you say Mali was ———?

General Wood. Yes, sir. Upper Volta, ———, and Niger, ———.

Mr. Rhodes. Anybody can take judicial notice that Algeria's strength is far in excess of Mali's.

General Wood. Yes.

Mr. Rhodes. Do we intend to continue support of this particular unit? Is this what you would call a MAP-supported unit?

General Wood. Yes, sir. We intend to continue support but essentially on a training basis.

Mr. Rhodes. But that you mean you will not replace equipment as it is worn out? You will not upgrade or update the equipment?

General Wood. Well, I would not exclude the possibility of replacing some equipment, but in general we will limit ourselves to training and to small equipment for this outfit. We have put in some support for an engineer outfit, for civil actions.

ARMAMENT SUPPLIED

Mr. Rhodes. With what basic weapon is this company armed?

General Wood. Small arms, rifles, et cetera.

Mr. Rhodes. What sort of rifles?

General Wood. They have the—I would assume they have the carbine and the M–1. I am not certain of that.

Mr. Rhodes. They are American weapons?

General Wood. I would like to research that because I don't see in any book that we have furnished them any.

Mr. Rhodes. Would you do that? If we have furnished rifles or automatic weapons of any kind, furnish the type of weapon and the amount which we have given?

General Wood. Yes, sir.

(The information supplied follows:)

No rifles or automatic weapons of any kind have been furnished under U.S. military assistance to Mali. When it was a French colony, Mali was provided with French weapons and equipment.

Mr. Rhodes. I guess that is all.

VALUE OF MAP PROGRAM

Mr. Passman. When did this nation gain its independence?

Mr. Sloan. 1960.

Mr. Passman. With a population of 4,400,000, with a gross national product of $60 per capita—is that correct?

General Wood. I would say those figures are accurate, yes, for population and per capita gross national product.

Mr. Passman. When we look at this overall military assistance program, we realized we have reached the point that we are in either 69, 70, or 71 nations of the world with this kind of aid. Then we go out into these newly emerging African countries, which are still very primitive, with a gross national product of $60 per capita, a population of 4.4 million people, and which gained independence in 1960, and we let them talk us into, on a political basis, going into a military program.

If we are going to help those people, could we not do so with bread and butter?

General Wood. We have in Africa, particularly south of the Sahara, something like 35 new countries. We expect the former colonial powers, the French and British, to take the lead in most of them. They have done so. Our program is minimal and is in a few countries where we think that it is of some value, particularly in the light of possible Communist infiltration, to keep these countries oriented toward the West. I think that so far as armed forces are concerned that it seems to be—right or wrong—that every one of these countries feels it should have a little in the way of armed forces. Because many of their people are still primitive and tribal, some way of suppressing dissidence and creating internal security is required if the central government is going to have any authority at all. Probably if the Western Powers did not do it, somebody else would.

Secretary Rusk mentioned the other day the case of Zanzibar and, of course, we could mention Somalia, where we are not welcome and the Communists are.

I would say it is a minimum investment to keep a Western "foot in the door" in a few countries, of which Mali is one, and it is frankly a matter of judgment, I suppose, Mr. Chairman, on which we may differ. The administration has decided this is desirable and these countries have asked for it. We have a smaller program in numbers of countries than we had a few years ago. We are hopeful so far as I am concerned, of not expanding it.

Mr. Passman. Thank you, General Wood.

Predominantly this is a political military program. The record is complete to that effect.

NEED FOR SHIFT IN PROGRAM EMPHASIS

Mr. Rhodes. Before you leave Mali, may I ask another question?

General Wood. Certainly.

Mr. Rhodes. General, I do not either agree or disagree right now with the idea of having an American presence. Generally, I think the concept of doing this is highly overrated. Assuming for the sake of argument that it is a correct concept, why wouldn't it be better to have an engineer battalion or something of this nature in a country like Mali than a company if paratroops? It seems to me that the decision to even be there is subject to question, but the decision to be there supporting a paratroop company is in my opinion almost indefensible.

General Wood. Well, of course, this was what these people asked for. As I said, they wanted an organization that appeared to them

an elite military organization; that was also useful for internal security purposes, because of these Taureg tribes. We are engaged in training engineers for civic action and some will be used in fiscal year 1965 for that purpose.

I think you would agree that we would think carefully before we expanded our commitment there to include additional units.

Mr. RHODES. I would agree with that about a thousand percent.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. FORD. Could I ask a question on this particular country in light of your questions and Mr. Rhodes' questions?

Mr. PASSMAN. Surely.

SOVIET AID TO MALI

Mr. FORD. It is my understanding that the Soviet does have military aid, including advisers, in Mali; is that correct?

General WOOD. They have had. I do not know whether they have got them now or not. They certainly have had a military aid program, an aid program, and advisers in Mali. I would suspect they probably still have some.

Mr. FORD. In those cases where they do have, and I think the assumption in this case is that they do, how does our aid, our military assistance with our military advisers work in in that situation?

General WOOD. We are working only with the units in such countries that we are supporting.

Mr. FORD. Let's take Mali as a country we are supporting, as has been testified here today.

General WOOD. That is right.

Mr. FORD. You have a paratroop company.

General WOOD. Which we are training.

Mr. FORD. Which we are training.

Does this mean we have our military personnel there for that purpose?

General WOOD. We have trained them by a mobile training team and we have personnel there providing English language instruction in a laboratory. The group there is small. It consists of nine people.

Mr. FORD. Nine American military personnel?

General WOOD. No, six. As a matter of fact, it is four officers, two enlisted men, and three local civilians.

Mr. FORD. And their responsibility is to train this paratroop company?

General WOOD. Their responsibility in addition to training of course is to supervise the use of the equipment, to work with the Malians so far as their program is concerned. What we are doing in many countries, I am sure we have done here, this is to send in a mobile training team for specific training and withdraw it and leave a minimum of people to keep an eye on the situation.

Mr. FORD. But for fiscal year 1964 at the present time we have this group of nine there?

General WOOD. Yes, sir. This is the U.S. military mission to Mali.

Mr. FORD. Under the fiscal year 1965 program do we expect to continue it?

General WOOD. Yes, sir.

Mr. FORD. How does this unit work with the Mali military authorities, which authorities are also receiving Soviet aid and Soviet military advisers?

General WOOD. Well, I do not know, of course, what the Soviets are doing. I haven't been to Mali so I do not know the modus operandi, but I am certain that the U.S. military mission, which is part of the Embassy, has access to the Malian Military Establishment in various levels of government, which enables them to do their job.

(Discussion off the record.)

Mr. FORD. Does it give any indication of the amount of equipment or type of equipment?

General WOOD. No, sir. It says—no, it does not.

Mr. FORD. This company which we are supporting is about 120 did you say?

General WOOD. I estimated it would be about 150. I do not have the actual count.

Mr. FORD. The total military force structure is what?

General WOOD. According to the figures I had here a few moments ago, ———.

Mr. FORD. ———? I thought you said ——— thousand.

General WOOD. ——— thousand, that is right; ——— were in some other adjacent country.

I have some figures on materiel, which we know the Russians have furnished to Mali; ——— and ———. That would indicate that the Russians are working with different segments of the military establishments from what we are.

Mr. ANDREWS. Will the gentleman yield?

Mr. FORD. Surely.

Mr. ANDREWS. It looks as if they are working both sides of the street, General.

General WOOD. Yes, sir; I think that is not unusual in several countries.

Mr. ANDREWS. Is that good?

General WOOD. We would prefer, of course, that they work only our side of the street.

Mr. ANDREWS. How can we hope for that if the Russians are giving more than we are?

General WOOD. True, the Russians have given quite a bit of military assistance in many countries as you know. That does not mean that the Russians are necessarily achieving productive results. Certainly they have had unfortunate experiences with some of the Africans they have trained and taken to Russia for training. I do not recall specifics on Mali but I know on Ghana for example, the trainees left Russia because they thought they were not treated properly.

VOTING RECORD OF MALI IN THE UNITED NATIONS

Mr. ANDREWS. Mali is a member of the U.N., is it not?

General WOOD. Yes, sir.

Mr. ANDREWS. What is her voting record, do you know?

General WOOD. No, sir.

Mr. ANDREWS. Do you know whether or not she has been tested in the U.N.?

General Wood. I am afraid I would have to insert that, sir. I do not know what she has done in the U.N.

(Information supplied follows:)

VOTING RECORD OF MALI ON SELECTED "KEY" ISSUES BROUGHT TO A ROLLCALL VOTE AT THE LAST THREE GENERAL ASSEMBLIES

The figures given below do not purport to present a complete picture of Mali's position in the United Nations, because most matters at the U.N. General Assembly, including some extremely important issues, are dealt with by a show of hands or by a voice vote, and official U.N. documents do not record the votes of individual countries on such issues. This fact must be kept in mind when evaluating any country's position at the United Nations.

At the last or 18th General Assembly, Mali's vote on 23 selected "key" issues brought to a rollcall vote coincided with the vote of the United States 2 times, with the vote of the Soviet Union 9 times, with the vote of neither country 8 times, and with the vote of both countries 4 times. Eight of the thirteen issues on which the vote of Mali and the Soviet Union coincided were colonial issues almost exclusively concerned with Africa. Mali's voting pattern differed from the United States principally in the area of African colonial issues but also on several other issues of importance to the United States.

Mr. SLOAN. Most of this African group of seven nations tend to vote in the U.N. together on issues.

Mr. ANDREWS. They do have an overwhelming balance of power in the U.N., do they not, these African groups?

Mr. SLOAN. They have a good large number of votes; yes, sir.

SOVIET TERMS FOR ASSISTANCE

Mr. PASSMAN. We have been told, and it has been said elsewhere, that Russia has never given away as much as one ruble; that they do business on a hard-boiled basis, either through barter or loan at a high interest rate. I thought it would be well to mention that matter at this point.

BURMA

There are about 14 nations, I believe, subject to correction, that somewhere along the way have told us, in effect, "Get the hell out. We do not want your aid program." One of those was Burma, to which we were giving aid. They asked for us to get out, but somehow we got back into Burma with an aid program. In the meantime, the Russians had built a hotel there. We asked about this hotel and the AID had the information classified. They were not supposed to let the record show that the Russians had built some kind of a hotel there for a certain rice consideration.

Getting further into the matter, we found out that, subject to correction on the dollar amounts, we offered to sell Burma military assistance of some ———. They said, and I paraphrase, "———." Then there was a joint statement issued indicating that Burma had purchased certain military equipment.

Can you tell the committee whether they ever paid ———.

General Wood. Let me say first that—let me correct your statement a little bit, sir. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You must have supplemented the previous testimony with the additional information, but if we accept it on that

basis, it is still ———. I am taking the original testimony. We are accepting it as it is ———. Did they ever pay it?

General Wood. The Burmese Government in July of 1962 paid the U.S. ——— in local currency for the fiscal year 1962 portion of the program.

Mr. Passman. Did we convert that currency into dollars?

General Wood. ———.

Mr. Passman. ——— back so far as actual dollars to be returned to the U.S. Treasury.

General Wood. I think that is correct.

Similar arrangements were completed for the 1963 program. For 1964 the amount of the program was ——— since the fiscal year 1963 agreement was not signed until later in the year.

Mr. Passman. The information you refer to was put in the record, a supplement to what they gave us originally. Granting it is ——— being made in local currency ———. We appreciate, General, your forthrightness about this thing.

Mr. Ford?

RECEIPT AND DISPOSITION OF BURMESE CURRENCY

Mr. Ford. I am interested not only in what the chairman has said and General Wood has said but what were the terms of this agreement involving the local currency? It has been stated ———. Who had the right to use the local currency? Did we have the sole right to make the decision or did we have to get concurrence for its use by the Burmese Government?

General Wood. No, sir, we had the right to use it. The ——— worth of kyat was paid in full to the account of the U.S. Treasury. There were no strings attached to it so far as I know.

Mr. Ford. Could you verify that for the record?

General Wood. I would be glad to; yes, sir.

Mr. Ford. We received how many payments?

General Wood. Two, in 1962 and 1963.

Mr. Ford. Would you also show for the record what disposition has been made of the payments which we have received?

General Wood. All right.

Mr. Ford. Itemize it so that the record will show how the funds were used, if they have been used.

(The information supplied follows:)

These kyat payments were not earmarked for any particular use and were deposited to the Treasury sales account "Recoveries, Military Assistance to Foreign Nations, Other." The status of this account as of March 31, 1964, expressed in dollar equivalents is as follows:

(*a*) Receipts ——— million.

(*b*) Sales to the Department of the Army and Foreign Service advance account $0.5 million.

(*c*) Balance ——— million.

The total balance of Burmese kyats owned by the U.S. Government as of March 31, 1964, was the equivalent of $37.4 million.

U.S. HOLDINGS OF NONCONVERTIBLE BURMESE CURRENCY

Mr. Passman. Also indicate in the record the total amount of Burmese currency that we own.

Mr. FORD. That would be helpful, although I do not want that mixed up with this because this was a different kind of a deal, I think.

Mr. PASSMAN. I am not tieing it into that deal.

Mr. FORD. This is well illustrated.

Mr. PASSMAN. I want shown in the record, if the gentleman does not object, the total amount of Burmese currency we have which we cannot convert into usable dollars.

Mr. FORD. That is fine, Mr. Chairman. The reason I would like this clearly set forth is that on occasion when suggestions are made from one source or another that we utilize some of these local currencies in various countries for purely American purposes we are always met with the argument that—we have an agreement and there has to be concurrence by the local government.

Mr. PASSMAN. The gentleman has an excellent point.

General WOOD. I don't think that is so here.

(Off the record.)

Mr. FORD. Let us get whatever the facts are, when the payments were made, how we have utilized any of the local currencies.

General WOOD. All right, sir.

Mr. PASSMAN. You indicated ———.

General WOOD. We administer it as such.

Mr. PASSMAN. We appreciate your frankness, General Wood. That information will not come off the record?

General WOOD. It will not come off the record.

Mr. PASSMAN. We wish you would bring us up to date on this matter.

(Discussion off the record.)

Mr. SLOAN. ———.

Mr. PASSMAN. I have heard expressions of that type before and I see them turn out just the opposite.

Mr. SLOAN. So far this has not turned out wrong.

Mr. PASSMAN. The only way I know of controlling this program at all is to keep cutting down the money until we wake up to how foolish we are.

(Discussion off the record.)

Mr. SLOAN. ———.

Mr. PASSMAN. They may not be friendly to us 90 days from now. Their history does not give reason for optimism.

You know I am putting it on the record correctly when I say we were in with a program and the Burmese ask us to get out. We went for years without a program and then went back in with a program.

Mr. SLOAN. I am not trying to defend the prior programs, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. SLOAN. Either one.

UNOBLIGATED FUNDS CREDITED TO BURMA

Mr. PASSMAN. Can you tell us the amount of unexpended funds you had to the credit of Burma as of June 30, 1963, and give us an estimate for June 30, 1964?

General WOOD. Undelivered balance at the end of 1963, ———. In 1964 it is ———, estimated.

U.S. COMMITMENTS TO BURMA

Mr. PASSMAN. Do we have some kind of commitment to sell Burma ———.

General WOOD. We have an agreement entered into in 1961.

Mr. PASSMAN. The same agreement——

General WOOD. The earlier one was 1958, I believe. There is exchange of notes permitting Burma to buy military equipment for Burmese currency.

Mr. PASSMAN. This is a newer program.

General WOOD. (Off the record.)

Mr. PASSMAN. This is with local currency.

General WOOD. (Off the record.) That was the one in 1958.

Mr. PASSMAN. Nonconvertible?

We are talking about the old program. Mine had to do with the other agreement.

General WOOD. We did confuse the two, I think, sir.

Mr. PASSMAN. I do not think that I am confusing the two.

General WOOD. I was speaking of both.

I was speaking of the later program when I indicated payments in 1962 and 1963.

Mr. PASSMAN. They will pay in local currency.

General Wood. The ——— in 1958 had been concluded and ——— was paid that.

Mr. PASSMAN. They paid ——— I am glad that was opened up. I knew very well I had been given that, that ———.

Is that a statement of fact?

General WOOD. Yes, sir. When we discussed it earlier I was discussing the one we are operating under now, beginning in 1961.

Mr. PASSMAN. I made a correct statement, ———.

General WOOD. That is a correct statement. I misunderstood you earlier.

Mr. PASSMAN. I am grateful. I have had it denied and confirmed three or four ways at different times.

Now we shall get it nailed down with cement and tar.

How much of that ——— did we give back to them?

General WOOD. The ——— was paid.

Mr. PASSMAN. In local currency.

General WOOD. Yes, sir.

Mr. PASSMAN. Let us get to the other deal, ———.

(Discussion off the record.)

CONGO

Mr. PASSMAN. You are asking for ——— for the Congo?

General WOOD. Yes, sir.

Mr. PASSMAN. That plan is subject to the political attitude?

General WOOD. The problem in the Congo has been to come up with a program which makes some sense in light of the United Nations intent to withdraw and the need that the Western nations see to assist the indigenous forces of the Republic of the Congo to pick up when the United Nations leave and to keep some order in that country.

The United Nations originally talked about a multilateral program but it did not get off the ground.

Eventually the Congolese asked Belgium, United States, Italy, Israel, Norway, and Canada to provide military assistance to their forces on a bilateral basis.

Norway and Canada declined to participate. The Belgians have agreed to train the army. Italy has agreed to train the air force. Israel agreed to instruct in parachute operations.

Mr. PASSMAN. Israel is getting into that operation?

General WOOD. Israel is one of the countries the Congolese asked.

(Discussion held off the record.)

U.S. MILITARY ASSISTANCE PROGRAMS

General WOOD. We agreed with the Congolese in a bilateral military assistance agreement signed in July of last year to provide material and training for internal security forces and we have provided tools, spare parts, vehicles, communications equipment, and maintenance training for selective elements of the Congolese National Army.

We are now engaged in defining this program which had not been completely defined at the time we put this book to press. Mr. Harriman has just made a trip there and I hope shortly we will be able to define it.

As you see, it is divided between training and miscellaneous maintenance, the exact composition of which has not been determined.

UNITED NATIONS MILITARY CONTRIBUTIONS TO THE CONGO

Mr. PASSMAN. The President can transfer out of the contingency fund into the U.N.

Then the U.N. can finance projects in this region.

Is the Congo where the U.N. made a substantial military contribution in fiscal 1962 and 1963?

General WOOD. The U.N. has had forces there which I am certain the United States has participated in funding, but I haven't the figures on it, sir.

Mr. PASSMAN. Do you know the amount of the U.N. military contribution to the Congo?

General WOOD. No, sir; I don't.

(Discussion held off the record.)

Mr. PASSMAN. The United Nations military operation in the Congo from July 1960 to December 1962, amounted to $300 million. The U.S. contribution of that sum was $114,489,290.

What you are asking for here is pin money compared to the U.S. contribution of what is being fed in through the U.N.

General WOOD. As I said before, I am talking only about the military assistance program.

Mr. PASSMAN. I know, but this is military assistance. It is not chargeable to your appropriation, however.

General WOOD. This is part of the cost of our being a member in the United Nations.

Mr. PASSMAN. I am dealing entirely with the military. I am merely showing that what you are asking for in the Congo is peanuts

compared to what the United States is furnishing in military expenses through the United Nations.

General Wood. That is a commendable situation.

Mr. Passman. Commendable?

General Wood. Yes, sir. I refer to my not asking for more than peanuts.

Mr. Passman. I say you are asking for peanuts compared to what we are slipping in through the United Nations.

I do not want to confuse the record, so I shall go off the record.

(Discussion held off the record.)

BILATERAL U.S. MILITARY AID TO THE CONGO

Mr. Passman. Can you tell us the amount of our bilateral, or direct, military aid since we started this program in the Congo?

General Wood. Military assistance program through 1964, $6,166,000.

What you are talking about there was support of the United Nations operations which are terminating. That is one reason that the United States and the other countries I mentioned are trying to put the Congolese native forces in shape to preserve internal security in their country.

MILITARY SUPPORT FUNDS CHANNELED THROUGH THE U.N. TO THE CONGO

Mr. Passman. I only want to show they were getting U.S. military aid from two sources, through the U.N. by our contribution, and directly through this program.

The other day when we ran this MAP up to about $1.7 billion for fiscal year 1965 we did not include the amount they could get out of the U.N.

Under certain circumstances you could supplement some of these country funds out of the U.N., worldwide?

General Wood. This particular one is support of the United Nations Forces which went in there and not support of the Congolese forces. Military assistance to the Congolese forces. They are both military.

Mr. Passman. But it is costing U.S. dollars and it is for military purposes. I do not want the record to show that this was all the money going into the Congo for military assistance.

General Wood. But it is not military assistance to a foreign country such as our military assistance program.

It was support of the United Nations Forces sent there and the whole United Nations organization contributed, those who wanted to.

Mr. Passman. We were putting in the biggest piece of it.

General Wood. We are supporting many of the United Nations projects which are similar.

The most recent U.N. military operation is in Cyprus.

(Discussion held off the record.)

SENEGAL

Mr. Passman. The historical justification indicates that your cumulative program for Senegal through fiscal 1964 contains one truck tractor in the 5- to 10-ton category and ten 2- to 5-ton truck tractors. When were these trucks requested and justified to the committee?

General Wood. I see we had no vehicles in the 1964 program. It must have been in a prior period, sir.

Mr. Passman. But you did program vehicles out of fiscal 1964 funds, did you not?

General Wood. For Senegal?

Mr. Passman. You say it was in a prior period.

General Wood. I don't think we programed any in 1964, looking at pages 110 and 111.

Mr. Passman. Indicate for the record when you justified these items to the committee.

General Wood. Not in 1963 or 1964. It must have been prior to that time.

Mr. Passman. If you will, do some research for us, please.

(Information supplied follows:)

The Senegal program in 1962 was justified to Congress as part of an African area program. The fiscal year 1962 Senegal program lists ten 5-ton truck tractors and one wrecker in the 5- to 10-ton category.

JORDAN

Mr. Passman. Page 134–A of the historical justifications indicates you have programed ——— 30-caliber rifles for Jordan in fiscal 1964. How many such rifles did you justify for fiscal 1964 when you were before the committee last year?

General Wood. The record indicates none were proposed at the time we appeared before you last year.

Mr. Passman. Are those new rifles?

General Wood. These are not new rifles so far as being recently produced for this purpose. These are obtained from the Army, stocks of the Army's.

Mr. Passman. But not the excess stocks?

General Wood. No.

Mr. Andrews. What types of rifles?

General Wood. M–1, sir.

Mr. Passman. How many rifles of this category have we furnished to Jordan since the program started?

General Wood. Through 1964 the volume was ———.

Mr. Passman. How many rebuilt pistols have we furnished to them?

General Wood. Pistols do not show as a key item on this list, sir.

Mr. Passman. That would be excess, anyway.

General Wood. That does not mean there may not have been some. I can research it.

Mr. Passman. You do not need to do that.

EQUIPMENT PROVIDED FROM EXCESS STOCKS

Last year the justifications indicated that through fiscal 1963 we had provided $4,490,000 worth of excess stocks to Jordan. This year page 134 of the historical justifications indicates that through fiscal 1964 we have provided only $1,100,000 worth of excess stocks.

What happened to the other $3½ million?

General Wood. You will find, as undoubtedly you have noticed in variations in figures such as that between last year and this, that we have made an effort with our new automatic data machinery to make

our records accurate and to correct them in places. I believe the latest figure is the correct one, sir.

Mr. PASSMAN. What did you show you had furnished to Jordan in excess stocks through 1962?

General WOOD. I see the figure of $14,000 for 1962.

Mr. PASSMAN. Was that the aggregate up to that time?

General WOOD. That was the figure for 1962. Aggregate up to that time I do not have with me.

Mr. PASSMAN. We understood the shipments had been made and they had utilized $4,449,000.

General WOOD. I would say perhaps that was not done.

Mr. PASSMAN. What had not been done?

General WOOD. The shipment perhaps had not been made. This book shows as of March 19, 1963, a figure of $3,350,000 for 1963 alone, which is the biggest portion of the $4 million you cited.

Mr. PASSMAN. You were justifying funds for fiscal 1964 when you submitted these justifications, were you not?

General WOOD. Yes, sir; but we were not at the end of fiscal 1963 yet. Perhaps that much was not shipped by the end of 1963.

Mr. PASSMAN. Would you put in the record a statement as to what the $4,495,000 covered and what you canceled out?

General WOOD. Yes, sir.

(The information was supplied to the committee.)

LIBERIA

Mr. PASSMAN. Is Liberia one of the wealthier nations of the African world?

Mr. SLOAN. Liberia is one of the African nations which has more industry and more promise for the future; yes.

Mr. PASSMAN. I note from the historical justification that we have furnished ——— .30-caliber carbines and rifles to this country's armed forces and that you are proposing to furnish an additional ——— .30-caliber rifles ———. How many individuals are in the armies of this country, sir?

General WOOD. Active military strength, February of 1963, ———.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. From time immemorial there have been peaks and valleys for nations throughout the world. Wealthy nations today are poor nations tomorrow. The poor nations today are wealthy nations tomorrow. Is that not about the history?

General WOOD. A monumental work called the "Rise and Fall of the Roman Empire" would bear out that point.

AUTHORITY FOR EXTENSION OF MILITARY ASSISTANCE

Mr. PASSMAN. Does it take a Presidential determination to furnish aid to this group we discussed off the record?

General WOOD. It depends on whether there is a bilateral military agreement.

Mr. PASSMAN. Do you have any bilateral military agreements with any of these countries in this political bloc?

General WOOD. We require a Presidential determination with these countries we have been mentioning with the exception of the Congo, Liberia, Mali, and Senegal which do have military assistance agreements under provisions of section 506–A.

Mr. PASSMAN. How about the other countries?

General WOOD. ———, Jordan, and Morocco——

Mr. PASSMAN. Do you get one Presidential determination or is it made annually and specifically?

General WOOD. It has to be made annually and specifically for each country.

Mr. PASSMAN. So that fact indicates, does it not, that the program is predominantly political?

General WOOD. I stand by the statement I made earlier; yes, sir.

U.S. FORCE SUPPORT AND MAP ADMINISTRATION

Mr. PASSMAN. The next category of grant aid is U.S. force support and military assistance program administration.

INFRASTRUCTURE PROGRAM

The first category is the infrastructure program. For fiscal 1965 you are asking for $60 million?

General WOOD. Yes, sir.

Mr. PASSMAN. That is a $10 million increase over fiscal 1964.

General WOOD. Yes, sir.

NATO COSTS

Mr. PASSMAN. What has been the total cost of this program and the number of nations participating in the program?

General WOOD. On page 96 we show the total cost of the program to NATO so far, $3,380,264,000.

Mr. PASSMAN. When you say NATO, do you refer to the U.S. contribution?

General WOOD. No, sir; that is the total cost to NATO.

Mr. PASSMAN. What is the unliquidated fund to the credit of this infrastructure program?

General WOOD. $121,654,000 at the end of this fiscal year.

Mr. PASSMAN. Under the amount you allocated to this program last year did you have a satisfactory program?

General WOOD. Yes, sir; this is a program under the control of the NATO organization to which each country contributes an agreed percentage.

Mr. PASSMAN. So there was no default on our part last year?

General WOOD. No, sir.

Mr. PASSMAN. When you appeared before the committee last year you had an estimate of $241,945,000.

Page 77 of the historical justifications indicates the program for 1964 is now estimated to be only $149,692,000?

General Wood. I do not see that figure on page 77, sir; $149,692,000 was the estimated NATO program for 1964.

Mr. Passman. I stated it correctly.

General Wood. The U.S. share was estimated at $50 million.

Mr. Passman. The estimated program for fiscal 1964 originally amounted to $241,949,000, did it not?

General Wood. $241,945,000 was the total NATO estimate for 1964.

Mr. Passman. Now it is estimated the program will be $149,692,000?

General Wood. Yes, sir; that is correct, for total NATO.

Mr. Passman. But you are requesting $225,202,000 for fiscal 1965?

General Wood. No, sir. We are requesting $60 million.

Mr. Passman. I am dealing——

General Wood. That was the total cost to NATO.

Mr. Passman. The other is the total cost, too.

General Wood. That is right.

Mr. Passman. We want to keep the proper sequence. Last year for the total NATO program it was indicated it would be $241,945,000.

General Wood. Yes, sir.

Mr. Passman. But the estimated cost of the program now would be $149,692,000. This deals with the total NATO cost.

General Wood. That is right. As I say, this program is dependent on the NATO organization and it is done on the basis of the host countries' actions.

So, often our estimated advance figures are not accurate when the countries finally get around to deciding how much they will do in a particular year.

Mr. Passman. That fact is quite clear.

General Wood. The figures you quoted are correct.

Mr. Passman. Is it also correct that for 1965 you contemplate having a program of $225,202,000?

General Wood. That is the figure we get from the NATO people; yes, sir.

Mr. Passman. And, according to the history of this infrastructure program, that, too, could be a figure in excess of the amount we would have to fund, so far as our percentage is concerned?

General Wood. It could be. We are justified at this time in accepting only what NATO estimates.

Mr. Passman. I think history may indicate the estimate is always high on this particular item.

General Wood. No, I think that statement is borne out.

Mr. Passman. Thank you, General.

I still am thinking of the ammunition shortage that was claimed for Greece and Vietnam.

General Wood. I am thinking how happy I will be to get a recoupment out of this to help fund the total program.

NATIONS PARTICIPATING IN INFRASTRUCTURE PROGRAM

Mr. Passman. How many nations are participating in the infrastructure program?

General Wood. All the members of NATO.

Mr. PASSMAN. List them for the record, if you will.

(The information supplied follows:)

Belgium	Greece	Norway
Canada	Iceland	Portugal
Denmark	Italy	Turkey
France	Luxembourg	United States
Germany	Netherlands	United Kingdom

General WOOD. The percentages of contributions, Mr. Chairman, are shown on page 97. You will see from the listing here all the nations, excluding Iceland, are contributing.

Mr. ANDREWS. Is page 97 confidential?

General WOOD. It is unclassified.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Let us insert page 97 in the record.

(Page 97 referred to follows:)

Infrastructure—Cost-sharing formula

[Percentage]

Country	Slice I	Slice II	Slice III	Slice IV	Slices V-VII	Slices VIII-XI	Slices XII-XV
	Date on which cost-sharing approved						
	1950	1951	1952	1952	1953	1957	1961
Belgium	13.18	5.14	6.48	5.22	5.09	4.39	4.24
Canada		4.43	5.33	6.24	7.13	6.15	5.15
Denmark			4.01	3.31	3.05	2.63	2.87
France	45.46	21.52	13.16	13.76	13.75	11.87	12.00
Germany						13.72	20.00
Greece				2.55	1.01	0.87	0.67
Italy			7.89	6.62	6.50	5.61	5.97
Luxembourg	0.45	0.18	0.10	0.06	0.20	0.17	0.17
Netherlands	13.64	2.91	4.08	4.27	4.07	3.51	3.83
Norway			3.03	3.19	2.54	2.19	2.37
Portugal					0.32	0.28	0.28
Turkey				4.08	2.03	1.75	1.10
United Kingdom	27.27	17.72	13.16	8.92	11.45	9.88	10.50
United States		48.10	42.76	41.78	42.86	36.98	30.85

The United States did not share in slice I of NATO common infrastructure. The negotiated proportionate share for the United States for slice II (September 1951) was 48.10 percent. The above table shows the decline in the U.S. proportionate share to 30.85 percent, which is the rate applicable to slices XII through XV.

General WOOD. Let me explain the page. You see the percentages have varied by the different "slices," which is a NATO expression. There are slices 12 through 15, beginning in 1961, covering 1961, 1962, 1963, and 1964 calendar years. This U.S. commitment to pay 30.85 percent runs out at the end of this calendar year. The negotiations will soon begin.

In the meantime we have underwritten no new projects beyond those contained in the current cost-sharing agreement. We are paying our commitments for the projects which have been agreed to in the past only.

RENEGOTIATION OF INFRASTRUCTURE FINANCING ARRANGEMENTS

Mr. ANDREWS. You are renegotiating our percentage of payment to the overall cost of NATO?

General WOOD. Yes, sir. Negotiations will soon begin.

Mr. ANDREWS. What figure do you have in mind?

General WOOD. We reckon that the U.S. forces get out of this infrastructure on a prorata basis roughly ——— percent utilization of infrastructure facilities.

Mr. ANDREWS. That is the figure you have in mind?

General WOOD. Off the record.

(Discussion off the record.)

Mr. ANDREWS. I notice on programing for 1965 an amount for ———. Does that mean we completed the ——— program contemplated for NATO?

General WOOD. It means we have funded the agreed programs through 1964 and there is no additional funding agreed to or due. In other words, the project was completed. Total value in the left-hand column is shown. Construction was all completed.

Mr. ANDREWS. Do you know anything about the ——— capability of NATO?

General WOOD. I am afraid I do not.

Mr. SLOAN. This would not necessarily mean that in next year's program they would not have ——— shown.

ROLE OF SHAPE

General WOOD. It would be a new project. Whatever this project was has been completed.

Mr. PASSMAN. General, SHAPE Headquarters is still in Paris?

General WOOD. Yes, sir.

Mr. PASSMAN. For complete factual information would there be a better place for the committee to get it than at SHAPE Headquarters in Paris?

General WOOD. SHAPE is an international headquarters and therefore you might not be able to get some strictly U.S. views.

Mr. PASSMAN. I do not refer to U.S. views but the NATO setup. The Supreme Allied Commander is an American, and his headquarters is at SHAPE.

General WOOD. That is right.

Mr. PASSMAN. He wears three hats, or is it two now?

General WOOD. Only two, I think, sir.

Mr. PASSMAN. Everything clears through General Lemnitzer, the Supreme Allied Commander, headquartered at SHAPE?

General WOOD. He is Military Commander of the forces of NATO in Europe.

General Lemnitzer is also the manager of the military assistance program in Europe with his other hat.

Mr. PASSMAN. If this committee wanted to fill itself in properly, perhaps out of the horse's mouth, rather than going through two or three different heads, the place to do that would be at SHAPE Headquarters in Paris?

General WOOD. If you wanted NATO information on the NATO forces in Epurope, yes.

Mr. PASSMAN. Talking about NATO forces and the force objectives and the percentage of fulfillment, that would be the place to get it straight and out of the horse's mouth?

General WOOD. I would think that would be an authoritative source of information on NATO.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

INFRASTRUCTURE DEFINED

Mr. PASSMAN. How would you describe infrastructure?

General WOOD. Infrastructure is a French word, and, of course, that is the reason it was not in Webster, which is an English dictionary.

NATO adopted the word as it did words of other languages in its use and it meant, and was the only word which did so mean in one word, "physical construction of military facilities, less operating personnel, less movable equipment." For example, it is an airbase, the runways, and the hangars, not the people, not the airplanes, not the POL, not the ammunition, nothing that can be moved. Infrastructure is permanent. Infrastructure is a railroad track but no train. There isn't any English word which means just what that word means.

Mr. PASSMAN. You are saying what I have said, that you cannot roll up a runway and bring it home. These become permanent assets to the country?

General WOOD. Yes, sir.

Mr. ANDREWS. The nearest American description or word would be "real estate"; would it not?

General WOOD. Permanent facilities.

Mr. ANDREWS. Real estate is land and anything that is attached to the land.

General WOOD. Anything that is built on it.

Mr. ANDREWS. Such as a house or runway—you name it—if it is connected to and attached to the land, it is real estate.

General WOOD. The French use it as the military connotation, military real estate.

Mr. PASSMAN. It would be land, runways, hangars——

General WOOD. Pipelines.

Mr. PASSMAN (continuing). Pipelines, necessary housing, something you could not pack up and ship home. It becomes a permanent, or semipermanent fixture in the nation in which the project is completed.

END OF INFRASTRUCTURE PROGRAM

General, do you foresee the end of the infrastructure program?

General WOOD. Well——

Mr. PASSMAN. Do you have a phaseout target date?

General WOOD. No, sir; because it is not a matter completely under U.S. control. The United States is only one member of the NATO organization.

Mr. PASSMAN. Is that not true with the hardware, also, General, the equipment? Isn't that true also, of the program we are phasing out?

General Wood. We are phasing out grant aid because other countries are more economically sufficient and able to take care of themselves.

Mr. Passman. Would that fact not also hold true with respect to this infrastructure program?

General Wood. But we are still a member of the NATO organization. We are one member. We would certainly participate in any future infrastructure agreed to.

Mr. Passman. If Congress provides the money.

Are we hooked on this until the end of time?

General Wood. As long as there is NATO.

Mr. Passman. Do we have that kind of an agreement, as long as other nations call upon this country to contribute a percentage of the cost?

U.S. PARTICIPATION IN NATO

General Wood. Well, this is done in an international forum. We are one member. It was agreed years ago that NATO would plan, program, and construct infrastructure as the best way to provide the facilities for all the forces of NATO. Now, we do have a say on what we contribute, on how much we contribute and, as I said earlier, this percentage is up for renegotiation.

In the meantime, we are not underwriting any new projects beyond those contained in the current cost-sharing agreement.

Mr. Passman. I am afraid the record is going to show, if we do not clear it up, that we are hooked on this one from here on.

General Wood. I just do not know. I am not the representative in NATO.

Mr. Passman. Do they ever have to come back and get a new treaty ratified or an authorization from the Congress?

General Wood. I think the agreement on the NATO Treaty by the United States is basic so far as our participation is concerned.

Mr. Passman. As long as we are a member of NATO, and they say, "We are continuing this construction program," we are committed to it?

General Wood. No. The decisions in the NATO Council are unanimous.

Mr. Passman. It takes unanimous consent, even on construction?

Mr. Sloan. Yes, sir.

General Wood. At the moment we have taken the position we believe what has been programed so far should be funded but the NATO organization should take a new look at any new program.

PROJECT SCREENING MACHINERY

Mr. Passman. Do you have any plans whereby certain previously planned projects are being canceled out, lessening the cost of the program?

General Wood. Infrastructure?

Mr. Passman. Yes.

General Wood. The NATO authorities have been engaged in looking at projects not yet started and approved in the past to see if they are still desirable, but I have no report of any specific one being canceled at the moment.

Mr. PASSMAN. Is a screening process going on at this time?

General WOOD. Yes, sir, a screening process.

Mr. PASSMAN. We do not know what these savings will be until they have completed the report?

General WOOD. That is correct.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I have no questions.

INTERNATIONAL HEADQUARTERS AND AGENCIES

Mr. PASSMAN. The next program is international headquarters and agencies, for which the fiscal year 1965 estimate is $15,900,000, an increase of $1,900,000 above the fiscal year 1964 program.

PROPOSED INCREASE FOR NATO HEADQUARTERS

What is the necessity for the increase of approximately $2,216,000 in the NATO Military Headquarters Agency item?

General WOOD. This is also on a percentage basis, of course, and as shown on pages 98 and 99, the United States pays 24.2 percent of NATO, and different figures for CEOA, CEATO, et cetera. The NATO military budget committee agrees on the operating costs of the headquarters. I think the principal reason for the increase in this year's appropriation is increases in pay of personnel, sir.

Mr. PASSMAN. You requested only $11,600,000 for this item for fiscal 1964; is that correct?

General WOOD. We are programing about $14 million.

Mr. PASSMAN. How about the request?

General WOOD. $11.6 million.

Mr. PASSMAN. But you programed $14 million.

General WOOD. $13,040,000.

Mr. PASSMAN. You are also asking for an increase for fiscal year 1965 over the increased allocation for fiscal year 1964. Is it a question of salaries going up again or is it a question of increase in personnel, or both, or what is involved?

General WOOD. I do not think there have been much increase in personnel. There have been other increases: Increased costs of communications, including rental on long lines; expenses for peacetime operation of the headquarters which have been built; and some repair and rehabilitation of headquarters buildings such as the SHAPE Building you are familiar with. Salaries, wages and operating costs in practically all the Western European countries increased last year. In France and Italy, for example, it was as high as 30 percent.

Mr. PASSMAN. You have an increase there?

General WOOD. Yes, sir. There is an increase and for those reasons I indicated.

SUPPLY OPERATIONS

Mr. PASSMAN. The next program is "Supply operations." The fiscal year 1965 estimate is $84,700,000.

General WOOD. Yes, sir.

Mr. PASSMAN. Last year you requested $129,877,000 for these four functions under "Supply operations"?

General WOOD. Yes, sir.

Mr. PASSMAN. What is your current program for fiscal year 1964, estimated?

General WOOD. $104,411,000, sir.

Mr. PASSMAN. So, there is $25,473,000 less for this item than you requested last year?

General WOOD. Yes, sir. The request last year was based on the $1.405 billion budgetary request.

Mr. PASSMAN. Is this item satisfactorily funded, in your opinion?

General WOOD. For 1964?

Mr. PASSMAN. Yes, sir.

General WOOD. Yes, sir. I think it was satisfactorily funded.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. The next category is "Administrative expenses," for which the fiscal year 1965 estimate is $23,500,000.

If you would, please submit for the record a summary of direct obligations, by object, class, for your fiscal year 1964 administrative expense limitation.

General WOOD. I will be glad to put page 101 in the record.

(The information supplied follows:)

Program administration—Summary of direct obligations by object class, worldwide

Categories	Fiscal year 1965 program	
	Number	Amount
Military personnel:		
Total authorized military personnel positions	2,357	
Average number military personnel	2,350	
Number military personnel end of year	2,349	
Military station allowance		$2,029,186
Civilian personnel:		
Total authorized permanent U.S. civilian personnel positions	960	8,007,626
Deduct lapse	−35	−299,957
Net permanent U.S. civilian personnel	925	7,707,669
Average number of permanent local personnel	267	342,816
Average part-time and temporary personnel	5	44,800
Average employment all civilian personnel	1,197	8,095,285
Regular pay in excess of 52-week base		28,645
Payment above basic rates:		
Allowances		70,351
Overtime and holiday pay		212,899
Total civilian personnel	1,197	8,407,180
Direct obligations:		
OC No. 11 Personnel compensation		8,407,180
OC No. 12 Personnel benefits		2,827,179
OC No. 21 Travel and transportation of persons		3,454,873
OC No. 22 Transportation of things		1,302,941
OC No. 23 Rents, communications, and utility services		373,316
OC No. 24 Printing and reproduction		74,422
OC No. 2 Other services		6,286,425
(Services of other agencies)		(5,097,000)
OC No. 26 Supplies and materials		343,034
OC No. 31 Equipment		430,630
(Passenger vehicles)		(117,700)
(Nonpassenger vehicles)		(56,650)
Total direct obligations		23,500,000

NOTE.—Dollar equivalent of contributed local currency procured with MAP administrative expenses funds, $4,187,360.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. How much are you requesting for representation in fiscal 1965?

General WOOD. $139,500.

Mr. PASSMAN. What amount did you request for fiscal year 1964?

General WOOD. We estimate needs for 1964 at $153,500.

Mr. PASSMAN. Could you give us an estimate at this time as to what you will obligate for representation allowance for fiscal year 1964?

General WOOD. For fiscal year 1964, $153,500.

Mr. PASSMAN. The same as you requested last year?

General WOOD. Yes, sir.

Mr. PASSMAN. Of course, we make a cash appropriation for this item, but as a good part of it is spent in countries around the world, are you able to utilize local currency for this item?

General WOOD. I think any local currency we utilize we have to buy from the Treasury. May I ask my Controller if that is correct?

Mr. COMER. That is right.

General WOOD. That is right.

Mr. PASSMAN. It is a cash appropriation as far as we are concerned but you can take the cash appropriation and buy local currency from the Treasury, can you not?

General WOOD. Yes, sir.

Mr. PASSMAN. That way you will utilize some local currency that we may have in excess of our needs otherwise. Is that a correct statement?

Mr. COMER. That is correct.

Mr. PASSMAN. Do other countries make a direct contribution to the representations allowance of MAAG?

General WOOD. No, sir, not a direct contribution of representation allowance.

Mr. PASSMAN. Would you know what percentage of this total appropriation would be local currencies that we could not utilize immediately otherwise?

General WOOD. Mr. Comer may have that. If he does not, we can get you a figure.

Mr. COMER. We are planning to utilize out of the administrative limitation estimate of $23,500,000, $4,187,360 in local currencies.

In addition to this there is also assistance in kind contributed by the various countries in accordance with the bilateral agreements that we have with the countries.

Mr. PASSMAN. When you mention assistance in kind, you are dealing with the overall program, not the representation allowance?

General WOOD. That is right.

Mr. COMER. The overall administrative support.

General WOOD. The overall support, such as furnishing a set of quarters, or something like that.

TRAINING IN VIETNAM

Mr. PASSMAN. I note on page 104 of the justifications, that you propose to have ——— military personnel engaged in training in Vietnam in fiscal year 1965. How does that figure compare with your training personnel strength in Vietnam for fiscal 1964, General?

General WOOD. ——— as you quoted for 1965; the figure for 1964 is ———, sir.

CONSOLIDATION OF PROGRAM ADMINISTRATION IN VIETNAM

Mr. PASSMAN. I noticed in the paper that they are going to tighten up the military assistance program in Vietnam. It will no longer be the MAAG. It would be known as—instead of MAAG—the MACVN.

General WOOD. Military Assistance Command, Vietnam. I have not read the article in the paper. I do know what they are doing.

Mr. PASSMAN. It will still be under your direct military assistance program; will it not?

General WOOD. Yes, sir.

General Harkins has that command, Military Assistance Command, Vietnam, which was put in about a year and a half ago, I guess, in addition to the MAAG and what he wants to do is consolidate the two and save overhead.

Mr. PASSMAN. It says they are going to eliminate about 100 men out of the MAAG; is that correct?

General WOOD. Yes, sir. I think he will be able to get that many by consolidating his administrative support.

Mr. PASSMAN. In this article, I think there is a question asked about including any of these 14 generals currently serving in the American effort. The spokesman replied—

We would expect we would not need as many generals. We have not gotten that far into planning yet.

Does that statement imply a tightening up of the entire program?

General WOOD. It means a tightening up of the local organization. As you know, when you put headquarters together you ought to be able to save on the people who support separate headquarters.

That is what they are doing.

Mr. PASSMAN. Do you have any idea what they will have in administrative expense?

General WOOD. No, sir.

Mr. PASSMAN. This further states—

I think we have enough of everything to win the war. We have the people, materiel, and now it is a problem of getting the most out of what we have.

This is by Donald Neff, of the Los Angeles Times, from Saigon.

PROGRAM REQUIREMENTS

Since we started these hearings, have you changed the figure about what the requirements would be for fiscal year 1964?

General WOOD. No, sir. It may change before the end of the fiscal year.

Mr. PASSMAN. It may go up or down?

General WOOD. I haven't a better figure.

It is unlikely to do down, sir.

Mr. PASSMAN. I do not know of many of these programs that go down unless the Congress works them down. It is disillusioning to read the statements and see the wrong impression created.

General Wood. It is true we had to increase the Vietnamese program.

Mr. Passman. I know, but you had funds to do it.

General Wood. First, in connection with the overall cut by the Congress, we had to cut other programs. Second, we have had to go to AID and ask for a transfer.

Mr. Passman. Of course, we have documented here about reconditioning battleships to live in, delivering tanks, and there was some question as to when they would be in excess, and I think we made a pretty good record that there is a lot of money available for certain things of relatively low priority that are being funded. I just do not follow some of the statements I read.

General Wood. Your support of $1 billion for 1965 will make me very happy.

Mr. Passman. There is, I believe, a difference between what you are asking for and what you will be willing to accept.

General Wood. I cannot buy that.

Mr. Passman. I know you would not buy it. You are here trying to get the billion dollars.

REGIONAL COSTS

This next item is "Regional costs for fiscal 1965." The estimate is $22,095,000. How does this compare with the cost for fiscal year 1964?

General Wood. Well, of course it is presented differently this year. If I may, I would like to call on my Controller, who handles these figures.

Mr. Comer. I do not have the exact direct comparison.

I would have to refer you to various pages within the book, because the mix this year in the regional cost is considerably different than that in prior years.

Mr. Passman. How would the committee ever know how to break it apart, sir?

Mr. Comer. We would be very glad to enter it into the record, sir.

Mr. Passman. If you will, supply it for the record.

Mr. Comer. Yes, sir.

(The information supplied follows:)

Had the fiscal year 1964 regional programs contained the comparable items appearing in such programs for fiscal year 1965 the value would have been $19,802,000.

COUNTRIES RECEIVING TRAINING AND ORIENTATION FUNDS

Mr. Passman. What countries received the training and orientation funds for the commitments made prior to fiscal 1963 in the European Command program of $1,399,000?

General Wood. That is an estimated amount, as a matter of fact, in connection with sales, which may vary before we get through with it so far as the different countries are concerned. Specifically, our present thinking is that this will be training in connection with sales to ———, Belgium, Denmark, ———, Germany, Italy, Luxembourg, Netherlands, and Norway. It is estimated on a basis of the kinds of equipment we think we are going to sell those people. It also includes, particularly in the case of Denmark and Norway, the commitments in connection with the material that we are still delivering to them.

Mr. PASSMAN. That statement is given in response to my question about this $1,399,000?

General WOOD. Yes, sir. Really, with respect to $1,238,000.

Mr. PASSMAN. You show for fiscal year 1963, made prior to July 1, 1963, the amount of $1,399,000, training and orientation, the funds that I asked about.

General WOOD. You asked which part of that?

Mr. PASSMAN. What countries will receive the training and orientation funds for commitments made prior to July 1, 1963? That was the question.

General WOOD. Only Denmark and Norway, sir.

Mr. PASSMAN. How much do you propose to spend for promotion of the sale of U.S. manufactured military equipment in fiscal year 1965?

General WOOD. We propose to expend roughly $500,000, sir.

PROMOTION OF EQUIPMENT SALES

Mr. PASSMAN. That is for promotion of sales of U.S. manufactured military equipment?

General WOOD. Training and orientation in connection with it.

Mr. PASSMAN. With the sale of manufactured equipment.

General WOOD. Yes.

Mr. RHODES. Would you yield?

Mr. PASSMAN. Yes.

Mr. RHODES. Ordinarily doesn't the manufacturer of most products finance training on how to use the products?

General WOOD. After an item is bought, part of the contract is normally cost of contractor's representatives, et cetera. However, this item is sales promation, we call it. We bring officers over here from other countries as a matter of fact, about half a dozen officers are in the country now being exposed to our equipment and our training, with a view to looking at equipment which they might buy.

Then we have a program to train some people from certain countries in some of our equipment in the expectation they will buy the equipment. This is really sales promotion.

Mr. RHODES. The manufacturers do not share in the expense of doing this?

General WOOD. The manufacturers do in some cases, particularly if they are items which they are going around the world and beating on doors to sell, particularly new items. But in the case of items which are in the hands of the U.S. forces at the present time, we bring these people to us as much as possible. We also have staff level courses which acquaint people with our equipment.

Mr. RHODES. They are your customers then, in many instances.

General WOOD. That is right.

Mr. RHODES. They are going to buy that materiel which the U.S. forces now have?

General WOOD. That is right, and the overall sales for next year are estimated at about $1,500 million.

Mr. RHODES. Direct sales and credit?

General WOOD. Direct sales and credit sales, so that roughly the expenditure of $500,000 we think is justified.

Mr. PASSMAN. Out of this appropriation, at the Government level, you are asking for half a million dollars to promote the sale of military equipment. It worries me.

General WOOD. Of course, here we are talking about countries which are not only able to buy will buy from somebody. We are also talking about trying to redress our balance of payments.

Mr. PASSMAN. I hope we do not have to do it through the sale of military equipment unless it is actually needed.

General WOOD. I think that is certainly one way to assist in the balance-of-payments situation.

(Discussion off the record.)

SALES PROMOTION FUNDS IN DOD BUDGET

Mr. RHODES. I was going to ask General Wood if he could find out for us the amount of money in the regular DOD budget for a purpose similar to this? In other words, whether DOD has an item for promotion of sales of military equipment.

General WOOD. There is no similar item in the DOD budget.

Mr. SLOAN. I would like to make this observation. I think maybe the use of the word "promotion" is a little bit misleading. For example, we have had the Australian and New Zealand Governments approach us some months ago about the supplying of some equipment for their regular forces. This has involved considerable negotiations by their technical people and by our technical people and also the preparation of some agreements, the preparation of some special types of ordering contracts, et cetera. All of the expense of this sort of negotiation, both their technical people and our technical people who have to look at their aircraft inventory problem, et cetera, are the types of expenditures involved. For instance, a good deal of the money that is being spent this year is being spent in the German sales program where your principal problem is one of the negotiations and the technical arrangements and it is not really so much our going there to urge them to buy a particular thing as to merge the program. However, the amount of which we are now speaking is disigned for that type of visit to the United States and training.

Mr. PASSMAN. I am reading from your book here:

> This program includes funds to defray the cost of storage and maintenance of military assistance program materiel, $161,000, and undistributed training and orientation fund commitments made prior to June 1963, and for the promotion of sales of U.S.-manufactured equipment, $1,238,000.

I would not want the record to show I am trying to read into the record that it is money for promotion. I was reading right out of your own books, in which you say it is for promotion and the general said it was $500,000 for promotion.

The total direct sales or credits were $1,500 million?

Mr. SLOAN. Yes.

Mr. PASSMAN. You were playing down in your statement, Mr. Secretary, that really it was not promotion. Nevertheless, as far as I am concerned, I will have it anyway, that if they are selling something for a profit, they will send their best men out for these jobs.

Mr. SLOAN. Yes, sir. We are trying to get the sales.

Yes, sir; we are.

General Wood. My comment was to explain the form of work involved.

Mr. Passman. I used the word "promotion" right out of your book, sir.

Mr. Sloan. I have no objection, sir.

Mr. Passman. I hope we have not reached a point that it is going to take promoting abroad the sale of military equipment, whether it is needed or not, to keep a certain industry alive in America.

Mr. Sloan. The feeling behind the program is if these countries are going to purchase this equipment, and they are going to do it, that it would be well for us to sell American goods.

Mr. Passman. Did we start this promotion?

Mr. Sloan. The matter of fact is the request for the sales to some countries, considerably exceeds our desire to sell. Of course, the great bulk of these sales is with advanced and modern countries, which have advanced military organizations, where generally we are trying to sell as much as we can.

Mr. Passman. At least it causes me some concern, whether it causes other people concern or not.

COUNTRIES RECEIVING PACIFIC PROGRAM TRAINING SUPPORT

Will you furnish a breakdown of what countries will receive the training support allocation of $2,077,000 under the Pacific program? (The information supplied follows:)

The $2,077,000 for training support of the Pacific Command consists of ——— for a training program for Indonesia and ——— of command training support. Command training support includes nondepartmental operating expenses in connection with the execution of MAP training by major U.S. field commanders and O/S component commanders. Contains civilian salaries and benefits, military station allowance, and TDY and related costs for both. Also, includes cost of counterinsurgency school in Okinawa.

General Wood. Yes.

TRAINING FUNDS FOR LATIN AMERICAN PROGRAM

Mr. Passman. How firm is your request for $2,035,000 for the training funds for possible programs in Latin American countries, such as Venezuela and Mexico?

General Wood. That takes us back to page 12, where we show the asterisk countries and specifically they are Mexico, Panama, and Venezuela. I can give you the amounts planned for each country.

Mr. Passman. If you will, please do.

General Wood. Yes, sir.

(Classified information supplied the committee follows:)

FUNDS RESERVED FOR TRAINING IN COUNTRIES UNDER STRIKE COMMAND

Mr. Passman. Is it true that you reserve $1,614,000 for training programs which would be helpful in the continuing U.S. influence in certain countries under the Strike Command?

General Wood. Yes, sir. These are the ones which are shown on page 13, with asterisks. I can indicate the amounts for each one which total that figure.

Mr. PASSMAN. If you will, sir.

(Classified information submitted to the committee.)

Mr. PASSMAN. How many of these proposed countries specifically requested a training program for fiscal year 1965?

General WOOD. All of them, sir.

ESTIMATED ENGINEERING AND DEVELOPMENT COSTS FOR F–5 AIRCRAFT

Mr. PASSMAN. I believe you have an estimate of $4,440,000 for nonrecurring engineering and development costs for the F–5 aircraft; is that true?

General WOOD. Yes, sir.

Mr. PASSMAN. Why should that expenditure be funded out of this program?

General WOOD. That would be used as follows: $2,870,000 for F–5 A/B test and evaluations; technical order data, $1,570,000.

Of course, at the moment these cannot be assigned to any particular country because they include the whole program.

Mr. PASSMAN. Is this same aircraft being manufactured for use by our own Defense Department?

General WOOD. No, sir.

Mr. PASSMAN. This is entirely for the MAP?

General WOOD. And sales, yes, sir.

Mr. RHODES. How many units are represented by this increase in cost?

General WOOD. Roughly 200, sir.

Mr. RHODES. That is about $20,000 per aircraft, something like that?

General WOOD. Yes, sir, 120 aircraft in 1964 and 83 in 1963.

TECHNICAL ASSISTANCE FOR WEAPONS PRODUCTION PROGRAM

Mr. PASSMAN. Would you submit a breakdown of the estimate of $3,066,000 for technical assistance for the weapons production program?

General WOOD. Yes, sir.

(The information supplied follows:)

Grant aid technical assistance funds are provided by the United States to assist NATO multilateral organizations in starting up production of U.S. weapons and weapon systems. Funds are usually used to provide documentation, sample items, specialized tools, minimum amounts of engineering services, and maintenance of a U.S. liaison at production facility. All funds except expenses of liaison officers in Europe, are expended in the U.S. grant aid technical assistance MAP funds included in fiscal year 1965 MAP are as follows:

HAWK missile system
M–72 rocket
F–104G aircraft
SIDEWINDER missile
MK 44 torpedo
BULLPUP missile
Engineering and administration

Mr. PASSMAN. General, page 274 of the historical justifications indicates that you are programing funds for other nonregional programs, to reflect the increased costs on U.S. produced F–104G and F–5 aircraft; is that correct?

General WOOD. Yes, sir.

UNIT COSTS OF F–104G AND F–5 AIRCRAFT

Mr. PASSMAN. What is the per unit cost now of the F–104G and F–5 aircraft?

General WOOD. I gave an approximate figure earlier of roughly $700,000 for F–5, $1,200,000 for the F–104G.

CONTRACT WITH NORTHROP FOR F–5 AIRCRAFT

Mr. RHODES. May I ask a question on the F–5?

Mr. PASSMAN. Yes.

Mr. RHODES. Isn't it a little unusual to go back and pick up costs like this? What sort of a contract do you have with Northrop on the F–5?

General WOOD. I cannot give you the details of the contract because of course the contract—all of our contracts are done by the service departments and not by us, but I think this is caused essentially by the fact that the airplane is for MAP only. The military departments would normally absorb this cost if it were an item procured for their use.

Mr. RHODES. Could you get some explanation of the contract?

General WOOD. Yes. Do you want me to furnish it to you?

Mr. RHODES. For the record, if it is not too long, subject to the chairman's judgment.

Mr. PASSMAN. Let us get that information.

Mr. RHODES. I would like to have that very much.

(The information supplied follows:)

The Air Force has consummated a fixed-price incentive contract with Northrop for the F–5 program for fiscal year 1963. A similar contract for fiscal year 1964 has been negotiated and is currently in the process of being definitized. The fiscal year 1964 contract has been delayed as a result of late funding for fiscal year 1964 MAP. The fixed-price feature of the F–5 contract is based on target cost. Any over or under run would be shared on a 70–30 basis by the U.S. Government and Northrop.

U.S. SUPPORT OF CANADIAN F–104G AIRCRAFT PROGRAM

Mr. PASSMAN. General, I note on page 247 of the historical justifications that $125,000 is programed in fiscal year 1964 for a contract with Canada, although Canada is not a military assistance program recipient, as such. How much have we provided to Canada from the "Military assistance" appropriation for the F–104G aircraft, out of the program total?

General WOOD. The F–104G program in Canada, we have in fiscal year 1964, $33.4 million, which completes the agreement of $150 million for the manufacture of F–104G aircraft in Canada.

Mr. PASSMAN. Are we dealing now with something that came into being or just paperwork? Did they manufacture the F–104G in Canada?

General WOOD. Yes, sir. They are coming off the line.

Mr. PASSMAN. Is that the contract of a few years ago in which we became involved and we were just bailing Canada out? I have a faint recollection of some kind of a deal where we went in with no good reason except to bail them out of some situation in which they had gotten themselves involved. I think it was production line costs.

General Wood. This was an agreement of June 12, 1961.

Mr. Passman. That is the one I am thinking about.

Along the way, we find in this overall aid program many other items. I want to pick out one here.

What is the ——— project on page 247 of the historical justifications?

(Discussion off the record.)

MAP REGIONAL DIRECTORS

Mr. Passman. How many area directors do you have, General, in the military assistance program?

General Wood. In the Office, Secretary of Defense?

Mr. Passman. No, the office of the director of the military assistance program.

General Wood. Four regions, so-called, which are part of the Office of the Assistant Secretary of Defense for International Security Affairs.

Mr. Passman. Do they work under your direction?

General Wood. No, they work under Mr. Sloan, four of them.

Mr. Passman. They are military men, are they not?

General Wood. Yes.

Mr. Passman. Therefore, they are under you, too, are they not?

General Wood. They are organizationally under Mr. Sloan who is the Deputy Assistant Secretary for Regional Affairs.

Mr. Sloan. We cooperate, of course, with General Wood's office.

Mr. Passman. Let us take the first one, as we start out around the world. What is his name?

General Wood. Europe, Brigadier General Folda. He replaced General Eaton, who you remember was up here last year.

Mr. Passman. General Folda's responsibility is to understand the requirements and familiarize himself with the overall operation of his own particular region?

General Wood. Well, as I——

Mr. Sloan. I think I described his duties earlier in the session.

General Wood. When he said military assistance was about a third of his work.

Mr. Passman. He gives as much time as is required to familiarize himself with the operation of his region. Is that a fair statement?

Mr. Sloan. Yes, sir.

I would estimate that about one-third of the duties of the regional directors in the Office of the Assistance Secretary of Defense for International Security Affairs involve military assistance.

Mr. Passman. That is his particular assignment as it would apply to the military assistance program. He may have other duties, but he is known as——

Mr. Sloan. He is the regional director for, let's take Europe, for the European region in the Office of the Assistance Secretary of Defense for International Security Affairs.

Mr. Passman. And he is a military man?

Mr. Sloan. That is correct.

Mr. Passman. So he spends as much time on that program as is necessary for him to understand it and to know the requirements and

to be able to answer questions about his region. Would that be a fair statement?

Mr. SLOAN. Insofar as his duties require him to do. His duties are principally the coordination of the program as between General Wood's office, State, and AID. His work is that of coordination and liaison as General Wood pointed out in one of the earlier sessions. It is General Wood and the people who work in the Office of the Director of Military Assistance—General Wood's office—who have the type of detailed material which we have been attempting to provide to you, sir.

SHIFT IN RESPONSIBILITY FOR MAP CONTROL AND DIRECTION

Mr. PASSMAN. Do not forget, Mr. Sloan, that I have not been sitting here for 10 years just to keep my pants pressed. In prior years you have relied upon these people primarily to make the case.

Mr. SLOAN. Yes, sir; to a great degree.

Mr. PASSMAN. A very great degree.

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. And the general would usually sit on the side and fill in if they got bogged down. Now we are taking a new approach.

Mr. SLOAN. This is——

Mr. PASSMAN. Let me finish, if I may.

In previous years, and the record certainly backs me up, it was primarily their responsibility to come before this committee and to answer these questions, and sometimes we would keep one regional director for days and days on his region. I think the record shows that, does it not?

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. Have you lessened their assignments?

Mr. SLOAN. Yes, sir.

Mr. PASSMAN. You no longer look to these people to justify this program?

Mr. SLOAN. That is correct. In this administration—and not just in 1 year, but over the period of years of this administration—the regional directors' duties have become increasingly involved with the other and additional problems and duties involving liaison between the Department of Defense and the State Department and AID and/or the Treasury or other agencies in Department of Defense international activities, worldwide. So, therefore, although the regional directors continue to devote a considerable amount of their time to the coordination of the program, the direction and control of the details of the military assistance program have increasingly been absorbed by General Wood's office. This is the reason he has been present in these hearings, and I have been attempting to support him in some small way. He has considerably more direct responsibility for the details of the program. My office attempts to support his and to support, as we can, the work of the Unified Commanders and the MAAG's, but principally in coordination and in liaison with the State Department.

Mr. PASSMAN. What do you mean by "coordination?" What do they coordinate?

Mr. SLOAN. Let me give an example that is outside of the military assistance program. If we are confronted with a sudden crisis in a country and this crisis indicates there may be an outbreak of war, or an occurrence that might require some U.S. military activity, such as to be prepared for eventualities, the general—let's say this is in

Africa—the general, who has the regional task, who is now General Strickland, would be the representative of the Department of Defense who attended meetings in Department of State, with the people concerned, from the White House staff and others, to look at the crisis. Often he will be accompanied by a member of the Joint Staff, another military man, and they work with the details of what position the United States might have to take in this crisis, the possible movement of troops and forces.

Mr. PASSMAN. That has been true in the past, has it not?

Mr. SLOAN. To a lesser degree than at present.

Mr. PASSMAN. I want to be fair about this thing——

Mr. SLOAN. I am trying to be absolutely straightforward. I would not be otherwise.

Mr. PASSMAN. This committee is not going to be satisfied with maybe having one man coming down here and saying, in effect, "This is it; I want it, with no questions asked."

General WOOD. May I add a little to this, sir?

Mr. PASSMAN. Please do.

General WOOD. The decision to have Mr. Sloan and me here to testify was mine. It was done for three reasons: First, we presented the program differently this year so it does not tie in to regions. The Western Hemisphere does; the Alliance for Progress does. But there is the "Western Orientation," "Forward Defense" and other categories cutting across the regions. I thought that was one reason why I would not specifically ask the regional directors to testify because it did not tie into the methods of the presentation. Second, I recalled our conversation last December where you hoped to expedite the hearings.

Mr. PASSMAN. That is right, but that did not mean to keep information away from this committee.

General WOOD. Third, all of the regional directors are new since last year.

There is no subterfuge on my part at all.

Mr. PASSMAN. I have not implied that there is.

General WOOD. You can have the regional directors if you want them.

Mr. SLOAN. Yes, sir; you can.

General WOOD. They are available and you can have them tomorrow or the next day or anytime.

Mr. PASSMAN. Thank you, but not tomorrow or the next day.

What is the next region?

Mr. SLOAN. The Near Eastern.

Mr. PASSMAN. What is the director's name?

Mr. SLOAN. Brigadier General Strickland.

Mr. PASSMAN. What is the next one?

General WOOD. Far East is Admiral Blouin, supporting Mr. Sloan on other things he has to do.

Mr. PASSMAN. A Rear Admiral?

General WOOD. Yes, sir.

Mr. PASSMAN. Equivalent to a Major General?

General WOOD. Yes, sir. He is at the SEATO meeting in Manila with Secretary Rusk.

Mr. PASSMAN. The next one?

General Wood. The next one is Brigadier General Crawford.

Mr. Passman. You have four flag or general officers in these four commands?

General Wood. Yes, sir.

Mr. Passman. Maybe it will be possible for us to arrange to have them before this subcommittee.

Thank you, gentlemen, very much.

The committee will now adjourn until Monday afternoon at 1 o'clock.

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