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FOREIGN 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 2

AMENDMENTS TO BUDGET
ECONOMIC ASSISTANCE PROGRAMS
INTERNATIONAL ORGANIZATIONS AND PROGRAMS
PEACE CORPS

Printed for the use of the Committee on Appropriations

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FOREIGN OPERATIONS APPROPRIATION, FISCAL YEAR 1965

MONDAY, APRIL 20, 1964.

ECONOMIC ASSISTANCE PROGRAMS

WITNESSES

HON. DAVID E. BELL, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OSDA (ISA)
CHARLES F. FLINNER, DEPUTY CONTROLLER, OFFICE OF THE CONTROLLER, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
DAVID BRITT, STAFF COORDINATOR, AID
MISS KATHERINE CLARK, CONGRESSIONAL LIAISON STAFF, AID
BARTLETT HARVEY, ASSOCIATE ASSISTANT ADMINISTRANT FOR PROGRAM, AID

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
	AGENCY FOR INTERNATIONAL DEVELOPMENT			
11	Personnel compensation:			
	Permanent positions	79,554	83,755	82,716
	Positions other than permanent	1,722	1,216	1,226
	Other personnel compensation	7,855	8,415	7,600
	Total, personnel compensation	89,131	93,386	91,542
12	Personnel benefits	9,332	8,255	7,823
21	Travel and transportation of persons	13,267	13,273	13,247
22	Transportation of things	17,047	24,040	20,649
23	Rent, communications, and utilities	7,455	7,041	6,704
24	Printing and reproduction	1,849	1,640	1,550
25	Other services	200,026	236,455	201,559
	Services of other agencies	36,690	36,533	37,264
26	Supplies and materials	204,487	236,878	202,093
31	Equipment	162,030	185,959	157,878
32	Lands and structures	144		
33	Investments and loans	109,196	22,850	10,000
41	Grants, subsidies, and contributions	176,820	206,414	174,754
42	Insurance claims and indemnities	8	2	2
	Unvouchered		5	5
	Total, Agency for International Development	1,027,482	1,072,731	925,070

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
	ALLOCATION ACCOUNTS			
11	Personnel compensation:			
	Permanent positions	5,151	6,653	7,529
	Positions other than permanent	551	642	630
	Other personnel compensation	445	635	665
	Total personnel compensation	6,147	7,930	8,824
12	Personnel benefits	404	607	726
21	Travel and transportation of persons	863	1,047	1,049
22	Transportation of things	45,277	45,468	45,430
23	Rent, communications, and utilities	109	150	182
24	Printing and reproduction	49	86	77
25	Other services	3,045	3,080	3,225
	Services of other agencies	3,084	494	501
26	Supplies and materials	4,013	1,845	1,236
31	Equipment	156	532	299
32	Lands and structures	853	120	30
41	Grants, subsidies, and contributions	113,915	115,547	110,610
	Subtotal	177,915	176,906	172,189
	Deduct:			
	Quarters and subsistence charges	1	1	1
	Portion of foregoing obligations originally charged to other object classes under Agency for International Development:			
	Department of Agriculture	53,890	56,841	57,063
	Department of Health, Education, and Welfare	3,731	4,188	4,281
	Department of the Interior	4,832	5,078	5,131
	Department of Labor	3,279	3,713	3,985
	Department of State	215		
	Farm Credit Administration	32	40	40
	Federal Communications Commission	111	144	144
	Housing and Home Finance Agency	14		
	Tennessee Valley Authority	14	14	14
	Total, allocation accounts	111,796	106,887	101,530
	Total obligations	1,139,278	1,179,618	1,026,600
	Obligations distributed as follows:			
	Agency for International Development	1,027,482	1,072,731	925,070
	Defense—Military:			
	Army	2,924	485	
	Navy	485		
	Air Force	853		
	Health, Education, and Welfare	317	315	315
	State	107,090	105,862	100,790
	Atomic Energy Commission	127	225	425

Personnel summary

	1963 actual	1964 estimate	1965 estimate
AGENCY FOR INTERNATIONAL DEVELOPMENT			
Total number of permanent positions	13,253	12,857	12,337
Full-time equivalent of other positions	233	94	94
Average number of all employees	12,026	12,078	11,726
Employees in permanent positions, end of year	11,649	11,992	11,322
Employees in other positions, end of year	285	181	181
Average GS grade	9.5	9.8	9.8
Average GS salary	$8,967	$9,767	$10,390
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve officers	3.9	3.8	3.8
Foreign Service staff	8.1	8.2	8.0
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve officers	$12,599	$13,292	$13,350
Foreign Service staff	$5,521	$5,815	$5,839
Average salary of ungraded positions	$1,458	$1,568	$1,598
ALLOCATION ACCOUNTS			
Total number of permanent positions	629	872	901
Full-time equivalent of other positions	53	57	56
Average number of all employees	628	811	919
Employees in permanent positions, end of year	564	824	866
Employees in other positions, end of year	40	56	50
Average GS grade	8.4	8.8	8.9
Average GS salary	$7,907	$8,520	$8,787
Average grade, grades established by the Administrator, Agency for International Development (75 Stat. 450)	4.9	4.9	4.8
Average salary, grades established by the Administrator, Agency for International Development (75 Stat. 450)	$12,284	$12,752	$13,103
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve officers	3.0	----------	----------
Foreign Service staff	6.0	----------	----------
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve officers	$15,225	----------	----------
Foreign Service staff	$6,798	----------	----------
Average salary of ungraded positions	$4,292	$1,497	$1,513

Program and financing

[In thousands of dollars]

	1963 actual	1964 estimate	1965 estimate
Program by activities:			
1. Development grants:			
(a) General:			
(1) Far East	57,013	51,000	
(2) Near East and south Asia	57,973	51,000	
(3) Africa	84,307	78,000	234,200
(4) Interregional and special programs	27,389	39,198	
(b) Development research	1,812	6,000	
Total, development grants	228,494	225,198	234,200
2. American schools and hospitals abroad	4,971	14,300	12,000
3. American schools and hospitals abroad (special foreign currency programs)	2,800	4,800	
4. Surveys of investment opportunities	398	1,200	2,400
5. International organizations and programs:			
(a) UnitedNations technical assistance and Special Fund	50,000	52,416	
(b) United Nations Congo—economic program	3,000	5,000	
(c) United Nations Relief and Works Agency	17,200	17,200	
(d) United Nations Children's Fund	12,000	12,000	
(e) Atoms for peace	1,223	1,000	
(f) World Health Organization, special programs	500	500	
(g) North Atlantic Treaty Organization, science program	1,250		135,600
(h) United Nations Emergency Force	1,322	1,247	
(i) United Nations Congo—military operations	1,400	2,473	
(j) World food program	500	2,000	
(k) OAS assistance to Dominican Republic	57		
(l) Indus Basin development	24,599	22,500	
Total, international organizations and programs	113,051	116,336	135,600
6. Supporting assistance:			
(a) Far East	268,641	245,354	
(b) Near East and south Asia	98,024	46,350	
(c) Africa	72,729	47,750	347,000
(d) Latin America	22,741	19,500	
(e) Nonregional	891	286	
Total, supporting assistance	463,026	359,240	347,000
7. Contingencies	149,198	177,099	150,000
8. Alliance for Progress: Development grants	123,567	91,777	88,000
9. Investment in social progress trust fund		135,000	
10. Administrative expenses (Agency for International Development)	50,991	51,953	54,500
11. Administrative expenses (State)	2,782	2,715	2,900
Total obligations	1,139,278	1,179,618	1,026,600
Financing:			
Unobligated balance brought forward:			
Annual appropriation acts	−61,785	−192,738	
Other legislative authority: Authorization to expend from public debt receipts	−545	−545	
Recovery of prior year obligations	−95,436	−49,300	−24,500
Unobligated balance carried forward:			
Annual appropriation acts	192,738		
Other legislative authority: Authorization to expend from public debt receipts	545		
Unobligated balance lapsing	5	545	
New obligational authority	1,174,800	937,580	1,002,100
New obligational authority:			
Appropriation	1,173,900	937,700	1,002,100
Transferred from:			
"Alliance for Progress, development loans" (77 Stat. 36)	300		
"Development loans, revolving fund" (77 Stat. 36)	600		
Transferred to "Operating expenses, Public Buildings Service," General Services Administration (77 Stat. 436)		−120	
Appropriation (adjusted)	1,174,800	937,580	1,002,100

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon Mr. David E. Bell, the Administrator of the Agency for International Development.

Mr. Bell, if you have a statement to make to the committee, we shall be pleased to hear from you at this time.

GENERAL STATEMENT OF THE ADMINISTRATOR

Mr. BELL. Fine, sir.

Mr. Chairman and members of the committee, I am pleased to have the opportunity to appear before you in support of the appropriations request for the mutual defense and development programs for fiscal year 1965.

The main elements of our proposed foreign assistance programs have been presented to the Congress by the President's message of March 19, and by Secretary Rusk and Secretary McNamara. I should like to mention briefly today a few points which seem to me particularly important with respect to the recommendations for the coming fiscal year.

FOREIGN ASSISTANCE REQUEST FOR FISCAL YEAR 1965

First, the President's request for funds for fiscal 1965 is responsive to the congressional desire—which the President shares—to appropriate for foreign assistance only the tight, realistic minimum of funds needed to serve essential U.S. requirements.

The President's appropriation request for fiscal 1965 is for $3.4 billion, in new obligational authority, of which $2.4 billion is for economic assistance and $1 billion is for military assistance.

This request reflects three things. It reflects the President's insistence that we present in the foreign aid field—as in every other part of the Federal budget—a minimum estimate of what will be needed to cover the essentials. It reflects continuing progress in accomplishing the objectives of the foreign assistance program—improvement in the economic strength of a number of countries, enabling them to carry more of the costs of their own defense and development, and enabling us to reduce our aid to them. And it reflects a realistic assessment of what recipient countries are likely to accomplish by way of self-help measures, which alone can form the basis for the effective use of our developmental assistance.

The President's request for fiscal year 1965 is not only a tight, realistic request. It is the smallest burden on U.S. resources that has been proposed in the last 15 years. In 1949, expenditures for foreign assistance were $4.5 billion, approximately 2 percent of the gross national product of the United States. Anticipated expenditures for fiscal year 1965 are 0.6 percent of the GNP. In 1949, foreign aid expenditures were 11.5 percent of the Federal budget. The expectation for the coming year is 3.5 percent of the budget.

Moreover, the policies now in effect result in over 80 percent of the appropriations for economic assistance being spent directly in the United States for U.S. goods and services. In consequence, the ad-

verse effect of foreign aid on the U.S. balance of payments has been reduced to an alltime low.

The facts I have just cited are evidence that we have sought to reduce this year's request for foreign aid to the essentials, and to minimize its cost to the United States.

PROBLEM AREAS WHICH COULD PRESENT FINANCING PROBLEMS

We believe the sums we are requesting will provide the minimum amounts needed to advance U.S. interests in Latin America, Africa, and Asia. There are plainly circumstances that could arise, however, that would increase the requirements. For example, the measures now being undertaken by General Khanh in Vietnam, with our encouragement and support, will certainly increase requirements for U.S. assistance above those included in the 1965 request for supporting assistance funds. The new developments in Brazil may well lead to an increase in our program in that country. It will be possible, of course, to take care of some increased requirements by drawing on the contingency fund, but the magnitudes may rise above those now estimated. Moreover, some of the countries that are not now undertaking substantial self-help measures may do so—indeed we hope that they will—thus qualifying for larger developmental assistance from us, for which we have not provided in our appropriations request.

In the event of these or other unforeseen demands, the President has stated in the budget message that he would not hesitate to request additional funds from the Congress if needed.

PROGRAM PHASEOUTS

Second, the 1965 program is plainly responsive to the congressional desire—which the President shares—to concentrate our help where it will do the most good, and to speed the transition from reliance on aid to economic self-support.

I should like to say a word particularly about the process of transition from reliance on external aid to economic self-support. From the beginning of the Marshall plan our main purpose in extending foreign aid has been to help other coutries get on their feet, in a position to achieve economic progress and rising living standards for their people without our assistance. This is, of course, what they want too, and this fundamental identity of interest between donor and recipient is the basis for an honorable and constructive aid relationship.

In some 17 countries—for the most part in Western Europe—economic aid in the form of soft-term loans or grants under the Foreign Assistance Act has already ended. These countries are: Austria, Belgium-Luxembourg, Denmark, France, Germany, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, United Kingdom, Japan, Spain, Lebanon, and Yugoslavia.

We can now identify some 14 additional countries for which the time is clearly in sight when the country will be able to meet its requirements for external financing without economic aid under the Foreign Assistance Act. They are: ———.

Experience has demonstrated that the transition to self-support does not happen overnight, or at equal time intervals for all types of U.S. assistance. In Europe, for example, economic aid in sizable amounts ended 10 years ago, whereas military aid commitments have ended much more recently. In the case of the countries now in the transition process, we would expect that military assistance, and sales of surplus agricultural commodities under Public Law 480, will continue in some cases after the termination of loans and grants under the Foreign Assistance Act. Countries completing the transition will, of course, remain eligible for Export-Import Bank loans.

I think the United States is entitled to be proud of the record made in these 31 countries. There are some very impressive success stories among them—perhaps the most impressive being Germany, France, Italy, Japan, Greece, Israel, and Taiwan. But we should not mislead ourselves to think that these are U.S. achievements alone.

In all cases, the 17 countries where the transition has ended, and the 14 where it is in process, the basic economic progress that makes the transition possible is a result of the energy and the successful mobilization of their own resources by those countries themselves. U.S. aid has helped a great deal in some cases; in other cases our aid has been relatively small. But in all cases the basic ingredient for success has been what the countries have done for themselves; external aid has provided a margin—frequently a crucial margin—of help.

Looking at the proposed uses of economic aid funds in fiscal year 1965, only 2 percent of the proposed program is in the 14 transition countries—indicating the extent to which the transition has progressed.

DISTRIBUTION OF ECONOMIC ASSISTANCE

The major assistance in the coming year is highly concentrated. Eighty-eight percent of all economic assistance funds will go to only 25 countries.

The 25 countries might be usefully divided into 3 groups. First, seven which are receiving major support from us because they have good self-help records and good prospects for continued growth: Chile, Colombia, India, Nigeria, Pakistan, Tunisia, and Turkey. These seven receive 50 percent of our total economic assistance. We do not consider that all the policies of these countries are without flaw, but they are essentially sound and calculated to achieve lasting economic progress.

Second, a group of 11 countries which are expected to receive 17 percent of the total aid program. These countries—all in Central or South America, except for Liberia—have good long-run prospects, but rather spotty records of self-help and reform. I should point out that one of these is Brazil, which, as I have already indicated, may put itself in a position to justify an increased program of aid in the coming fiscal year.

Third, a group of seven countries which receive 21 percent of our economic aid—the bulk of it supporting assistance. Each of these seven faces grave security or stability problems. Our assistance is, of necessity, of a short-term supporting nature, but in each case we are seeking to bring about changes which may lead the way to eventual economic growth and self-sufficiency.

The remainder of U.S. economic assistance in fiscal year 1965—10 percent—is expected to go to 37 countries—27 of them in Africa—where we carry on limited programs, with limited objectives, where, for example:

We want to maintain access to bases or other vital facilities;

Other donors are providing the major assistance;

We cannot work effectively with existing governments but can accomplish results in certain sectors; or

We want to encourage independence from Russian or Chinese dominance in sensitive areas.

Let me repeat, Mr. Chairman: of all U.S. Economic assistance proposed for fiscal year 1965—

Two percent would go to 14 transitional countries;

Eighty-eight percent would go to 25 major recipients (7 of these receive 50 percent of all U.S. economic aid);

Ten percent would go to 37 limited recipients.

APPROPRIATION REQUESTS FOR FISCAL YEAR 1965

I should like to turn, if I may, to a more direct discussion of the appropriation requests for fiscal year 1965.

We are requesting a total of $3,391,700,000 in new obligational authority; $1 billion of this amount is for military assistance and the remainder for economic assistance. This compares with the $2,865 million appropriated by the Congress for the current fiscal year for the same purposes.

That is exclusive of the social progress trust fund, for which we are not asking an appropriation this year. However, to that amount must be added reappropriations and carryovers of nearly $400 million, and estimated recoveries and reimbursements during this year of another $220 million, so that our total funds available for programing in fiscal year 1964 are nearly $3,500 million.

We do not expect to have unobligated funds of a similar magnitude at the end of this June to carry over into next year, and our total program for 1965 is only $145 million larger than for the current year.

These availabilities are set out in detail in the table on page 41 of the presentation book. As you can see, next year we are counting on the availability of an estimated $194 million of recoveries during the year and $19 million of reimbursements and receipts. These recoveries of prior year obligations during the year are extremely difficult to estimate and for the most part are only realized late in the year.

For the current year it now appears that the amount of deobligations and loan cancellations which will be available for reobligation will be slightly less than the estimates shown on page 41.

MILITARY ASSISTANCE

Secretary McNamara has already presented the case for this vital program and I should like only to add my strong support for full appropriation of the $1 billion requested.

As the committee knows, all the funds available during the present fiscal year under the military assistance appropriation, including

recoveries of prior year funds, have been fully allocated, and in addition we are planning against a possible transfer of contingency funds to the military assistance program. As the congressional presentation indicates, we have assumed the transfer of up to $50 million to the military assistance program from the contingency fund.

DEVELOPMENT LOAN PROGRAM

Our development loan program for next year is $960 million, excluding the Alliance for Progress. We anticipate possible cancellation of prior loans to the extent of $25 million and the availability of repayments of interest and principal of $13 million, resulting in a net requirement of $922 million of new appropriations.

This appropriation provides the central element of U.S. assistance to development programs in Asia and Africa. We have approved 23 development loans so far this year totaling $481 million, and have 58 additional applications before us, most of which are in relatively advanced stages of review. We anticipate completing our work on more than 40 of these before the end of the fiscal year. We do not have funds available for all pending applications during the current year, and we therefore expect that a number of projects will have to be put off until new funds become available for fiscal 1965.

The bulk of the development loan funds are required in the Near East and south Asia, in particular for India, Pakistan, and Turkey. In these three countries we are operating in close cooperation with Western European countries and the International Bank which has taken the leadership in organizing consortia of donors in support of development programs. The amount of assistance to be provided and the measures which the recipient must take are carefully negotiated with the recipient country. Under the consortium pledges made in 1963, 41 percent of the assistance to India and 50 percent of that to Pakistan is being provided by the United States (AID and the Export-Import Bank). Pledges to these consortia for their respective next fiscal years have not yet been made.

TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

For fiscal 1965 we are proposing a technical cooperation program of $235 million excluding the Alliance for Progress. This program, which is $10 million larger than that estimated for the current year, is expected to be financed by $10 million in recovery of prior year obligations, and by $225 million in new appropriation.

Currently, some five-sixths of available technical cooperation funds have been approved for the execution of specific activities, and obligation of these funds by our field missions and Washington staff is proceeding rapidly. We anticipate that the carryover of unobligated funds at the end of this year will be very small.

Our investment in technical cooperation is a relatively small one—less than 10 percent of the economic assistance program. However, I know of no more important investment in the future development of the countries being assisted. The education, health, and training projects which we support, bring returns over the long run many times their cost. Technical cooperation is our best means for conveying U.S. ideas, techniques, and know-how. It builds directly the most

vital ingredients of growth: skilled people and functioning human institutions.

ALLIANCE FOR PROGRESS

Our program of AID assistance for the Alliance for Progress in fiscal 1965 is $570 million, an increase of $10 million over the amount available for the current year. We plan to use up to $88 million of this amount for technical cooperation. Just as the recent situation in Brazil has played a large part in preventing us from proceeding with the full utilization of the funds available this year, the current developments in that country may point to a revision in the necessary requirements of the Alliance for 1965. We will, of course, keep the Congress closely informed on this.

With the principal exceptions of Brazil and ——— where political difficulties have prevented full accomplishment of program objectives during the year, much progress has been made in carrying forward Alliance programs. At present, virtually all of the funds available for technical cooperation have been approved for implementation of specific activities, and more than half of these funds have been obligated by the field missions.

On the loan side, 30 loans have been authorized during the present fiscal year, and 60 more are currently under review, many of them in advanced stages. The loans and projects under review total more than available funds, but questions remain on a number of them which will probably not be resolved prior to the end of the fiscal year. Barring a speedy resolution of the situation in Brazil and the requirement for a rapid commitment of substantial development assistance there, I anticipate that we will have a significant amount of Alliance loan funds uncommitted at the end of this fiscal year. As this situation clarifies, we will keep the committee informed.

Last month the nations of this hemisphere marked the third anniversary of President Kennedy's announcement of the Alliance for Progress. To date, there have been bright spots and there have been disappointments. Colombia and Chile are engaged in serious development programs and are doing well. The Central American integration movement shows reals progress, and we have hopes for the promising program formulated by the recently elected Government of Peru. Unfortunately, all nations have not made comparable progress. But the recent events in Brazil indicate that changes may come in unexpected ways.

These first years have been a period of planning and of basic changes which will bear fruit in later years. Already thousands of classrooms have been built, thousands of new homes started, and millions of people benefited, directly and indirectly, by the Alliance program. Substantial U.S. private investment, in industry and also to some extent in housing, is being made. We anticipate an increasing demand for Alliance loans; for recent feasibility surveys have demonstrated the existence of sound potential investments and our training programs are helping to develop the people necessary to initiate and manage them.

I for one am hopeful about the future of the Alliance and I look forward to working closely with Assistant Secretary Mann on this vital program. Full appropriation of the $550 million requested for the

Alliance for Progress in the coming year will be a signal that we intend to move ahead, and will honor our pledges and commitments to this great cooperative effort.

SUPPORTING ASSISTANCE

We anticipate requirements of $349 million for supporting assistance in this coming year, to be funded from $14 million of recoveries and reimbursements and from $335 million of new appropriations. This continues the downward trend for this category of funds.

A few years ago, economic grant support programs under the mutual security program exceeded $1 billion annually. In 1960, $420 million of continuing grant support assistance was obligated for 14 countries for which no supporting assistance is proposed for 1965. I am proud of our continued progress in cutting this aspect of our assistance program down to the barest minimum, and I can assure this committee that barring unforeseen developments this trend will be continued.

Supporting assistance is our most highly concentrated program. Four-fifths of the funds will go to four countries: Vietnam, Korea, Laos, and Jordan. In all four situations these funds play a vital role in supporting essential defensive strength and political stability.

Available supporting assistance funds for the present year are fully allocated. In fact, we face the strong probability of additional requirements in ——— which must be covered before the end of the fiscal year, for which we will have to use the contingency fund.

You will note that the amounts proposed for supporting assistance in fiscal 1965 are reduced from the estimates for the current year in virtually every country. There is no leeway in this program. Its continuation at the proposed level is essential to U.S. security and foreign policy interests abroad.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Assistant Secretary Cleveland will appear before you to present a detailed justification for this request. Let me only add my full support to the requested appropriation of $134 million for these multilateral assistance activities under the U.N., which provide an effective means of sharing the cost burden with other prospering nations.

CONTINGENCY FUND

We are requesting a contingency fund of approximately the same size as last year. As the committee knows, this is one of our most important requests, for it provides the President with a flexible means of meeting new and unexpected circumstances. As usual, we plan to make the most sparing use of the fund that is possible.

DISASTER RELIEF

So far this year we have obligated less than $20 million of the contingency fund, mainly for a series of disaster relief requirements and for unforeseen needs in southeast Asia and Central America. However, as indicated earlier, a transfer of $50 million to the military assistance program is currently anticipated, and we face urgent re-

quirements particularly in southeast Asia which may well require a further use of contingency funds in that area this year. In addition, we do not yet know what urgent requirements for assistance may arise from the current events in Brazil. It is too soon, therefore, to estimate what amount of the contingency fund will remain uncommitted at the end of the fiscal year.

MISCELLANEOUS EXPENSES

Included in this appropriation request is $52.5 million for AID administrative expenses and $18 million for American schools and hospitals abroad.

The amount requested for administrative expenses reflects the reduction in AID employment which the President has instructed us to accomplish. I strongly urge that the full amount requested be appropriated. We are seeking to raise the quality of our staff at the same time that we are reducing its size. This is an unusual and complex task.

Moreover, foreign assistance is inherently a difficult, complicated business. It requires the best people—who can work under trying conditions. In my judgment, any significant cuts in the administrative funds would jeopardize the efficient use of the taxpayer's dollar.

AID TO SCHOOLS AND HOSPITALS

For fiscal year 1965, AID is requesting $16.9 million, plus $1.1 million in local currency, for assistance to American schools and hospitals abroad. The largest share ($10.5 million) is expected to go to the Medical Center of the American University of Beirut (AUB) to provide a modern patient-care facility. When combined with the clinical teaching, research and outpatient facilities previously financed by a $5 million grant from AID, this will create the most modern medical center in the Middle East.

The request also includes an estimated $1.1 million to purchase local currency for use by the American University in Cairo, and $1.5 million in assistance for Project Hope. The remaining $4.9 million would be allocated among Robert College, the American Farm School, Athens College, Pierce College, Anatolia College, the Escuela Agricola Panamericana, Admiral Bristol Hospital, and the AUB.

Each of these schools is accepted by the host government as an effective contributor to the educational challenge each country faces. The schools themselves require at least limited U.S. Government support if they are to provide an acceptable level of teaching. Some of them face critical financial problems and, without emergency assistance from the U.S. Government, might have to close.

It is in the U.S. interest to help these schools survive and function effectively, but not in the interest of the government or the schools themselves to continue underwriting operating budget deficits. For this reason, AID continues to work with each school to determine the kind and amount of assistance most likely to strengthen its financial base, better equip it for its role and move it as rapidly as possible toward self-support.

AID PROGRAMS OF OTHER FREE WORLD NATIONS

I should like to comment briefly on the aid programs of other free world nations, which, like ours, are sizable. The most recent complete facts are those available in the annual report for 1962 of the Chairman of the Development Assistance Committee of the Organization for Economic Cooperation and Development. As you know, the DAC comprises the nine chief industrialized countries of Western Europe, plus Canada, Japan, and the United States.

The total amount of free world aid commitments increased from $6.5 billion in 1960 to $8.4 billion in 1962. All three major sources—the United States, the other donor countries, and the international organizations—increased their aid commitments. But the bilateral U.S. share of total aid dropped somewhat, from 60 to 56 percent, while the bilateral share of the other donor countries remained stable at about 29 percent, and the multilateral share increased to 15 percent.

U.S. CONTRIBUTIONS TO INTERNATIONAL AGENCIES

Our share of governmental grant contributions and subscriptions to the international agencies in 1962 was 42 percent overall; the other donors contributed 58 percent. In consequence, it is fair to say that the share of the United States in total free world economic aid dropped a little from 1960 to 1962.

It should be noted that the average per capita GNP in the United States in 1962 was $2,974, more than twice as great as the average per capita GNP in the other DAC countries, which was $1,135.

On the other hand, the United States in 1962 devoted proportionately about twice as much of our GNP to defense expenditures—9.4 percent—as did the other DAC countries—4.7 percent.

Considering these various elements, we believe that, apart from France and Portugal, which are above the average, the other DAC members ought to increase their aid efforts beyond the 1962 commitment levels. We are urging them to do so. Several of them are in fact doing so.

Canada has announced its intention to increase its aid levels by 50 percent in 1964, and the United Kingdom and Japan have announced their intention to increase the size of their assistance programs.

Preliminary reports for 1963 indicate that the combined bilateral commitments of the other DAC countries continued to rise last year, including, significantly, the commitments of Germany, Canada, and Italy.

Apart from aid amounts, we are also concerned with aid terms and there remains a sizable gap between the terms of the other DAC countries and ours.

In 1961 the average maturity of the new commitments of other DAC countries was 17.8 years. In 1962 the average maturities improved by 2 to 19.8 years. The average interest in 1962 for other DAC countries was 5.1 percent. This compares to an average maturity of 29.9 years and average interest of 2.6 percent for U.S. loans in the same year.

Preliminary evidence suggests that a further lengthening of average maturities for other DAC countries occurred in 1963 and should con-

tinue in 1964. This liberalizing process is illustrated by German lending terms. In 1959 no German loans carried more than 5 years' maturity. By 1961 new commitments averaged 14.5 years. In 1962 they averaged 17 years. Preliminary figures show that the average climbed to 20.2 years in 1963.

Britain inaugurated a new policy last fall of offering loans up to 30 years' maturity. Canada announced, also last fall, its intention of supplementing existing grant and hard loan programs by setting up a new soft loan program approximating IDA terms of 50 years' maturity, three-fourths percent interest, and 10 years' grace. The initial annual level of soft lending is expected to be $50 million, or nearly the amount of the entire Canadian aid program in 1962.

Interest rates on aid loans of the other DAC countries are being reduced somewhat. The new British terms policy provides for waivers of interest payments for up to 7 years. A 7-year waiver lowers a nominal 6-percent interest rate on a long-term loan to about 3 percent. Britain has already granted such waivers in several important cases, on loans totaling $115 million to India, Pakistan, and Turkey.

Germany has also extended an increasing number of low-interest loans, including a loan of $13.2 million last year to Togo at 2-percent interest and 30 years' maturity.

We expect to continue to urge our DAC partners to soften their terms in appropriate cases, in accordance with the policy agreement on terms reached in April 1963, when all the DAC members agreed that loan terms should be consistent with the debt servicing capacity of the recipient countries, that terms should be more nearly comparable, and that these two aims should be met through liberalization of the terms of the harder lenders.

PROPOSED AMENDMENTS TO THE FISCAL YEAR 1965 APPROPRIATION ACT

I should like to comment briefly on two of the amendments to the appropriation act which we are requesting this year.

ELIMINATION OF LIMITATION OF RESEARCH FUNDS

First, we are seeking removal of the limitation on research funds in section 113 of the current act. Under this provision a limitation of $6 million now exists. The President has already sent to the Congress a recommendation that this limitation be raised to $9 million in the current fiscal year, and we hope very much that the Congress will act on this request, as we already have fully reviewed and approved research projects, ready for funding, which cannot be started due to the present limitation.

RESEARCH AND ANALYSIS PROGRAM

For fiscal year 1965 we are proposing a research and analysis program of $15 million. As the committee knows, our research program is directed toward obtaining a better understanding of the development process, the discovery of improved techniques and procedures in promoting development, and the improvement of methods to assess

the results of AID projects and the potential of project proposals. Our research program is designed to help us use aid funds more efficiently and effectively.

Research and analysis proposals are screened on the basis of their relevance and importance to AID needs and their scientific soundness, and thoroughly checked to avoid duplication of effort. Extensive use is made, for this purpose, of expert consultants in other Government agencies and in the private research community. The final step is a careful review by the AID Research Advisory Committee, a committee of 14 eminent scientists serving at the request of the AID Administrator, under the chairmanship of Dr. Walsh McDermott of Cornell University.

Second, we are requesting an appropriation of the interest and principal repayments on development loans heretofore made under the Foreign Assistance Act, including loans under the Alliance for Progress. Prior to fiscal year 1964 these repayments were available for use without appropriation. Now, however, under the terms of the authorizing statute, a specific appropriation is required. We are recommending, therefore, that the fiscal year 1965 Appropriation Act contain a specific appropriation of these repayments. The 1965 program has been planned taking this into account, and the request for new obligational authority has been correspondingly reduced.

INTERRELATIONSHIP OF MILITARY AND ECONOMIC ASSISTANCE PROGRAMS

I should like to close, Mr. Chairman, by emphasizing the close connection between the economic and the military assistance program. We often tend to think of them as separate programs. But what we are presenting to this committee is the mutual defense and development program. It is a single program, serving a single purpose: promoting U.S. interests and security in many parts of the world, under many different conditions. A weakening of any part weakens the whole program.

As the officer in the executive branch particularly responsible for the coordination of the economic and military assistance programs, I am keenly aware of the vital and interconnected role both play in protecting our immediate and longer term national interests.

In today's world, the challenge to freedom and the independence of nations takes many forms.

In Asia, along the periphery of the Sino-Soviet bloc, the threat of external aggression and internal subversion are both immediate. Military and economic assistance are linked to meet the challenge: to help support large armed forces, to help meet insurgency and subversion, and to build the basic economic and social strength which will enable these countries to carry more and more of their own defense and development. In short, to meet current security problems and to provide for fundamental change and improvement, both military and economic assistance are necessary.

In Africa and Latin America the challenge is different in proportions but the same in essence. The challenge of external aggression is less, and the challenge of internal insurgency can normally be met by

a modest military assistance program aimed primarily at internal security. In these areas the major challenge of communism results from the lack of opportunity and the poverty, hunger, and disease which form the basis for Communist political action. Economic assistance is essential to meet that challenge.

The formulation of the economic and military assistance programs for each country is coordinated at all stages. Coordinated Defense and State Department and AID guidance for the preparation of annual programs is sent to field missions. Field proposals are coordinated by the Ambassador as the head of each country team. The programs are jointly reviewed in Washington by our respective staffs. And finally, in approving particular economic and military programs, we must take into account their bearing on each other and their relationship to basic U.S. interests.

Although the legislation distinguishes between these two instruments of our foreign policy, they are simply two parts of a whole. Neither is more important than the other; each has its own appropriate role to play in protecting and strengthening our Nation's basic interests abroad.

What we are doing through these programs is to influence events around the world in ways that contribute to freedom, to democracy, and to progress. This is of the greatest significance to the future welfare and security of our own country.

It is abundantly clear that foreign aid is no cure-all. It is only one of the instruments available to us to advance our foreign policy. But in the right circumstances, and used in the right way, foreign aid can be a powerfully effective instrument.

Thank you for your attention, and I will be very pleased to respond to any questions you may have.

FOREIGN ASSISTANCE PROGRAMS AND THE STATE OF THE U.S. ECONOMY

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

I hope that the facts are made known to the American people, before it is too late, as to what is happening to our balance of payments and our diminishing gold reserves, our public debt as it compares with others, and other important factors relative to this program and our economy.

We know that you have a most difficult job, Mr. Bell, trying to administer a program of this type. We know that you are dedicated and diligent in your work.

ADEQUACY OF FUNDING LEVEL FOR AID PROGRAMS

Do you think that under the present reduced budget request, we are going to have a satisfactory program and that your objectives will be reasonably met?

Mr. BELL. Mr. Chairman, you have already discussed with Secretary McNamara the military assistance part of the program for 1964.

Mr. PASSMAN. I am speaking now of the overall program.

Do you think that our objectives are being reasonably met with the amount of money appropriated in fiscal year 1964 and the request for fiscal 1965?

Mr. BELL. I think the funds made available by the Congress, including the carryovers, are permitting us to do a great many things and conduct a great many programs that are strongly in the U.S. interests, and have a major impact. We are very tight on funds in the military assistance program, and in the supporting assistance program. In both cases, we expect to draw on the contingency fund, as I indicated in my statement. We expect to have more projects completed and ready for funding which we will not be able to fund under the regular development loan appropriation.

I do not expect there will be very many of those.

I expect they will be coming along late in the year so that delay in funding them, as between the end of fiscal year 1964 and the beginning of fiscal year 1965, I would think, is not very serious.

With respect to the Alliance for Progress loans, as I indicated, at this point it does not seem we are tight.

All in all, Mr. Chairman, including the funding from the contingency fund that we are doing, it seems to me that we are able to carry out—with some qualifications in the military assistance field—the essential minimum of activities that are in the U.S. interests in the current fiscal year.

Is that the thrust of your question?

Mr. PASSMAN. I believe so.

If we can agree that when you say "minimum" our objectives are at least being reasonably met?

Mr. BELL. Again, I say with come qualification in the field of military assistance.

Mr. PASSMAN. You do say that in the Alliance for Progress you are going to have uncommitted funds?

Mr. BELL. We think so at the present time; yes, sir.

Mr. PASSMAN. When we take the contingency fund into account, and knowing that is is available to be transferred, you would say our objectives are being reasonably met?

Mr. BELL. With respect to supporting assistance?

Mr. PASSMAN. I am not trying to pin it to any one item. I am asking whether our objectives are being reasonably met?

Mr. BELL. I am not trying to fence with you.

Mr. PASSMAN. I am trying to find out, taking into account in your fiscal year 1964 appropriation and your request for fiscal year 1965, whether you would say our objectives are being reasonably met, with the amount of money available.

Mr. BELL. With some qualifications, I could agree with that.

PRESS RELEASE ON HOUSE ACTION ON FISCAL YEAR 1964 APPROPRIATIONS

Mr. PASSMAN. I want to read from a press release of last year, dated August 24, 1963:

[For immediate release, AID–63–185]

STATEMENT BY DAVID E. BELL, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

The statements of the President and of the Secretary of State yesterday have indicated the seriousness of the drastic reductions made in the foreign aid bill by the House of Representatives. These cuts dealt a severe blow to the ability of the United States to achieve freedom and peace in the world.

The statement was issued after the House had cut the authorization down and at a subsequent date the Committee on Appropriations recommended and the House approved $2.8 billion.

The original request was for $4.9 billion, later reduced to $4.5 billion and the Congress cut the authorization to $3,602 million.

The Committee on Appropriations, with the House support, cut it to $2.8 billion. And, finally, the Congress appropriated $3 billion.

Nevertheless, we find that it is a reasonably good program, with certain qualifications in the military.

That was your release, was it not?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Then I am sure you know why we are confused.

Mr. BELL. May I say a word or two?

Mr. PASSMAN. I wish you would.

Mr. BELL. First of all, the $3,602 million, approximately, is what was in fact finally made available.

Mr. PASSMAN. That was the amount of the new authorization?

Mr. BELL. Right.

Mr. PASSMAN. The legislation likewise made available unobligated funds. I am speaking about the new obligational authority.

Mr. BELL. I understand.

Mr. PASSMAN. What the House recommended, and that was where the Secretary of State and the President, followed by yourself, were critical of the severe damage that had been done only to have the same Congress at a subsequent date, reduce it to $3 billion.

Mr. BELL. Plus carryovers.

Mr. PASSMAN. Plus carryovers, but when you issued this statement, this had to do with the new authorization.

Mr. BELL. Yes, sir. That was in August and at that time we had not expected any significant carryover.

Mr. PASSMAN. The bill you criticized had an authorization for the carryover did it not?

Mr. BELL. No significant carryover was anticipated.

Mr. PASSMAN. That is right, but that fact makes the program even more uncertain.

Mr. BELL. The point I am making, Mr. Chairman, is that——

Mr. PASSMAN. You had already established at that time an estimate of what the unobligated funds would be. We had a statement on this matter. This was a new authorization and the same authorization carried language that you could use any unobligated funds?

Mr. BELL. Yes, sir.

Mr. PASSMAN. I am sure that if you will go to your records, you will notice that this is nearly 2 months after the close of the fiscal year, and then there were only minor adjustments.

Mr. BELL. The available funds this year on a comparable or total basis, as you know, are $3.6 billion. The military assistance part of that, as Secretary McNamara and I have both indicated, is in fact less than we really need to carry out what the Joint Chiefs of Staff have indicated is the essential minimum.

Apart from that, the funds that are available for the present year, counting extensive use of the contingency fund, look as though they are going to meet the minimum essential requirements.

BASIS FOR FISCAL YEAR 1965 ECONOMIC AID BUDGET

May I suggest, sir, and we have made this plain, and the President has made this plain and I have made it plain, that in presenting the program to the Congress this year, it has been deliberately put forward on a different basis from the way we put it forward a year ago. At that time, I indicated to this committee—as well as to other committees—that we were asking for all of the funds we thought would be necessary, and if each of the countries we wanted to help did everything they were supposed to do. We were quite prepared to leave funds uncommitted at the end of the year if the countries did not do what they were supposed to do. This year we are deliberately—under the President's instructions—asking for funds on a different basis. We have already discounted the performance of the recipient countries and we believe, therefore, that the funds requested this year are on a more realistic basis than the funds requested last year.

I think the indication is that this is clear, in that we, in fact, did commit in fiscal 1963 $2.4 billion of economic funds. That, exclusive of the unobligated carryover, actual commitments were $2.4 billion in 1963.

The commitments in the present year could not be that much because we do not have that much available. We think they will be $2.3 billion approximately, and we are asking just under $2.5 billion for next year.

This is all on the economic side, leaving the military apart.

Therefore, the funds we are asking for fiscal year 1965 are almost the same as what we are committing this year. That is what we committed last year and I believe what we committed the year before. So, I think we are coming to the Congress deliberately with what we consider to be a more realistic basis and not asking for funds which we might need, but would keep uncommitted.

Mr. PASSMAN. You would not be laying the foundation now to request a supplemental appropriation, would you?

Mr. BELL. We would ask for a supplemental if the situation changes so that we could use one. Brazil is an illustration of the way in which a country might change so that we would need it.

We certainly have no intention now, and no plans now, for asking for a supplemental.

Mr. RHODES. Mr. Chairman?

Mr. PASSSMAN. Yes.

ADEQUACY OF MILITARY ASSISTANCE FUNDS

Mr. RHODES. Mr. Bell, you said, as Secretary McNamara did before you, that you have not asked for enough money for the military assistance program. How much would be enough?

Mr. BELL. You mean for 1965?

Mr. RHODES. Yes.

Mr. BELL. I did not say that, sir. He was asking me the effect of the 1964 appropriation and I said in the present fiscal year——

Mr. RHODES. May I ask if you feel that the $1 billion requested for the military assistance program for this fiscal year is a sufficient amount to accomplish the aims and objectives of this Government?

Mr. BELL. Both Secretary McNamara and General Taylor testified

it leaves uncovered some important equipment requirements, particularly for Greece, Turkey, and Korea.

Mr. RHODES. Do you agree?

Mr. BELL. So far as I know. I am not an independent authority on the matter. Nevertheless, the President asked for $1 billion and Secretary McNamara and I, of course, are supporting that and not asking for more than the $1 billion.

Mr. RHODES. Thank you.

CHANGED BASIS FOR FISCAL YEAR 1965 BUDGET

Mr. PASSMAN. I believe this is the 18th year of foreign aid. Did it not start with the Marshall plan in 1947?

Mr. BELL. Greece and Turkey. That was in 1947, I think.

The Marshall plan was in——

Mr. PASSMAN. Authorized in 1948?

Mr. BELL. Yes; that is right.

Mr. PASSMAN. Then we have had the foreign aid program 8 years, minus a few months, under Mr. Truman; 8 years under Mr. Eisenhower; about 2 years, 8 months under the late President Kennedy, and, up to now, about 4 months under Mr. Johnson. Are we to read the record that the program has been full of hypocrisy and unintentional misrepresentations in the past but now it is a realistic program; that this thing was pretty much of a flop but now we are loading it with realities?

Mr. BELL. I was making, sir, a much less sweeping statement.

All I said was that when I was up here a year ago supporting the appropriation request for fiscal year 1964 I was quite explicit that we were asking for funds, particularly development lending funds, which would be appropriate and required and used if the countries we wanted to help undertook the self-help measures we thought were appropriate and prepared the projects against which loans could be made. That was the basis which I assumed then, and if the countries did not come through in those cases, we would leave funds uncommitted.

This year we have come here with a different kind of a situation and a program.

Mr. PASSMAN. Why did they not come in with this kind of program years ago?

Mr. BELL. Well, I cannot speak for the past, Mr. Chairman, obviously.

Mr. PASSMAN. You can speak for some of the past, can you not?

Mr. BELL. Speaking for this particular proposal, I recommended it this way, or the President did, partly because it seemed to me it would put our relations with this committee and the Congress on a sounder—and I think realistic is the right word—basis, Mr. Chairman.

Mr. PASSMAN. We appreciate your frankness, Mr. Bell.

STATUS AND DISPOSITION OF COMMITTED FUNDS NOT EXPENDED

Mr. RHODES. Mr. Chairman, I think we should also point out, and I am sure Mr. Bell will agree with this, that if money was requested for countries in previous years on the basis that they might do something to qualify them to receive the funds, and they did not qualify themselves to receive the funds, those funds would not necessarily have

to be left unobligated. They could be diverted to some other purpose within the program because, this being an illustrative program, such a thing can be done.

Mr. BELL. Well, Mr. Rhodes, legally that is entirely correct. Nevertheless, we made it clear, speaking to last year when I was defending the program, that we would not commit funds to any country where reasonable projects were not forthcoming.

I believe our record shows we carried that pledge out. Last year we had quite a substantial program for Indonesia. We did not carry it out. The Indonesians did not do what they should have done. The same with Brazil and ———.

That is the kind of illustration that I have in mind.

Mr. RHODES. Let's take Indonesia as an example. The funds for that country were reprogramed?

Mr. BELL. No, sir.

Mr. RHODES. They remained unobligated and lapsed?

Mr. BELL. The development loan funds carry over, the others were in fact reappropriated by the Congress.

Mr. PASSMAN. However, any unobligated funds can remain obligated to that country. There is nothing mandatory about deobligating the funds.

Mr. BELL. They were funds we had not obligated in the first place.

Mr. PASSMAN. There are records where you carried funds over 3 or 4 years waiting for a nation to have a change of heart.

Egypt is one example. They were out several years, but still had unexpended funds to the credit of Egypt. Also Burma.

When you obligate, you can carry those funds in an obligational status just as long as you want to; can you not?

Mr. BELL. This is a point I have been unhappy with ever since I took over this program.

Mr. PASSMAN. That is true, is it not?

Mr. BELL. This is part of the pipeline of committed funds that are not expended?

Mr. PASSMAN. Yes.

Mr. BELL. I have asked for a special report on this. The situation actually was better than I anticipated. Aside from relatively quite small amounts, the volume of funds which has been set aside for loans which were not in fact thereafter obligated and the associated projects not consummated has not been sizable.

Mr. PASSMAN. I am not speaking of any particular country. I am speaking of policy.

Mr. BELL. Our policy at the present time is to follow up vigorously on loan commitments.

Mr. PASSMAN. Surely.

Mr. BELL. Only to make sure they are translated into effective projects, or that the funds are taken back and deobligated.

We are requiring now a report from the regional assistant administrators on any case in which funds have been authorized for a loan and more than 6 months intervenes before the loan is signed and a project begins. There are not many such cases.

It seems to me we should follow up on these things quite vigorously and not permit the funds to sit idle.

DECISION TO DEOBLIGATE FUNDS

Mr. PASSMAN. When you obligate these funds, there is no section of the law that makes it mandatory for you to deobligate the funds?

Mr. BELL. As far as I know, that is correct.

Mr. PASSMAN. The decision as to when you deobligate the funds is up to the AID agency?

Mr. BELL. I think that is correct.

Mr. PASSMAN. There are records that you have carried funds in a status of being obligated for many years, even when we had no diplomatic relations with the country. You did not deobligate all the funds in Panama when they broke off diplomatic relations. You continued the money in an obligational status.

Mr. BELL. Yes, sir. The Panama interruption was not very long. The Burma case I think is a bit different.

Mr. PASSMAN. And so was the one in Egypt.

Mr. BELL. President Eisenhower made a different kind of commitment in the case of Burma. The funds were not obligated. President Eisenhower said to the Burmese we would make available quite a large sum of money for various projects in the future. We are still carrying through that commitment, but it was not translated at that time into a formal obligation of funds.

Let me be clear.

I basically concur. We are moving to prevent a situation in which funds, having been obligated, are simply allowed to sit and do nothing.

TOTAL REQUEST FOR AID FUNDS, FISCAL YEAR 1964

Mr. PASSMAN. I believe that for fiscal year 1964 the original budget request was $4,980 million; is that correct?

Mr. BELL. It was approximately $4.9 billion.

Mr. PASSMAN. At a subsequent date the President himself reduced it to $4.5 billion?

Mr. BELL. Yes; in response to the Clay Committee and my own review as Administrator.

Mr. PASSMAN. Then, at a subsequent date, the authorization was cut on down to about $3.6 billion?

Mr. BELL. I have forgotten what the final authorization was.

Mr. PASSMAN. Later, the Congress appropriated $3 billion.

Mr. BELL. Plus the carryovers.

Mr. PASSMAN. You always get the carryovers.

REAPPROPRIATION OF UNOBLIGATED FUNDS

We have always reappropriated the unobligated funds. It is not a matter of record, Mr. Controller, that we have reappropriated most, if not all, of the unobligated funds in previous years?

Mr. FLINNER. I believe we have usually had the unobligated balance. Sometimes not the full amount.

Mr. PASSMAN. In the main you have received the unobligated funds?

Mr. BELL. As a general rule, we have.

Mr. PASSMAN. Thank you.

When did the President amend his budget request last year?

Mr. BELL. Late March or early April.

Mr. PASSMAN. About a year ago, we had before us a request for $4,980 million. Then we came all the way down to an appropriation of $3 billion, yet we have a reasonably good program.

(Off the record.)

NUMBER OF COUNTRIES RECEIVING ECONOMIC AID

Mr. PASSMAN. Since your appearance last year, Mr. Bell, have you completely eliminated all aid to any single nation?

I am speaking with respect to the undisbursed balances to the credit of the Nations. Last year you had, I think, 100 nations, or 95 nations, in the program, and perhaps one new nation came in.

Do you know of any nations that you completely closed out of your fiscal year 1964 or prior year funds, and deobligated the funds?

Mr. BELL. We think, Mr. Chairman, primarily in terms of making commitments with these countries. Your question is broader, I take it.

Mr. PASSMAN. You asked for funds for 100 nations last year, or in that neighborhood. I think you have 95 nations listed along with possessions of four countries. At a subsequent date perhaps some special aid came in for one of the countries, but the total was in the neighborhood of 100.

Can you say you have deobligated or disbursed all of the funds to the credit of any particular nation, or will you have unliquidated balances carried over to the credit for the same number of nations that you testified for last year?

Mr. BELL. I know, sir, that we now expect to make commitments on the economic side to 77 countries in the present fiscal year, plus 5 territories.

Mr. PASSMAN. That makes 82?

Mr. BELL. Correct.

In 1965, we expect the corresponding figures to be 72 countries and 4 territories.

Mr. PASSMAN. To how many nations did you actually obligate funds?

Mr. BELL. Let me proceed.

Mr. PASSMAN. Off the record.

(Off the record.)

COUNTRIES FOR WHICH AID PROGRAMS ARE PROPOSED IN FISCAL YEAR 1965

Mr. PASSMAN. Could you inform us, Mr. Director—we would prefer to have the information given to us at this point, but if not you can bring it down later—a list of the nations in which you are going to have programs?

These appropriations have no effect whatever on the public debt, or the Treasury, until the check is drawn.

You have to withdraw the money before any entry is ever made against the books of the Treasury. The appropriation itself does not mean you are taking money out until you pay the bill?

Mr. BELL. The Treasury keeps the appropriation account as well as the expenditure account.

Mr. PASSMAN. But it does not add to our daily expenses as such until you draw the check?

Mr. BELL. That is right.

Mr. PASSMAN. If we build up credits to 99 nations and possessions, although you may not have a request but for 77 in fiscal year 1965, you may have substantial unliquidated balances to the credit of these nations that will have the same effect when you withdraw the money as if it were a new appropriation.

We want the number of nations to which you will make disbursements in fiscal year 1965 or subsequent years.

Mr. BELL. We can furnish that.

(The information supplied follows:)

Mutual defense and development programs—Countries for which disbursements [1] are estimated to be made in fiscal year 1965

	Military assistance program	Economic assistance		Net total countries
		AID program	Public Law 480 (titles I, II, and IV)	
Latin America, total	19	21	15	21
Argentina	X	X		X
Bolivia	X	X	X	X
Brazil	X	X	X	X
Chile	X	X	X	X
Colombia	X	X	X	X
Costa Rica	X	X	X	X
Dominican Republic	X	X	X	X
Ecuador	X	X	X	X
El Salvador	X	X	X	X
Guatemala	X	X		X
Haiti		X		X
Honduras	X	X		X
Mexico	X	X	X	X
Nicaragua	X	X		X
Panama	X	X		X
Paraguay	X	X	X	X
Peru	X	X	X	X
Uruguay	X	X	X	X
Venezuela	X	X	X	X
Jamaica	X	X	X	X
Trinidad and Tobago		X	X	X
Near East and South Asia, total	13	15	14	17
Afghanistan	X	X	X	X
Ceylon			X	X
Cyprus		X	X	X
Greece	X	X	X	X
India	X	X	X	X
Iran	X	X	X	X
Iraq	X	X	X	X
Israel	[2] X	X	X	X
Jordan	X	X	X	X
Lebanon	X	X		X
Nepal		X	X	X
Pakistan	X	X	X	X
Saudi Arabia	X			X
Syria	X	X	X	X
Turkey	X	X	X	X
United Arab Republic (Egypt)		X	X	X
Yemen	X	X		X
Far East, total	10	9	6	12
Burma		X	X	X
China (Taiwan)	X	X	X	X
Indonesia	X	X	X	X
Japan	X			X
Korea	X	X	X	X
Laos	X	X		X
Malaysia		X		X
Philippines	X	X	X	X
Thailand	X	X		X
Vietnam	X	X	X	X
Australia	[3] X			X
New Zealand	[3] X			X

See footnotes at end of table.

Mutual defense and development programs—Countries for which disbursements [1] *are estimated to be made in fiscal year 1965*—Continued

	Military assistance program	Economic assistance		Net total countries
		AID program	Public Law 480 (titles I, II, and IV)	
Africa, total	9	33	19	33
Algeria		X	X	X
Congo (Léopoldville)	X	X	X	X
Ethiopia	X	X	X	X
Ghana		X	X	X
Guinea		X	X	X
Kenya		X		X
Liberia	X	X	X	X
Libya	X	X		X
Mali	X	X	X	X
Morocco	X	X	X	X
Nigeria	X	X	X	X
Sierra Leone		X		X
Somali Republic		X		X
Sudan		X	X	X
Tanganyika		X	X	X
Tunisia	X	X	X	X
Uganda		X		X
UAM States and Burundi:				
Burundi		X	X	X
Cameroon		X		X
Central African Republic		X		X
Chad		X	X	X
Congo (Brazzaville)		X		X
Dahomey		X	X	X
Gabon		X		X
Ivory Coast		X	X	X
Malagasy Republic		X		X
Mauritania		X	X	X
Niger		X		X
Rwanda		X		X
Senegal	X	X	X	X
Togo		X	X	X
Upper Volta		X		X
Zanzibar		X		X
Europe, total	12	5	7	15
Belgium	X			X
Denmark	X			X
Finland			X	X
France	X			X
Federal Republic of Germany	X	X		X
Italy	X		X	X
Luxembourg	X			X
Netherlands	X			X
Norway	X			X
Portugal	X		X	X
Spain	X	X	X	X
United Kingdom	X	X		X
Yugoslavia	[2] X	X	X	X
Iceland			X	X
Poland		[3] X	X	X
Subtotal countries	63	83	61	98
Classified countries	4			1
Total countries	67	83	61	99
TERRITORIES				
Latin America:				
British Guiana		X		X
British Honduras		X		X
St. Lucia (United Kingdom)			X	X
Surinam		X	X	X
Far East:				
Hong Kong (United Kingdom)			X	X
Ryukyu Islands			X	X
Africa:				
Northern Rhodesia		X		X
Nyasaland		X		X
Southern Rhodesia		X		X
Total, territories		6	4	9

[1] For MAP, represents deliveries; for AID, represents expenditures; for Public Law 480, represents shipments.
[2] Credit assistance only.
[3] For children's hospital in Krakow.

Mr. PASSMAN. If I should ask you now if you had any undisbursed funds to the credit of Burma, you would be able to answer my question. All you have to do is go to the list of nations you put in the record last year and see which ones you have undisbursed funds credited to, and then, state the facts.

Mr. BELL. Let me ask a question.

The complete list of nations you were referring to includes several in which there was no AID program, but there was or would be a Public Law 480 program.

Mr. PASSMAN. Put that in too because Public Law 480 is foreign aid. Put Public Law 480 in and, also, any other type of aid.

Mr. BELL. You want economic and military under the Foreign Assistance Act, but not Public Law 480?

Mr. PASSMAN. Put in the record the nations such as Bulgaria and Czechoslovakia in which you may have a Public Law 480 program.

Mr. BELL. I do not think they are in those two. Italy is a country where there is no economic aid program, but there is a military program in fiscal year 1964 and Public Law 480 program.

Mr. PASSMAN. When you put it in the pot and stir it up, you do not know whether you are getting coon or possum. You know what we want. If it is any kind of an aid program, please include it.

COUNTRIES BEING PHASED OUT OF AID PROGRAM

Mr. BELL. May I add one thing, sir?

This is a point we are making quite a lot of this year and I want to be sure the committee is clear as to what we mean by it.

The transitional countries are those where we are stopping the making of commitments. Not all in 1964 or 1965, but we clearly can see that they are on the way out of the aid business.

Mr. PASSMAN. I hope you do not take unduly long to get them out.

Mr. BELL. I expect half a dozen to be out by fiscal year 1965 as a matter of fact. I do not expect to——

Mr. PASSMAN. In fiscal 1965, or by that time?

Mr. BELL. In fiscal. We do not expect to make obligation for half a dozen of those 14 in fiscal year 1965, or thereafter. My point is——

Mr. PASSMAN. You could make disbursements?

Mr. BELL. Yes; under prior commitments.

My point is, when we identify these transitional countries and stop making the commitments to them, I expect that to be a permanent action. I would not expect to pick up and resume aid in the future. We have to obviously allow for emergencies, or unexpected circumstances, but I fully expect we will be out of these countries.

I distinguish here between these countries and a country like Cambodia or Ceylon. I am not listing Cambodia or Ceylon as transitional countries. They are countries where we are out for special reasons. We may never go back in, but we do not regard them as having acquired the strength that would mean they would not require aid in the future, at some stage, if their governments changed, or if their policies changed. Then the United States would be willing to reconsider.

Mr. PASSMAN. They slap us on the left cheek and it burns, so we turn the right cheek and they slap us there, and then we go back in?

Mr. BELL. I would not agree with that at all.

Mr. PASSMAN. Sukarno did just about that, and I know we are getting back in there.

Cambodia, too, and you just indicated we may go back in there.

Mr. BELL. If the policies of that government were to change; yes, sir.

Mr. PASSMAN. Their policies have been changing since they came into being, and they will be changing.

Mr. RHODES. Do these 14 transitional countries know they are transitional?

Mr. BELL. I think they all do. The names have been kept confidential in these presentation documents in part to give us time to break it to them gently.

Mr. RHODES. That is what I wondered.

Mr. BELL. The cases that are most significant in that 14 are ———. I am personally sure we have indicated to all these they are going to be listed this way because we think of them as approaching the time when they will not need any more aid at all. These are the kinds of cases I was speaking to the chairman about.

When we finish there, we expect to be finished permanently.

Mr. RHODES. When will we be out of Taiwan?

(Discussion off the record.)

Mr. BELL. We have provided the possibility in this presentation book of up to ——— for a loan if it would be constructive in terms of strengthening their private sector. I do not expect this will come forward.

Mr. RHODES. You are talking about the development type loan?

Mr. BELL. Not in the case of Taiwan. We already hardened our terms to Taiwan a year ago. The last loans we have made to Taiwan are 3½ percent interest and 20 years.

Mr. RHODES. Other segments of the U.S. Government might make loans to this country?

Mr. BELL. The Export-Import Bank might. There is nothing concessional about that.

Mr. RHODES. I understand.

Mr. BELL. That is straight commercial business and we make money on it. We do expect, and show in here, that in fiscal year 1965 we will make some commitments in the technical assistance field. That is our present expectation.

Mr. PASSMAN. That would be grant aid. It would not be a loan.

Mr. BELL. About $500,000 for technicians.

Mr. PASSMAN. Is it not also true there will be a very substantial Public Law 480 program for Taiwan in fiscal year 1965?

Mr. BELL. Well, in the case of Taiwan, as I have indicated in my statement, I would expect military equipment will continue to be furnished under the military assistance programs.

I would expect they would continue to be eligible for Public Law 480.

Mr. PASSMAN. If you wind up with a $75 million Public Law 480 program for Taiwan, that is still aid. If we phase out one of the 16 spigots and you draw heavily upon one of the others, it is still aid.

Mr. BELL. Yes.

Mr. PASSMAN. Let's see what they are going to get in Public Law 480.

Mr. BELL. There may be title I sales, the proceeds of which in part are available directly for U.S. uses, and in part are loaned to the Tai-

wanese Government. When they are repaid they become available for U.S. uses.

Mr. PASSMAN. Well——

Mr. BELL. Taiwan currency is good now.

Mr. PASSMAN. You have gone to hard dollar loans on your aid loans, as such?

Mr. BELL. That is right.

Mr. PASSMAN. But you are continuing Public Law 480 on the previous basis?

Mr. BELL. We have up to now.

Mr. PASSMAN. Will we, or not, have a Public Law 480 aid program for Taiwan in the future on the same basis as in past years?

Mr. BELL. On page 166, under the description of the kind of program, it is anticipated that about ——— of Public Law 480 sales is foreseen for fiscal year 1965.

As I indicated, this will all turn into U.S.-use currency eventually.

Mr. PASSMAN. Is that not also true with all other types of loans?

We are continuing the same type of Public Law 480 deal for Taiwan in the future that we have had in the past?

Mr. BELL. We are for 1965.

I expect that to continue in the direction of title IV loans. I would expect it to diminish in size.

Mr. PASSMAN. The facts are, there is going to be ——— in Public Law 480 for Taiwan, the same as it has been in the past, and at some future date we expect to use the currency generated thereby for our own purposes in Taiwan?

Mr. BELL. Yes. We expect the dollar development loans and grants to be ending in Taiwan.

Mr. PASSMAN. You might be drying up one of the spigots, but the aid is flowing freely out of one of the others.

We can establish two now—military and Public Law 480.

Mr. BELL. All I am asking you for is credit for drying up one of them.

MILITARY EQUIPMENT PURCHASES BY REPUBLIC OF CHINA

Mr. ANDREWS. Mr. Bell, what are the sources of military equipment supplied to Taiwan?

Mr. BELL. What other sources besides the U.S. assistance?

Mr. ANDREWS. Yes.

Mr. BELL. They can purchase, of course, military equipment, and have indeed on occasion done so.

Mr. ANDREWS. From what countries?

Mr. BELL. From the European countries.

Mr. ANDREWS. Do they pay for that?

Mr. BELL. Yes, sir. They have not done this to a very large extent.

Mr. ANDREWS. They do not have what the military people call an in-house capacity for any military equipment?

Mr. BELL. I would have to check that. I think they would probably have an industrial capacity now for uniforms, shoes.

Mr. ANDREWS. I mean hardware.

Mr. BELL. Perhaps for some small arms, but I doubt if there was anything beyond that.

Mr. ANDREWS. All of the military equipment they get comes either from this country gratis, or they buy it from other countries? They buy some from here?

Mr. BELL. That is right; yes, sir.

Mr. ANDREWS. As a matter of fact, is not their equipment fast becoming obsolescent?

Mr. BELL. Yes, it is.

Mr. ANDREWS. So within the near future it will be necessary to reequip their armed forces?

Mr. BELL. I believe there is equipment going forward steadily. Your point is entirely correct. They will need more equipment. If I perhaps can anticipate the question; in the case of a country like Taiwan, what is happening is, their basic economic strength is rising rapidly, meaning that they can finance more of their own needs, including their military needs.

Mr. ANDREWS. They are doing that now?

Mr. BELL. To some extent.

Mr. ANDREWS. That is true with reference to the equipment they buy from Western Europe?

Mr. BELL. We would expect them, as their economic strength continues to improve, to be able gradually to finance more of their equipment needs. And we would expect them to buy most of it in the United States.

Mr. ANDREWS. Are you thinking now in terms of years as to when they can start paying for the equipment they get from us?

Mr. BELL. Well, it certainly will not be immediately, Mr. Andrews. If you look back at the situation in Europe, at the end of the Marshall plan, we were able to end our economic aid——

Mr. ANDREWS. That was just about 5 years.

Mr. BELL. That is right, but our military aid to Europe, consisting primarily of equipment, went on for 6 or 8 years after that.

Mr. PASSMAN. It is still going on.

Mr. BELL. It is greatly reduced, and no new commitments are being made because the European countries today are able to buy from us, and to produce their own military needs.

Mr. ANDREWS. I wonder if you could tell us, or supply for the record, the percentage of military equipment they are now paying for from other countries.

Mr. BELL. We can.

Mr. ANDREWS. And the percentage that we are giving them?

Mr. BELL. I think we can provide that for the record.

(The information supplied follows:)

The Republic of China is providing about 70 percent of their total defense requirement. Of this, about 1 percent is spent off island, principally in the United States, for procurement of defense requirements.

MILITARY PROGRAM FOR EUROPE

Mr. PASSMAN. As far as Europe is concerned, we have a reduced military program, but we still have a substantial program for equipment. You have your infrastructure program which is mandatory, and it can go on indefinitely. Also, the installations, whether buildings, runways, or hangars, are permanent or semipermanent, so that, too, is a type of aid; that is the substantial buildings that you put up as a part of aid.

Mr. BELL. I am sure you would agree with me that there has been a major change in Europe. Five or ten years ago we were providing $3 or $4 billion worth of equipment a year.

Mr. PASSMAN. Yes.

Mr. BELL. Now it is down to perhaps $200 million in the 1965 program.

Mr. PASSMAN. Let us get back to Taiwan.

IDA LOANS TO REPUBLIC OF CHINA

The Republic of China is a member of the International Development Association, is it not?

Mr. BELL. I assume they are.

Mr. PASSMAN. I can assure you they are. As such, they are eligible for the type of soft loans that IDA makes.

Mr. BELL. Well, the management of the International Bank has begun to—does distinguish among countries, listing those which they regard as having serious enough balance-of-payments problems to be entitled to IDA loans as against IBRD loans, which are at commercial rates.

Mr. PASSMAN. I say they are eligible for loans from IDA. They are members, and they fall in the category of part 2 members.

Mr. BELL. There are a lot of part 2 members to whom the IDA will not make loans on soft terms.

Mr. PASSMAN. I hope they do not make them loans if they do not need them, but as a member of the IDA, and as they fall in the category of part 2 members, then they are eligible, are they not?

Mr. BELL. I think in a strictly legal sense, yes, sir.

Mr. PASSMAN. That is all I am talking about.

TIGHTENING UP OF IDA LOAN POLICY

Mr. BELL. I think it is important to realize the bank management has established some, or is beginning to establish some, policy guidelines under which they are limiting the IDA funding with its very soft terms to only some of the part 2 members.

Mr. PASSMAN. That is good news.

Mr. BELL. Those where the needs are the greatest. I doubt if China would qualify.

Mr. PASSMAN. You do not actually know?

Mr. BELL. I cannot speak for the bank.

Mr. PASSMAN. I believe that the IDA is a window of the World Bank.

Mr. BELL. Yes, sir.

Mr. PASSMAN. If they are tightening up to the point of throwing these part 2 countries back into the World Bank, they could use some of that $800 million surplus to meet these requirements, could they not?

Mr. BELL. Yes.

Mr. PASSMAN. Perhaps some of the part 2 countries that previously received grants, or these so-called loans, out of IDA may no longer meet the new criteria established by the managers of IDA?

Mr. BELL. That is quite possible. I do not know—I would expect that to be the case.

Mr. PASSMAN. Yet they are requesting an increase in our commitments to IDA.

Mr. BELL. IDA is a a relatively new institution.

Mr. PASSMAN. They are asking for an increase in the annual appropriation for the next 3 years for IDA?

Mr. BELL. That is right.

There are part 2 countries for which no IDA financing has been made available. Some of them, I am sure, would fall into the group for which IDA financing would not be appropriate. Others would fall into the group for which IDA financing is appropriate. They are enlarging the number of countries and the requirements for those countries——

Mr. PASSMAN. We do not know which countries will be dropped.

One of the countries may have reached, or is near, the point that even though it is a part 2 member, it would no longer be eligible for soft loans from IDA?

Mr. BELL. That would be my expectation.

Mr. PASSMAN. But even though there are countries moving in that direction, on the other hand, the United States is moving in the direction of increasing its annual appropriation to IDA; is that correct?

Mr. BELL. Yes, sir.

CHANNELING FOREIGN AID THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. That makes it obvious they are trying to get this foreign aid program moved over into some of the international organizations.

Let me quote from a statement made by Secretary Dillon at the annual meeting of the Governors of the Inter-American Development Bank in Panama City, Panama, on April 14, 1964.

(The statement was quoted as follows:)

> In the context of these considerations, I hope that we can agree at this meeting to seek the commitment of our Governments to a 3-year program to enlarge the funds for special operations by an amount equal to $300 million per annum, of which the United States would contribute $250 million, and the other members of the Bank, $50 million, all in our own national currencies.

The trend is toward getting the aid out from under any direct supervision of the Congress.

When this money is put into an international organization, we do not have the same right of examination as we do here.

Mr. BELL. I assume not.

Mr. PASSMAN. Thank you, Mr. Bell.

Mr. BELL. May I comment on this briefly?

Mr. PASSMAN. Yes, sir.

Mr. BELL. That speech is the one Secretary Dillon made at the annual meeting of the Inter-American Development Bank.

Mr. PASSMAN. That is correct. And it was held in Panama.

Mr. BELL. That is right.

Insofar as the United States, through congressional enactment, decides to augment the resources going into the Inter-American Development Bank through their soft window; that is, the funds for special operations, I take it the fund would be appropriated in bills coming through this committee.

Mr. PASSMAN. But we do not have the opportunity of examination in detail.

Mr. BELL. I am somewhat troubled by your comment on the right of examination.

I had assumed since the United States is a party to the management of the Inter-American Development Bank—and indeed, Secretary Dillon is a member of the Board of Governors—that anything that this committee wanted by way of information about the specific loans, their progress, whether they are doing well or not, could be made available. Now would that not be so, sir?

Mr. PASSMAN. When the Congress authorizes that kind of program and makes the commitment, does this committee have any alternative other than to appropriate the money?

What is the use to lock the door after the mule is out?

If the Congress should authorize this $312 million additional for IDA, do you think this committee and the Congress would then reduce the first annual appropriation?

Mr. BELL. I assume the committee would have the right. Whether it would be wise or not would be something for the committee to decide.

Mr. PASSMAN. You think it is a matter of wisdom as to whether the full amount authorized would be appropriated?

Mr. BELL. Certainly, taking into account——

Mr. PASSMAN. You think we should be able to scrutinize and examine and adjust the appropriation the same as we do for your request?

Mr. BELL. I assume the committee does have that right.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. ANDREWS. What would the mechanics of this new IDA proposal be?

A country would put up so much and draw down so much?

Mr. PASSMAN. In prior years we put up an average of 43 percent, the other countries put up the difference.

Mr. BELL. They are advanced countries, European countries.

Mr. PASSMAN. Japan, for example, is included. It is not just the European countries. Am I correct there?

Mr. BELL. That is right.

Mr. PASSMAN. For the new request, other part 1 countries are supposed to put up 48.4 percent of the total and we are to provide the remainder. Thirteen of those countries are also recipients of our foreign aid, even presently, most in the area of military grant aid.

The part 2 countries, as Mr. Bell indicated, may not all meet the new criteria. They may make an application and have it turned down; but the part 2 countries, the underdeveloped countries, when they make an application, it is for a dollar loan.

The loans are made on the basis of 50 years, with a 10-year grace period, then 1 percent a year for 10 years is repayable on the principal, and 3 percent annually thereafter.

Mr. BELL. They repay in dollars or convertible currency.

Mr. ANDREWS. That would be part 2 countries.

What country would be a part 2 country?

Mr. BELL. India, Pakistan, Turkey.

Mr. PASSMAN. We shall put a list of those countries as of December 31, 1963, in the record at this point.

(The list referred to follows:)

IDA MEMBERSHIP AS OF DECEMBER 31, 1963

PART II COUNTRIES

Afghanistan	Laos
Algeria	Lebanon
Argentina	Liberia
Bolivia	Libya
Brazil	Malagasy Republic
Burma	Malaysia
Burundi	Mali
Central African Republic	Mauritania
Ceylon	Mexico
Chad	Morocco
Chile	Nepal
China	Nicaragua
Colombia	Niger
Congo (Brazzaville)	Nigeria
Congo (Léopoldville)	Pakistan
Costa Rica	Panama
Cyprus	Paraguay
Dahomey	Peru
Dominican Republic	Philippines
Ecuador	Rwanda
El Salvador	Saudi Arabia
Ethiopia	Senegal
Gabon	Sierra Leone
Ghana	Somalia
Greece	Spain
Guatemala	Sudan
Haiti	Syrian Arab Republic
Honduras	Tanganyika
Iceland	Thailand
India	Togo
Iran	Tunisia
Iraq	Turkey
Ireland	Uganda
Israel	United Arab Republic
Ivory Coast	Upper Volta
Jordan	Vietnam
Korea	Yugoslavia

NOTE.—Kenya became a part II member of IDA on February 3, 1964.

BORROWINGS FROM IDA

Mr. ANDREWS. Could a part 2 country get back from IDA more than they put up?

Mr. BELL. This is a lending——

Mr. ANDREWS. I understand.

Mr. BELL. They put in very little, Mr. Andrews, and borrow a great deal. That is the purpose of the program, so they can borrow from IDA.

Mr. ANDREWS. Let's take a part 2 country that put in $1 million—any country without naming it. How much would that country that put in $1 million be able to borrow from IDA, a maximum amount?

Mr. BELL. As far as I know, there is no relationship to the $1 million. The amount they can borrow is up to the management of IDA.

Mr. ANDREWS. And not a percentage?

Mr. BELL. That is correct.

Let me put it in the record if I may because I remember the figures. Let's take Pakistan.

They contributed $10.5 million. They borrowed $90 million. That is almost 10 to 1.

Take India. They put in $40 million, and they borrowed $300 million.

One of them ran 10 to 1, the other 7 to 1.

Does that answer your question?

Mr. ANDREWS. Yes.

Mr. BELL. That is the basic idea. It was intended to be something to which the advanced countries would contribute a pool of capital which would be used for soft loans to the underdeveloped countries.

Eugene Black proposed this 5 years ago.

Mr. PASSMAN. It is another form of foreign aid.

FOREIGN AID BUDGET PRESENTED AS MINIMUM AMOUNT REQUIRED

When you appeared before the committee last year, Mr. Bell, to present this budget request, you did your very best to justify the estimate, did you not, then pending before the Congress?

Mr. BELL. Certainly.

Mr. PASSMAN. I read from your statement of last year:

> Our aid programs have had to meet various challenges at different times. On the whole, these programs have served the foreign policy interests of the United States well. We have been successful in many countries in achieving the goals of our assistance effort. We believe that we will continue to achieve success in other situations.
>
> We believe that the program recommended to the Congress for fiscal year 1964 is one which will provide the maximum benefit for the minimum cost. Congressional action on these recommendations will have a decisive effect in the free world, not only for this year, but for many years in the future. For this recommended program will play an essential part in winning the long-term struggle of freedom against tyranny.

This year you say:

> First, the President's request for funds for fiscal 1965 is responsive to the congressional desire—which the President shares—to appropriate for foreign assistance only the tight, realistic minimum of funds needed to serve essential U.S. requirements.

The Congress, in its wisdom, has cut this program during the past 9 years by in excess of $8 billion. Each year, every person who testified for this program, including the Secretary of Defense, the Secretary of the Treasury at certain times, the Secretary of State, and the many AID directors, always presented the program as planned as being essential, yet we cut it $8 billion, and we have had adequate funds to meet our objectives.

What we are trying to do now is to relate the present claims and assertions to those which were made in previous years.

We do know that we had this appropriation down one year to $2,703 million. We had a good program going then. All we are trying to do at this time, actually, is to figure out the amount necessary to meet reasonable requirements.

Mr. BELL. Could I say a word?

In 1957, 1958, along in there, there is a major difference between the program then and the program today. At that time, the only activity of an aid nature that the United States was conducting in Lain America was a technical assistance program. There were no loans under the Alliance for Progress—there was no Alliance for Progress program.

Mr. PASSMAN. Secretary Dillon would not dignify those transactions as loans. He said they were development credits.

Mr. BELL. Whatever we call them. In 1957 and 1958 and 1959, there was no substantial program in Latin America of the Alliance for Progress nature. That accounts today for half a billion dollars. That is a major difference between what we were trying to do 5, 6 or 7 years ago, and what we are trying to do today.

Mr. PASSMAN. We did have an aid program in Latin America?

Mr. BELL. Yes. It was limited to technical assistance only. Today we have a major credit program—a major lending program as part of the Alliance for Progress.

The second point to make is that in 1963 the commitments on the economic side were $2.4 billion, the actual commitments; what we obligated and authorized on the lending side.

For the present year, we expect it to be around $2.3 billion. We do not have $2.4 billion.

Next year, we are asking for just under $2.5 billion. This, I think, Mr. Chairman, is evidence that the proposal we have before the Congress is a realistic program.

Mr. PASSMAN. Have you not submitted the same type of statements and justifications in the past that you are submitting this year, that you thought you were asking for the minimum amount needed?

If you are saying now that these things were not realistic in the past, that they were inflated, then I do not disagree with you on that point.

Mr. BELL. I have already testified, Mr. Chairman, that last year, and indeed I testified then, that we were asking for all the funds that would be needed if the countries we wanted to help did everything we thought they should.

This year we have not asked for funds on that same basis. We have asked instead for funds on the basis of what we expect realistically to be able to commit in the coming fiscal year.

Mr. PASSMAN. You have not done that in previous fiscal years?

Mr. BELL. We did not last year.

Mr. PASSMAN. How about the other 17 years of this foreign aid program?

Mr. BELL. I cannot speak for them, I was not here.

Mr. PASSMAN. I am trying to find out whether the present administration, in about 2 or 3 months, has come up with something that is realistic, as against what Mr. Kennedy did in 2 years and 8 months, what Mr. Eisenhower did in 8 years, and what Mr. Truman did in 8 years.

The President is a great American, but he cannot master all this detail.

Mr. BELL. I take it that the President's familiarity with this program comes primarily from the time he spent in the Senate.

REDUCTIONS IN FOREIGN AID PROGRAM

Mr. PASSMAN. Yes; and I believe he used to condemn at least parts of the program. He voted, I believe, to make cuts.

Mr. BELL. The point I am making is that he gained a considerable familiarity with the program. He was the majority leader for a number of years during the Eisenhower administration. As you have

indicated, this was when the program was enacted year after year by the Congress.

Mr. PASSMAN. I have always been able to read what Mr. Johnson said and what the late President Kennedy said, and I have read those amendments which were proposed to reduce the aid program.

Before we proceed, let me say that Latin America is not new in this aid program.

In 1958, we had a military aid program in many of the Latin American countries. We have had a substantial aid program in Latin America for many years.

Mr. BELL. All I meant to say was that we have not had a substantial lending program in Latin America until recently.

Mr. PASSMAN. I did not know that you had a "lending" program there now. I think you are referring to development credits. You might say that we have a lending program under the Export-Import Bank, but if there is any other, I do not recall it offhand.

Off the record.

(Discussion off the record.)

Mr. BELL. It seems to me, as I understand it, Mr. Chairman, that the record speaks for itself and both Mr. Kennedy and Mr. Johnson strongly supported foreign aid programs. Certainly they voted for some cuts but they strongly supported foreign aid programs consistently, both of them, through their entire legislative careers. Is that right?

Mr. PASSMAN. Yes; but here is what was said——

Mr. CONTE. President Johnson or President Kennedy? May we have the quotes?

Mr. PASSMAN. I am going to quote verbatim.

Mr. CONTE. I mean the citation.

Mr. PASSMAN. June 28, 1951, on the floor of the House:

Mr. KENNEDY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

"The amendment offered by Mr. Kennedy is to strike out $175 million and insert $140 million."

Mr. KENNEDY. Mr. Chairman, this amendment cuts the $175 million to $140 million. I cannot believe that we are going to spend this money merely to set an example to these countries, some of which are ruled by oligarchies which they might follow in the future themselves in military assistance to this area. I do not think we can afford in this country to raise the standard of living of peoples all over the globe who might be subject to the lure of communism because of a low standard of living.

ANTICIPATED SUPPLEMENTAL REQUEST FOR FUNDS

On page 2 of your statement, you say:

The President's request for fiscal year 1965 is not only a tight, realistic request. It is the smallest burden on the U.S. resources that has been proposed in the last 15 years.

Then, on page 3, you say:

* * * The measures now being undertaken by General Khanh in Vietnam, with our encouragement and support, will certainly increase requirements for U.S. assistance above those included in the 1965 request for supporting assistance funds.

Mr. Director, if this statement means that you are laying the foundation for a supplemental appropriation later, I wish you would tell us.

Mr. BELL. I will be glad to, Mr. Chairman.

Mr. PASSMAN. We want to know now what the requirements are going to be.

We are not going to just take it on the basis of accepting this request with the belief it is so tight that if you sneeze it will split.

We want to know what all of these statements before our committee mean. We want to know what they are think about.

Mr. BELL. I can certainly describe this particular situation.

Mr. PASSMAN. Tell us what the top figure is. Do you have it for any of the additional requests?

Mr. BELL. We have no precise figures, Mr. Chairman.

Mr. PASSMAN. Do you have the top of the list estimate?

Mr. BELL. We do.

Mr. PASSMAN. What is it?

Mr. BELL. ———. The reason——

Mr. PASSMAN. That is for Vietnam?

Mr. BELL. It would presumably come out of the contingency fund.

Mr. PASSMAN. It would be ——— from somewhere; is that correct?

Mr. BELL. That is our present rough—very rough—calculation.

Mr. PASSMAN. In addition to what you are presently requesting?

Mr. BELL. Yes, sir.

Mr. PASSMAN. For Vietnam?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Can you point out any of the other countries that fall in a similar category?

Mr. BELL. Not at the present time.

SITUATION IN VIETNAM

The reason it is difficult to estimate it precisely, is that in Vietnam, as this committee knows, we are providing financing for a substantial share of the imports required by the Vietnamese economy. When Mr. McNamara was there, and I was with him about a month ago, it was agreed that the number of men in the military and paramilitary forces in Vietnam, the Vietnamese, would need to be increased and their pay would need to be raised as a part of an effort to increase the strength and effectiveness of the fighting against the guerrillas.

As those expenditures are made for more troops at higher pay, the Vietnamese defense budget will obviously rise. Those payments will go to the members of the military and paramilitary forces in Vietnam. Of course, they will spend their pay and the purchasing power therefore will rise. To some extent, this will be translated into increased demand for imports. We do not want to finance any more imports than we have to in Vietnam.

We are not sure today exactly what the amount of derived demand for imports will be during fiscal year 1965.

Mr. PASSMAN. It could be that you will be $50 million under what you are asking now?

Mr. BELL. That would surprise me very much.

Mr. PASSMAN. It would surprise me, too, but it could go that way?

Mr. BELL. I do not see how it could, Mr. Chairman.

Mr. PASSMAN. I do not either.

Mr. BELL. We know how many troops there are and we know what the economy of Vietnam is like.

Mr. PASSMAN. You do not anticipate any improvement? Is this problem just going to go on and on?

Off the record.

(Discussion off the record.)

Mr. BELL. I would expect, sir—to answer your question—that the fighting in Vietnam and the war effort there would have to continue at approximately the present, and, indeed, on an increased scale, for at least through fiscal year 1965. I do not expect——

SAIGON WATER SYSTEM PROJECT

Mr. PASSMAN. The Vietnamese have used ground water for the past 30 years, have they not? That is, where ground water is available, in almost any part, they go down with a well and get fresh water?

Mr. BELL. I do not know that I have the basis for answering. My guess is no.

Mr. PASSMAN. My guess is yes.

Mr. BELL. Mr. Chairman, may I——

Mr. PASSMAN. If I may finish, they have a $26 million water system started for Saigon.

Mr. BELL. You are talking about Saigon? I thought you said Vietnam.

Mr. PASSMAN. Starting at Saigon and moving right up to within a few miles of the Communist line. Check that matter, will you, Mr. Bell?

Mr. BELL. Yes, sir.

(The information supplied follows:)

SAIGON WATER SYSTEM PROJECT

The project is being financed by a U.S. loan of $17,500,000 and an investment of revenue funds by the Saigon Water Office of $10 million equivalent in local currency.

Since the Saigon water system was first established in 1884, the water supply has been obtained from shallow collectors and wells. In recent times, the expansion of the well system has not kept pace with the population growth of the city. This situation became even more acute with the influx of about 500,000 refugees from North Vietnam in 1954.

Salt water has been encroaching into the well field, and the water table has lowered to the extent that the shallow collector systems that were first installed no longer produce water, even in the rainy season.

In 1958, ICA engaged the Hydrotechnic Corp. to study Saigon's water problem and to develop a plan to provide an adequate supply of water for the city of Saigon. The result of this study was a recommendation that water be brought to Saigon from the Dong Nai River, which is approximately 15 miles north of Saigon. None of the area which embraces the water system is controlled by the Vietcong.

Questions were raised regarding the recommendation to use the river supply rather than the well system. This matter was reviewed by Tudor Engineering, who at that time were consultants to ICA—and Tudor concurred that the river source was the better solution for Saigon's water supply problem.

Because of the differences in the proposals, DLF suggested to the Government of Vietnam that a referee engineering firm be selected to study the facts and recommend the source of water to be used. At the request of the GVN, DLF obtained the services of a selection panel consisting of three consulting engineers—two had served as Chief of the U.S. Army Corps of Engineers and the third as Assistant Chief. The panel submitted the names of four firms and two firms—Guy B. Panero and Hazen & Sawyer (hereinafter called Panero) were selected to perform the study jointly.

Panero stated that the future water needs could not be met satisfactorily by simply extending the existing well system but that a large-scale well system with proper treatment facilities offered a possible solution. Panero, however, recommended the river source system. It said:

"* * * the one overriding consideration in favor of the Dong Nai River project is unlimited supply of water available and the relative ease with which the works could be expanded in the future to meet increasing water demands. * * * recent experience in other cities of southeastern Asia shows clearly that increasing water demands will follow quickly the completion of an adequate water supply, and that additions to the well water scheme would be needed within a few years. In these circumstances, we recommend the Dong Nai River project as the best long-term solution for Saigon."

Panero estimated that the well system would cost $26,581,000 ($18,331,000 in foreign exchange and the equivalent of $8,250,000 in local currency), and the river system $26,592,000 ($17,342,000 in foreign exchange and the equivalent of $9,250,000 in local currency).

The Comptroller General of the United States reviewed and issued a report on the Saigon water project in 1963, which the Agency believes is not unfavorable to the decision made by DLF to finance the river water system.

With respect to towns and villages outside Saigon, a program has been underway for the past several years to develop both ground and surface water supplies. This program has recently been accelerated in a massive effort to provide fresh water supplies in newly established fortified hamlets in the delta.

In the highland areas, development of ground water supplies has been relatively easy. In the coastal areas, however, many problems have been encountered in well drilling and most successful wells are at least 600 feet deep as compared with an average depth of 150 feet in the highlands.

(NOTE.—Map of proposed water system was furnished the committee.)

Mr. PASSMAN. They have been accustomed to this ground water for generations and now they are coming up with a water system that costs $26 million, and the lines are going to be laid within 4 miles of the Communist border.

VIETCONG PAY

Mr. RHODES. Mr. Bell, how much are the Vietcong soldiers paid?

Mr. BELL. I do not know. I am not sure we have any information on that. I do not know that we know what they are paid, but perhaps we would have some evidence from interrogations.

Mr. RHODES. Somebody ought to know.

Mr. BELL. Let us furnish that for the record.

Mr. RHODES. Thank you.

(NOTE.—A classified document was submitted to the committee.)

SAIGON WATER SYSTEM PROJECT

Mr. BELL. On this water supply, the reason I answered as I did, is that a large part of South Vietnam is mountainous. I assume in those areas you could not put a well down.

Mr. PASSMAN. In the area of Saigon and in the general area for 50 years, they have been using ground water. Let us check that out.

Mr. BELL. In the delta area, I am sure what you said is correct.

Mr. PASSMAN. Is that the main place you are putting your new $26 million waterworks? You are spending only $4 million, approximately, for your underground mains there. I want you to disprove it or not.

Mr. BELL. I certainly do not know the details about the Saigon water supply project, but I do know it has been a controversial project for several years. We have had it looked at from time to time by very good engineers, and continuously and repeatedly the engineers, who have been found to be competent, found the project to be a good one.

Obviously, the committee will want to go into it and we will have our witnesses prepared.

ROLE OF U.S. AID IN EFFECTING ECONOMIC RECOVERY

Mr. PASSMAN. I want to read again, and, I quote, from your statement, Mr. Bell:

> I think the United States is entitled to be proud of the record made in these 31 countries. There are some very impressive success stories among them—perhaps the most impressive being Germany, France, Italy, Japan, Greece, Israel, and Taiwan. But we should not mislead ourselves to think that these are U.S. achievements alone.

When we claim these impressive success stories, should we not indicate that at least Germany, France, Italy, Japan are old industrial nations which had know-how and had used that know-how for years? Our aid expedited their recovery but that does not justify trying to fit that same formula into underdeveloped countries, does it?

Mr. BELL. The formula in every country is different, Mr. Chairman.

I think the Marshall plan made a tremendous difference in the European recovery. It would not have come about naturally.

Mr. PASSMAN. Naturally?

Mr. BELL. I said "naturally." When, I do not know, but——

Mr. PASSMAN. They have been in trouble before?

Mr. BELL. No, Mr. Chairman.

Mr. PASSMAN. They had wars and wars and wars?

Mr. BELL. It seems to me the likely outcome, had we not gone in with the Marshall plan, would have been that at least some of the European countries would have gone Communist.

Mr. PASSMAN. I wanted the record to show that these nations have recovered time and again, through the centuries, after their wars. I am not being critical, but you refer to success stories and they have had success stories before. They are highly industrialized and they have the know-how.

Mr. BELL. They have know-how and I agree with that, but if I may say so, an effective aid program takes account of where each country starts. The Europeans started with a great deal of know-how and essentially all they needed was a short burst of extra capital. Japan was not entirely like that because they were far less advanced than Western Europe.

Mr. PASSMAN. The families of some of these boys who were killed would think they were in pretty good shape.

Mr. BELL. I was a Marine and I know how good they were. My main point is they were not nearly as advanced as Western Europe.

The development program in Japan was different than in Europe, but it was successful.

The situation in Greece and Israel and Taiwan is still different. Each country is different and we try to adapt our aid programs to the precise situation in each country.

Mr. ANDREWS. May I ask one question?

Mr. PASSMAN. Yes.

Mr. ANDREWS. Do any of the people anywhere, that we are giving aid to now, work as hard as the West Germans?

Mr. BELL. I think the——

Mr. ANDREWS. I have been over there and I have seen some of these people work all night.

Mr. BELL. I think the Japanese and the Taiwanese and Israelis are also people who work extremely hard.

Mr. ANDREWS. Any others?

Mr. BELL. I would say those are the ones I rank at the top of my list in my observations.

Mr. ANDREWS. If you take all of these countries in Africa where we are pouring millions upon millions of dollars, that is one reason I do not think you can ever get this same degree of success there that you have gotten in Western Europe or Japan or Taiwan or Israel. Yet, that is the ultimate aim or hope of the foreign-aid program; is it not?

Mr. BELL. Yes, sir.

Mr. ANDREWS. You did it in Germany in 5 or 6 years?

Mr. BELL. Sure.

Mr. ANDREWS. How long do you think it will take you to do it in the Congo?

Mr. BELL. I do not know.

Mr. ANDREWS. Can you ever do it?

Mr. BELL. It would take a good deal longer. We are also putting far less in the Congo per capita than we did in Europe. Our aid program in Europe was a massive one of $20 per European per year.

We are not putting in more than a dollar per Congolese and in fact, less than that, per year, I think.

Our investment is appropriately limited, to recognize the kind of situation from which they start. They are not ready to use massive amounts of capital as the Germans and other European countries were.

I think the question you asked is a very good one about their incentives and efforts and energies to work. The people who have spent time in central Africa are convinced the people there are prepared to work. I have talked to many such people. I have not personally spent time in central Africa and therefore I have no basis for that statement.

PROPOSED PAY HIKE FOR VIETNAMESE ARMED FORCES

Mr. ANDREWS. One other question: When you were talking to Mr. Rhodes about your plans for increasing the pay of the Vietnamese forces, do you think by increasing the pay of those soldiers, you could make better fighters of them?

Mr. BELL. I am glad to have a chance to expand on that a little bit because the situation is as follows: There is a Vietnamese Regular Army with a certain pay scale. Then alongside them there are what they call paramilitary forces, self-defense corps and home guard.

Mr. ANDREWS. Home guard?

Mr. BELL. Exactly. The pay scale of those fellows has been substantially less than the pay scale of the army but the home guard has been doing at least as much of the fighting. That is what has led to a serious morale problem and to a serious problem for these home guard fellows, in that most of their time is spent in fighting and they do not have any other source of income, and obviously their families are in trouble. Those are the pay scales which are going to be increased, not the army pay scales.

Mr. ANDREWS. You have to increase the fighting capability or the willingness to fight of the home guard rather than the regular army?

Mr. BELL. The regular army pay scale is not proposed to be raised.

Mr. ANDREWS. Do these people realize their homeland is being threatened?

Mr. BELL. Yes, that is right. They have made a tremendous record in fighting, these home guard troops, and it is astonishing what they have done. You read about it in the paper almost every day where, at an outpost, they sit, 20 or 25 people in that outpost, and the Vietcong comes in the middle of the night and they do not cut and run, most of them. They stay there and fight. It is a remarkable performance and they are persuaded. They are committed to defend their own land and their own freedom.

Mr. ANDREWS. Your plan is to increase the pay of the home guard and this is based on economics more than——

Mr. BELL. On equity, Mr. Andrews.

Mr. ANDREWS. Serving as a stimulant to get them to fight more?

Mr. BELL. I think it is a matter today that is not equitable. In some parts——

Mr. ANDREWS. Why do they not take all these home guard men, paramilitary group, into the regular army? From what I read, they need a much bigger army than what they have now.

Mr. BELL. The basic notion is that the army is recruited and trained as a group which will be moved anywhere in the country that is appropriate for them to fight in, that is, in terms of mainly offensive operations. They are trying continuously to find and flush out and capture or kill the Vietcong and their bases.

On the other hand, the home guard are recruited deliberately to defend an area in which they live. This is the logic of having two different types of units, you see. The home guard needs to be well trained and they need to have reasonable pay and allowances, and so on.

Mr. ANDREWS. Thank you.

SITUATION IN VIETNAM

Mr. PASSMAN. We actually could not, if we wanted to be fair, and I know you do, claim success out there up to this point, could we?

Mr. BELL. What can be claimed about Vietnam is that it is still free. It is certainly——

Mr. PASSMAN. I am talking about the situation militarily.

Mr. BELL. The military situation is very difficult, very risky, and large parts of the country are controlled by the Vietcong. The Vietcong are in a position to attack.

I certainly could not agree that there have been no successes.

There have been very substantial successes there. There have been some substantial defeats.

MARSHALL PLAN AID TO NONCOMBATANT COUNTRIES

Mr. PASSMAN. Getting back to your statement, Mr. Bell, on page 4, you say:

> * * * I should like to say a word particularly about the process of transition from reliance on external aid to economic self-support.

Then coming on down that page, to a new paragraph, you say—

In some 17 countries—for the most part in Western Europe—economic aid in the form of soft term loans or grants under the Foreign Assistance Act has already ended.

Then you list Iceland, Ireland, and Sweden.

Mr. BELL. Yes, sir.

Mr. PASSMAN. When did we have an economic program under the Foreign Assistance Act going into Sweden, Iceland, and Ireland?

Mr. BELL. They were under the Marshall plan.

Mr. PASSMAN. It says "Foreign Assistance."

Mr. BELL. If you would like me to, I will qualify the statement to say the Foreign Assistance Act and predecessor legislation.

Mr. PASSMAN. How much did we give to, let us say, Ireland? Ireland was not involved in World War II?

Mr. BELL. No; but it was involved in the Marshall plan.

Mr. PASSMAN. The claim is that we were trying to help the European countries emerge from the devastating effects of the war. Ireland was not in the war, and what did we give Ireland?

Mr. BELL. We provided total economic aid of $147.5 million and loans of $128 million——

Mr. PASSMAN. They were not in World War II. They did not have any part of their country bombed?

Mr. BELL. Not as far as I know.

Mr. PASSMAN. How about Sweden? Were they in World War II?

Mr. BELL. May I simply add to Ireland?

Of aid to Ireland, $128 million was in loans and $19 million was grants.

Mr. PASSMAN. What kind of loans?

Mr. BELL. These were Marshall plan loans, I believe.

Mr. PASSMAN. We are claiming Ireland was one country that recovered on account of our aid, but Ireland was not involved in armed conflict in World War II. Was Sweden in World War II?

Mr. BELL. You mean as a combatant?

Mr. PASSMAN. Yes, sir.

Mr. BELL. Not as far as I know.

Mr. PASSMAN. Yet they got in on this thing.

Mr. BELL. Mr. Chairman, I do not recall personally all of the considerations that led to including one country or another in the Marshall plan. I take it that Iceland, Ireland, and Sweden were all part of the Marshall plan.

Mr. PASSMAN. They must have been.

Was Iceland in World War II?

Mr. BELL. I do not know whether it was independent or whether it was part of Denmark until after the war. It was presumably in the war.

Mr. PASSMAN. Ireland and Sweden were not in the war?

How much aid did we give Sweden?

Mr. BELL. From virtually all in the period 1949 to 1952, $109 million.

Mr. PASSMAN. I do not blame you for including those countries, because you have almost got to do so in order to make this thing look like a success, do you not?

Mr. BELL. If I may, Mr. Chairman. I would like to supply information on what condition they were in after the war and why they were included in the Marshall plan and what difference it made to them.

Mr. PASSMAN. You ought to have the privilege of putting that information in the record.

Mr. BELL. Thank you, sir.

(The information supplied follows:)

MARSHALL PLAN ASSISTANCE TO ICELAND, IRELAND, AND SWEDEN

In Ireland, Sweden, and Iceland severe shortages of spare parts for capital equipment traditionally imported from war-involved countries caused shortages in virtually all types of manufactured goods. Imports and exports had been largely dependent also on other countries' merchant fleets, particulation Britain's, at that time incapacitated.

Surviving commerce among European states, such as it was, was conducted through a series of bilateral agreements. With currencies not freely convertible, foreign exchange resulting from sales in one country could not be used to settle debts with another, and to have suddenly and radically changed this system by removing all exchange restrictions would have led to severe monetary dislocations.

Recognizing the necessity of mutual self-help and encouraging increased European economic and political integration, the United States supported a scheme whereby each country's credits with other European countries might be used to offset its debits with third countries through a system of periodic clearances of outstanding balances. The plan was embodied in a first Agreement for Intra-European Payments and Compensations, signed by OEEC countries in October 1948.

ECA support for this plan was developed through an arrangement whereby dollars received from the United States might be used to eliminate, among OEEC countries, the net creditor or debtor relationship remaining after each clearance. A part of each creditor country's dollar aid was made "conditional" upon its proffering an equivalent amount of its own currency, in the form of "drawing rights," to other participating countries which were in a net debtor position within Europe. Such was largely the nature of assistance to Ireland, Iceland, and Sweden totaling respectively $19.3 million in grants and $128 million in loans, $24 million in grants and $5.3 million in loans, and $86.9 million in grants and $20.4 million in loans.

The result was an initial breakaway from the tight constrictions of a system dependent almost entirely upon bilateral agreements. While the concurrent rise in production undoubtedly accounted for part of the increase in intra-European trade, drawing rights were used for the settlement of nearly two-fifths of the gross deficits and surpluses incurred by the participating countries during the agreement's operation, and it may be assumed that at least a substantial part of this represented a net increase in trade.

Additional research is required to more precisely determine the exact economic effects attributable to Marshall plan aid in Ireland, Iceland, and Sweden.

Based on "The Marshall Plan and Its Meaning," by H. B. Price.

PROGRAM FOR SPAIN

Mr. PASSMAN. While we do not now have an economic grant aid program for Spain, we are paying a very high rental for military base rights, are we not?

Mr. BELL. We did have a grant program for Spain.

Mr. PASSMAN. I know that we did, but I am speaking of the present. You have no economic grant aid program for Spain as such?

Mr. BELL. Not economic; military.

Mr. PASSMAN. You do have a military program, and I call it a military consideration, or grant, for base rights. Is that right?

Mr. BELL. It is not cash but it is military grants in the form of military equipment.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I wanted to show that they just moved spigots. Instead of taking it out of No. 1, they are over at No. 9, but it still comes out coffee.

Mr. BELL. In 1958 we provided total economic and military aid to Spain of $224 million. In 1963, that was down to $56 and even that included a big Export-Import Bank loan of $20 million. I do not know whether you call that aid or not.

Mr. PASSMAN. I hope to see this thing go back to the Export-Import Bank. It was set up for a good purpose and performs a valuable service.

Mr. BELL. Right.

Mr. PASSMAN. We sold our commodities against loans.

Mr. BELL. In Spain, whereas 5 or 6 years ago we were providing very large assistance of over $200 million a year, now the assistance is down ——— and it will continue to go down. Economic aid has ended and military aid is being reduced. I think that is a substantial gain.

Mr. PASSMAN. Commendable, Mr. Bell. I am only showing that instead of drawing it out of spigot No. 1 it is spigot No. 9, but when you pull the handle, the same kind of juice comes out.

Mr. BELL. Not the same; much reduced.

Mr. PASSMAN. I did not say the same quantity.

Mr. BELL. I beg your pardon.

Mr. PASSMAN. The same juice, but coming out of a different spigot.

It is to be expected that Spain would take its earnings gained from its exports to buy certain military equipment. However, if we give them this amount, that releases their own funds for other purposes.

I want the record to show we are shifting over to a different spigot.

Mr. BELL. All I claimed was that economic aid in the form of soft term loans or grants had ended.

I did not go into it at length but you will note at the top of page 5 I said that experience had demonstrated the transition to self-support does not happen overnight or at equal time intervals for all types of U.S. assistance. Economic aid in sizable amounts to Europe ended 10 years ago whereas military aid commitments have ended much more recently.

In the case of the countries now in the transition process, we would expect that military assistance and sales of surplus agricultural commodities under Public Law 480 will continue in some cases after the termination of loans and grants under the Foreign Assistance Act.

I just wanted to assure——

Mr. PASSMAN. You still have a grant aid program to Spain, not economic but military.

Mr. BELL. And that it is greatly reduced in size.

Mr. PASSMAN. It is—off the record.

(Discussion off the record.)

Mr. BELL. Off the record.

(Discussion off the record.)

Colonel COLLINS. That is correct.

Mr. BELL. Off the record.

(Discussion off the record.)

Mr. PASSMAN. They could advance it upward as quickly as they might see fit?

Mr. BELL. I suppose so.

TOTAL FUNDS FOR FOREIGN ASSISTANCE

Mr. PASSMAN. Let us go to page 8 of your statement:

> We are requesting a total of $3,391,700,000 in new obligational authority. One billion of this amount is for military assistance and the remainder for economic assistance; this compares with the $2,865 million appropriated by the Congress for the current fiscal year for the same purposes.

That is an increase over the funds for fiscal 1964 of how much?

Mr. BELL. You mean the request for 1965?

Mr. PASSMAN. The request for fiscal 1965 exceeds the amount appropriated for the same purpose as mentioned on page 8, so your request——

Mr. BELL. The difference between $3,391,700,000 and $2,865 million.

Mr. PASSMAN. Yes. How much do you have there?

Mr. FLINNER. $526.7 million.

Mr. PASSMAN. For the purposes to which you referred?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Your request for new obligational authority for fiscal year 1965 exceeds by $500 million-plus the amount appropriated in fiscal year 1964?

Mr. BELL. Yes.

Mr. PASSMAN. A good many people and Members of Congress and the press believe this program is greatly reduced, but there is a substantial increase.

Mr. BELL. I think it is only fair, Mr. Chairman, to note the point about carryovers. The availability of funds this year for both economic and military is $3,488,656,000.

The availability we anticipate for next year, including the new appropriations we have asked for and adding the estimated carryover, after recoveries, is $3,635,100,000.

REAPPROPRIATION OF UNOBLIGATED FUNDS

Mr. PASSMAN. I believe you should also say that in previous years we have reappropriated substantially all unobligated funds, have we not?

Mr. BELL. Yes, sir.

Mr. PASSMAN. This year, of course, I would not say you would do it, but you might obligate every bit of it?

Mr. BELL. Every penny of what?

Mr. PASSMAN. The money appropriated last year.

Mr. BELL. Yes, sir.

DEOBLIGATION OF FUNDS

Mr. PASSMAN. You could obligate every dime of it and then at some subsequent date, if you should find out that many of these obligations were not actually as firm as you thought, you could deobligate, could you not?

Mr. BELL. Yes, sir; but I must say——

Mr. PASSMAN. Mr. Bell, I am quite familiar with the tremendous amount of funds that have been obligated in previous years, and then subsequently deobligated. I want the record to show that, under the authorization and the appropriation, you could obligate down to the last dollar.

Mr. BELL. I would like the record to show, Mr. Chairman, that I do not intend to obligate any funds simply for the purpose of carrying them over.

Mr. PASSMAN. I hope you do not, but it has been done.

Mr. BELL. Right. Indeed, sir, I would like to propose, if I may at a later date when the committee finds it convenient, when our obligation rate for the present year is coming along, at a later date when we can tell pretty clearly what we are going to have available, that we meet with the committee at that time and lay out exactly what the facts are on the anticipated carryovers in order to consider whether there should be some adjustment in the appropriation request at that time. If you would like to do that——

Mr. PASSMAN. We are told that it may be September or October before it is known how much money is going to be unobligated.

Mr. BELL. Yes, sir.

UNDERESTIMATION OF UNOBLIGATED BALANCES

Mr. PASSMAN. I think that last year it was along about November or December before we ever actually found out accurately what your unobligated balance was. We were given figures and we were told that you believed they were firm. But before I got up my recapitulation sheet, I asked, "How are you going to tell us what is unobligated when you tell us you have several months lag between the time of obligation and the time the Ambassador is authorized to——

Mr. BELL. Could I ask Mr. Flinner to comment on that briefly?

Mr. FLINNER. I believe we have the unobligated balance fairly quickly after the end of the fiscal year. The unexpended balance——

Mr. PASSMAN. I am talking about the unobligated balance. And, invariably, when we finally get the figure it is substantially more than your original estimate.

You changed on us several times last year. Your estimates kept growing and growing, and finally about October they even came in and said they were about ready to finalize the data and then the figures went up again.

Mr. FLINNER. We do have, I would say, a situation where we would not be able to give you an actual figure in May, certainly of what our unobligated balance would be on June 30.

Mr. PASSMAN. Certainly not.

Mr. FLINNER. As Mr. Bell indicated, at that point we would be able to give a much better estimate of what the result would be at the end of the year.

Mr. BELL. What are the facts, Chuck, as to how soon after the end of the year we have a reasonably reliable figure and how much that is likely to change thereafter?

Mr. FLINNER. I would say we would have a reasonable figure by the end of July at least. On the final figure which ties in with the Treasury and goes into the base——

Mr. PASSMAN. What do you have on hand as of June 30, 1963, unobligated?

Mr. FLINNER. The unobligated balance——

Mr. PASSMAN. No-year, and 1-year, all unobligated funds.

Mr. FLINNER. Unobligated, unreserved as of June 30, 1963, was $402.3 million.

Mr. PASSMAN. Are you using the same accounting procedures for fiscal 1965 as were used last year?

Mr. FLINNER. Basically the same accounting procedures.

Mr. PASSMAN. Mr. Bell, in June of last year you stated to the committee that you were actually going to have $243.2 million unobligated on June 30.

It was just verified that you have the same accounting procedures you had previously, and how far you missed this thing last year——

Mr. FLINNER. Mr. Chairman, I am not sure what was in those June figures. There may be a difference between the $127 million for the contingency fund, which earlier we were going to return to Treasury.

Mr. PASSMAN. If you did that, it would be $370.2 million.

Mr. BELL. That is not bad.

Mr. PASSMAN. You are not going to be able to tell this committee this year that you are positive by the end of May or early June. Days later, last year, you missed that thing by almost 50 percent.

Mr. BELL. What I was offering to do was, if it would be useful to the committee, to come back at your markup stage, or whatever you would like, and go over it at that time on the best figures we can get, and we can then produce those and estimate what, if any—and I assume there will be some—what our unobligated balance is and when this is likely to be——

Mr. PASSMAN. This information you are submitting is confidential, is it? That is, the information referred to a while ago?

Mr. BELL. This statement, yes, sir.

Mr. PASSMAN. If we think it will be helpful, we shall send for you. And we thank you.

Mr. BELL. All right.

MILITARY ASSISTANCE FOR EUROPEAN COUNTRIES

Mr. PASSMAN. You stated earlier, and we agreed, that the European program for military assistance has been very substantially reduced. Therefore, your requirements for military aid for the European nations is much less in fiscal 1965 than it was in fiscal year 1964 or prior years.

Mr. BELL. How much less than 1964?

Mr. PASSMAN. Let us get a 3-year spread.

Colonel COLLINS. The total 1964 program, including infrastructure is $193.5 million.

Mr. PASSMAN. Do you have 1962?

Colonel COLLINS. I do not have the 1962 figures.

Mr. BELL. Do you have 1963, Colonel? Fiscal year 1964 was $193 million and the 1965 figure, I believe you said earlier, was $126 million; is that correct?

Colonel COLLINS. Yes. The 1963 figure in the 1964 presentation book including infrastructure was $237.8 million. After this estimate was made last year, that was reduced somewhat.

Mr. PASSMAN. The figures you gave us the other day are different. These figures were given to us, and they are not my figures:

Fiscal 1962, $373 million; 1963, $203 million; 1964; $193 million; 1965, $49 million.

The annual average for 1962, 1963, and 1964 is $256,802,000. If we pick up the infrastructure and the total for 1965, it is going to be $126 million. I want to indicate that the request for Europe has been greatly reduced.

You are asking for $1 billion in new funds for the military assistance program in fiscal year 1965. It is estimated that deobligated funds will amount to $135 million for fiscal year 1965. There will be $25 million unobligated in fiscal year 1964, but this will be applicable for use in 1965?

Mr. BELL. Right.

Mr. PASSMAN. In addition to that sum, if the chips are down, the President could borrow from the military off the shelf, $300 million. Also, the President has the authority, if the Congress should appropriate, say, $1.5 billion for the economic aid next year, to take funds out of that category in the amount of $150 million. That gets the potential sum up to $1,610 million for military aid.

Then you also have excess equipment going into the program, at rehabilitation cost only, and there are certain recoveries also from Public Law 480 aid, and this is added to it?

TRANSFER OF FUNDS FROM ECONOMIC TO MILITARY AID

Mr. BELL. There is something I do not understand about the transfer figures you cited from economic aid. The law does not permit the President to transfer funds from loan accounts, either the development loan account or the Alliance for Progress.

Mr. PASSMAN. What percentage of funds could the President transfer?

Mr. BELL. As I understand it, for those accounts which the President can transfer, such as technical cooperation, development grants, or supporting assistance, or the contingency fund, the law anticipates normally he would transfer 10 percent out and 20 percent in.

He can, if he wishes, if he regards it as a serious enough situation in the national interest, waive that limitation. Therefore, I assume the legal position would be he could transfer far more than 10 percent.

But he cannot transfer any of the loan funds.

Is that right, sir?

Mr. PASSMAN. According to my understanding of the legislation, the President could transfer as I have indicated, and other witnesses have so stated.

Mr. BELL. Except he cannot transfer the loan accounts.

Mr. PASSMAN. You may submit a statement on this matter, if you wish.

Mr. BELL. I would like to.

(The material supplied follows:)

LEGAL ANALYSIS OF THE CONTINGENCY FUND AUTHORITY AND OF THE PRESIDENTIAL TRANSFER AUTHORITY

Section 451(a) of the Foreign Assistance Act of 1961, as amended (the act), provides as follows:

"There is hereby authorized to be appropriated to the President for the fiscal year 1964 not to exceed $160,000,000 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."

Under section 451(a) the contingency fund may only be used, as distinguished from transferred, for purposes of economic assistance (Pt. I of the act). This means that funds appropriated to the contingency fund may be obligated for the purposes and in accordance with the provisions governing the regular economic assistance appropriations, such as supporting assistance, development grants, development loans, et cetra, subject of course to the requirements imposed by legislative history that the particular need for the funds was not anticipated or not certain as to amount at the time of the presentation to Congress. The contingency fund, however, cannot be used to augment administrative appropriations of AID or the Department of State (section 610(b) of the act). This is the normal method of employing the contingency fund and the programing and obligation of the fund under this method must be reported to Congress quarterly (section 451(b) of the act). This authority to use the contingency fund has been delegated by the President to the Secretary of State and thence to the Administrator of the Agency for International Development.

In addition to the basic authority of section 451(a) of the act, there is the extraordinary Presidential transfer authority under section 610(a) of the act. That section provides as follows:

"Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available for any provision of this Act may be transferred to, and consolidated with, the funds made available for any other provision of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 20 per centum of the amount of funds made available for such provision."

Under section 610(a) funds may, subject to certain limitations hereafter described, be taken from any one appropriation and transferred to another appropriation and used in accordance with all the terms and conditions governing the latter. For example, the contingency fund may be transferred directly to and consolidated with the military assistance appropriation and used in accordance with the terms and conditions governing the latter without the limitation that the funds be used to meet an unanticipated or unascetrained need. The authority, however, to make such transfers has been reserved to the President. In addition, the act imposes the following limitations on the use of the section 610(a) transfer authority:

(1) No more than 10 percent of the funds made available in any account may be transferred out of that account and no account may be increased by more than 20 percent of the amount of funds initially made available thereunder. These limitations, however, may be waived under section 614(a) of the act, which waiver may only be issued by the President.

(2) The transfer authority may not be utilized to augment administrative appropriations of either AID, the State Department, or the military assistance program. This limitation may not be waived under section 614(a) of the act.

(3) Funds may not be transferred out of the Development Loan Fund account. This restriction may not be waived under section 614(a) of the act. It is to be noted, however, that development loan funds may, without transfer, be used for loans to countries in Latin America.

(4) The Alliance for Progress loan funds may not be transferred except to the Development Loan Fund account. This restriction may not be waived under section 614(a) of the act.

In summary, therefore, the contingency fund may, without resort to the President's extraordinary transfer authority, be "used" for carrying out the purposes of and in accordance with the provisions governing the use of the regular eco-

nomic assistance appropriations. In addition, under the President's special transfer authority, the contingency fund or any other economic assistance appropriation under the act, except the development loan and Alliance for Progress loan appropriations, may be transferred to the military assistance appropriation, subject to the 10- and 20-percent limitations noted above, both or either of which may be waived by the President under section 614(a) of the act.

Mr. PASSMAN. The figures I gave were verified the other day.

You might also wish to do a little research and tell us how much will be available from excess stocks and also the amount you would draw directly from Public Law 480 and the amount that would be put in indirectly from Public Law 480.

Mr. BELL. May I add one other point? Any such calculation of transfer assumes that the funds would be available to transfer from the economic side.

As you know, it is our judgment and our opinion that the funds we are asking on the economic side are as necessary as the funds we are asking for on the military side.

Mr. PASSMAN. Although some of these nations have been waiting centuries and maybe could wait a while longer, it is just as urgent as the military aid, if the chips were down?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. BELL. I do not accept the premise, obviously.

Economic assistance which we are providing in those cases is, in our opinion, not something that could wait.

We think it is urgent and in the U.S. interests.

Let us take a typical case. In Venezuela or Peru or in Brazil, the thing that makes it urgent is that there is an active, current Communist campaign to take over those countries. If it were not urgent, we should not be doing that.

Mr. PASSMAN. In how many countries is such a campaign in progress?

Mr. BELL. A great many, virtually all of them.

Mr. PASSMAN. Mr. Bell, you are not going to sell me on the idea that some of the economic aid will not be disbursed for maybe 6, 7, or 8 years.

PROCUREMENT OF EQUIPMENT FOR MILITARY ASSISTANCE

Mr. BELL. Some of the military aid will not be disbursed for 3 or 4 years.

We are continually estimating what military equipment is going to be needed, which forces we want to sustain in these various countries. Then we have to order that equipment. We have to get the appropriations from the Congress in order to be able to order the equipment and to deliver it.

Frequently, delivery will be 2 or 3 years from now.

Mr. PASSMAN. Could you put in the record that relatively little of that equipment, percentagewise, is obtained as new procurement? This is, I believe, largely off the shelf, and the Defense Department buys the equipment, while the military assistance program only requisitions it from the Defense Department.

Mr. BELL. My understanding is that the bulk of it is procured now. It is obviously procured through the military departments, and frequently added to the orders already put together there for their own purposes.

Mr. PASSMAN. Please have a check made on what percentage of the equipment is coming off the shelves.

Mr. BELL. I will be glad to.

(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 years 1964 and 1965 programs follows:

Fiscal year 1964–65 MAP anticipated source of supply

[Dollar amounts in thousands]

Service code	Definition	Fiscal year 1964		Fiscal year 1965	
		Dollar value	Percent	Dollar 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.

NOTE.—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 pp. 1312 and 1315 No items for the sales program are procured at the request of the Director of Military Assistance.

USE OF CONTINGENCY FUND FOR MILITARY ASSISTANCE

Mr. PASSMAN. I know I have documented this thing correctly with some adjustments, but I estimated $150 million on the basis of $1.5 billion, but to keep it out of some of the loan categories, there is no limit to what the President can do in the contingency fund. That is just as loose a condition——

Mr. BELL. I would not agree that it is loosely handled.

It is transferable—I believe it can be transferred.

Mr. ANDREWS. I want to ask a question right there.

Mr. PASSMAN. Yes.

Mr. ANDREWS. I understood you to say a few minutes ago transfers could not be made from the contingency fund.

Mr. BELL. No, sir.

Mr. ANDREWS. To the military?

Mr. BELL. Transfers under the law cannot be made from the loan accounts, from the development loan.

Mr. ANDREWS. I understand that, but what about the President's contingency fund?

Mr. BELL. That can be transferred.

Mr. PASSMAN. Directly.

Mr. ANDREWS. He can transfer the whole amount to the military in his wisdom?

Mr. BELL. As I understand it legally, he could.

Mr. PASSMAN. He could throw it all in, and that is indicated by the fact that you are throwing in $50 million this year.

Do you go directly from the contingency fund to the military?

Mr. BELL. Subject to check by the lawyers, it is my understanding we will transfer it directly.

But, Mr. Chairman, we will doublecheck it with the lawyers.

Mr. PASSMAN. Whether you go directly or indirectly, the fact that you are proposing now to transfer $50 million out of the contingency fund which was appropriated last year, and which you did not ask for in the way of a reappropriation, in itself, indicates that you are not limited percentagewise; does it not?

Mr. BELL. I have indicated the President did not limit it, except that under loan funds he cannot transfer anything.

I want to be sure the committee is clear, sir, that we are administering the contingency fund in what I believe is as tight a manner as the committee would want. I think the administration of the contingency fund at the present time is something I am quite prepared to defend.

The proposed transfer of $50 million from the contingency fund to the military assistance program is something that was considered very seriously, and we regard it as a measure of how serious is the lack of funds in the military program.

AVAILABILITY OF RECOUPED FUNDS

Mr. PASSMAN. Let us go to page 8 of your statement:

> These availabilities are set out in detail in the table on page 41 of the presentation book. As you can see, next year we are counting on the availability of an estimated $194 million of recoveries during the year and $19 million of reimbursement and receipts.

The $194 million in recoveries is what I assume were previous obligations that you squeezed out, or recouped.

Mr. BELL. It is, sir.

I would like to say once more for the record, and I really feel very strongly about this: that I deplore any implication that any of this is done to conceal anything.

Mr. PASSMAN. I am merely saying the record is clear that we enter into obligations before projects have been finally firmed up.

Mr. BELL. No.

Mr. PASSMAN. I recall a nation that Mr. Andrews brought up. You had unobligated funds on 29 different projects. They said they did not want these projects to start with, they wanted the money. They said that on June 26 or 27, I believe.

You deobligated all the funds on that project and deposited the money in a New York bank, and it is still there.

I am not implying these things are intentional, but they are facts.

Mr. ANDREWS. You mentioned the bank deposit and said the bank deposit was still there.

I wonder if Mr. Bell could have someone check and find out if the money is still there.

Mr. BELL. Yes. I am not familiar with the case.

Mr. ANDREWS. It was Libya.

Mr. PASSMAN. They said they did not want the projects, but they wanted the money. We canceled all the projects and took the residue and put it in a New York bank.

Mr. BELL. What country was it?

Mr. PASSMAN. Libya.

Mr. ANDREWS. To identify the case we have in mind, I believe it was June 26 of 1962 the projects were deobligated and on June 30 the money I assume that had been marked for the projects, a little over $5 million, was deposited to the credit of the country. Last September when this committee was in session we were told, and it is in the last year's hearings, that the $5 million plus was still in the bank to the credit of that country, and none of it had been withdrawn, and that was about 13 months from the date that the money was actually deposited to the credit of the country.

Mr. BELL. I will be glad to check that, Mr. Andrews.

Mr. ANDREWS. They said further the money was on savings account drawing interest at the rate of three and a half percent per annum.

(Information supplied follows:)

FIVE MILLION DOLLARS REPROGRAMED AS A CASH GRANT TO LIBYA IN FISCAL YEAR 1962

In 1954 the United States concluded an agreement with the United Kingdom of Libya concerning the use of Wheelus Air Base near Tripoli, Libya. At the same time, a separate economic assistance agreement was signed which called for a cash grant and sympathetic consideration of Libya's economic needs. While not specified in the agreement, the special assistance (now supporting assistance) funds which the United States agreed to pay were "rent" for the airbase.

To get the greatest possible economic return, AID attempted to put these funds, even though they were for base payment, into economically productive projects. In the fall of 1960, Libyan involvement in the projects declined and some of them became dormant. AID and the Government of Libya agreed to deobligate dollars from the "base rent" which had not been spent, totaling $5,046,668, and to reobligate this sum as a cash grant to the Government of Libya. This took place in June 1962. The Government of Libya agreed to use the $5 million to procure goods and services in the United States and to deposit an equivalent amount in Libyan pounds to a special economic development account in the National Bank of Libya. Releases from this special account were to be for mutually agreed projects. The original project agreements had not specified U.S. procurement.

Of the $5 million, $4 million has been used for authorized purchases from the United States of normal commercial imports of goods and services. In addition, we have agreed to credit the use of approximately $1 million for a letter of

credit to Gibbs & Hill, an American electrical engineering firm which has a contract with the Government of Libya for the major design and engineering for powerplants in eastern Libya. This credit will be used over a period of 2 years.

The $5 million was deposited in Libya's New York bank account in July 1962 pursuant to the agreement that it would be used to procure imports from the United States, and thereafter would have earned interest for the Libyan Government until withdrawn as would any other of its deposits. This interest would not be tied to U.S. procurement.

RECOVERIES AND DEOBLIGATIONS

Mr. BELL. May I add a word or two about this matter of recoveries and deobligations?

I think in most cases nowadays, these do not result from having entered into the project too soon. There may well be some cases of that type. As you know, the Congress has given us, and we are seeking to observe scrupulously, requirements that we cannot obligate until the engineering, technical, and economic feasibility of a project has been thoroughly examined under section 611, and, therefore, most of the recoveries that you see here, and that we have anticipated for next year, result from changes in the situation. So on a project which looked very solid when it was entered into—the situation may change, and it may be wise to hold back from it.

Mr. PASSMAN. You do not have the same type of benefit-cost ratio as we have here. You do not have a formula that you follow?

Mr. BELL. Yes.

For development loans we follow the same type of practices, and are required to by the law, that are followed in this country.

Mr. PASSMAN. It takes from 7 to 9 years to get an authorization for a flood control project.

Mr. BELL. It may take several years to get one of these.

Mr. PASSMAN. Some of these countries are yet infants.

Mr. BELL. We do not make many development loans to countries like that.

Mr. PASSMAN. You have one of these plans going for one of the new African countries for about $225 million.

I know you are funding projects possibly years and years in advance of disbursements on these commitments.

You ought to sit in someday and find out how difficult it is to get perhaps $1 million against a $20 million authorization in this country.

Mr. BELL. This is ground we have been over before.

The key point I am trying to make is, we are required, and we take it very seriously, to pursue the economic, engineering, and technical feasibility of these projects. The question of whether we fund them partially or completely, it seems to me, is a separate issue. We fund them complete. We believe that is what the Congress wants us to do. That is the way the domestic projects operate.

Mr. PASSMAN. We know you have the authority to do what you do. But, these projects lack a great deal of being measured by the same criteria used for projects in America, especially with respect to the engineering and cost-benefit ratio.

You are talking about only one of the spigots. There are 16 of them. So many of the people tell us, these are political considerations when we make these grants.

Mr. BELL. I agree with that.

Mr. PASSMAN. You are talking about one part of the aid program?

Mr. BELL. I am talking about the main part—the development loan.

DEVELOPMENT LOAN FUND

Mr. PASSMAN. How much is development credits? You call them loans.

Mr. BELL. Outside of Latin America, this year they are over $800 million. We are asking for a little over $900 million for next year.

Mr. PASSMAN. Let's talk about this year.

Mr. BELL. $820 million, outside of Latin America, and another $450 million.

Mr. PASSMAN. What is the total?

Mr. BELL. About $1.25 billion.

Mr. PASSMAN. About $1.25 billion.

Mr. PASSMAN. You are asking for $3 billion, so it is about 36 percent of the total?

Mr. BELL. If you take the military out.

Mr. PASSMAN. Military is grant aid, too.

Thank you, Mr. Bell.

We shall adjourn until tomorrow afternoon at 1 o'clock.

TUESDAY, APRIL 21, 1964.

AID TO INDONESIA

Mr. PASSMAN. The committee will come to order.

I want to insert in the record at this time a news report from the Washington Post, dated March 26, 1964, headed " 'Go to Hell With Your Aid,' Sukarno Tells United States."

(The article referred to follows:)

[From the Washington Post, Mar. 26, 1964]

"GO TO HELL WITH YOUR AID," SUKARNO TELLS UNITED STATES

DJAKARTA, March 25.—President Sukarno, of Indonesia, today told the United States to "go to hell with your aid" and said his country would not collapse without foreign assistance.

Sukarno, speaking at the laying of a stone for a 14-story building here, pointed to American Ambassador Howard P. Jones, laughed and said:

"There is one country threatening to stop its foreign aid to Indonesia. That country thinks it can scare Indonesia. I say go to hell with your aid."

Sukarno said "Indonesia is rich in natural resources. Indonesia is rich in manpower with its 103 million inhabitants—not like Malaysia with 10 million."

Sukarno's reference to Malaysia drew a sharp burst of applause from an estimated 2,000 persons who attended the ceremony.

Sukarno's speech followed by 1 day a statement by U.S. 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.

Sukarno interrupted his speech to ask Jones in a loud voice, "When was that you wanted to stop your aid?"

Jones did not answer the President's question and only smiled and nodded his head.

(In Bangkok, Thailand, Indonesian Foreign Minister Subandrio today said his Government has accepted with certain conditions a formula by the Philippines to settle the Malaysian dispute. He said the reply was communicated to the Filipinos and it was up to them to publish it.

(The original formula called for the phased withdrawal of Indonesian guerrillas from Malaysian Borneo, the simultaneous opening of political discussions at the ministerial level, and a heads of government summit meeting between Malaysia, Indonesia, and the Philippines.)

Mr. GARY. In that connection, Mr. Chairman, did you hear what the "Week That Was" said about that?

Mr. PASSMAN. No.

Mr. GARY. They said "Why not; we have been everywhere else with it."

Mr. PASSMAN. And indeed we have.

So, I believe this item, too, should be inserted in the record.

(The newspaper article referred to above follows:)

NEEDS NO AID, SUKARNO SAYS

DJAKARTA, INDONESIA, March 25.—President Sukarno declared today that foreign aid to Indonesia can end any time and his country could not care less.

The official Antara news agency quoted Mr. Sukarno as saying "Indonesia has rich natural resources and enormous manpower. We can establish and set up our own society fully well even without foreign assistance."

The Sukarno statement was made at the laying of the cornerstone for the 14-story building of the State Trading and Banking Organization in Jakarta.

Mr. Sukarno did not mention any specific donor of foreign assistance but obviously he was referring to speculation that the United States might withhold aid from Indonesia unless Mr. Sukarno abandoned his campaign to crush Malaysia.

WAR IN VIETNAM

Mr. PASSMAN. Also, I should like to read this article into the record:

UNITED STATES LOSING VIET WAR, NEWSMAN SAYS

Neil Sheehan, United Press International correspondent in Saigon, said today the U.S.-supported Vietnamese Government is losing its guerrilla war against the Vietcong.

"We have been losing it for some time. The situation has deteriorated so badly now that it probably cannot be reversed without massive American intervention in all Indochina, a move which, in my opinion, our people do not seem willing to accept," Mr. Sheehan said.

Mr. Sheehan, who covered the war in Vietnam for nearly 2 years, spoke at the United Press International breakfast for members attending the American Newspaper Publishers meeting.

Mr. Sheehan said he warned at a similar meeting a year ago that the U.S.-backed forces in Vietnam were in serious danger of losing the war.

"Now 12 months and two coups later, I must tell you that the news today is even graver."

Does that correspondent know anything about what he is talking about?

Mr. BELL. I don't know him, Mr. Chairman.

Mr. PASSMAN. He is an accredited reporter and he covered the war for 2 years out there.

Mr. BELL. The comment I would make on that, Mr. Chairman, is that Secretary McNamara, and now Secretary Rusk and General Taylor, the Chairman of the Joint Chiefs of Staff, have observed the Vietnam situation, including personal visits, over these last 2 or 3 years, and it is their judgment and that of the President, on their recommendation that the opportunity to achieve a successful outcome in Vietnam remains; that the risks of loss to the U.S. interests if the Communists took over in South Vietnam are very serious, and fully

warrant the expenditure of U.S. funds and the commitment of U.S. personnel which is being made there.

Mr. Sheehan apparently differs with that, which obviously is his right as a private citizen.

Mr. PASSMAN. Of course, I am not trying to take the position that I know anything about it. Some people however, who are supposed to have some knowledge of what is going on seem to think we are losing it. You say we are not.

Mr. BELL. None of us wishes to give you, sir, the impression that the war in Vietnam is certain to be won.

It is a tough struggle. We could lose; we could win. The question is whether the best course of action for us is to continue along the lines we are following or to take some alternative course of action. Thus far it is the position of the President that the course we are following is the best available to us at this time.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

PROJECT AUTHORIZATION PROCEDURES

Mr. PASSMAN. Mr. Bell, I do not think I should ever make a statement in these hearings without there being some good reason for making the statement. I do not think I should make a statement as to how projects are handled in this country without supporting that statement with factual information.

You will recall that on yesterday I stated that the procedure for rivers and harbors, and flood control projects, beach erosion, and so on, might require a number of years to get an authorization. I have never thought a similar project abroad should be handled differently from projects in our own country.

I called the Public Works Committee this morning and requested a copy of the procedure involving the conception, authorization, and ultimate construction of Corps of Engineers rivers and harbors and flood control projects in America, and also beach erosion projects, under section 110 of the Rivers and Harbors Act of 1962.

In a great many instances it requires 10 years before you can come up with an authorization. It is absolutely impossible to get a dollar until these steps have been followed, and it starts right down at the local level.

Local citizens who desire navigation, flood control, or related improvements should contact Senators and Representatives with the request that provisions of desired facilities be considered by the Federal Government. Local interests may request advice of representatives of the Corps of Engineers who may furnish pertinent available information and advice as to the appropriate further procedures.

There are 18 steps that must be followed before you wind up with an authorization, and on more important projects it requires as much as 10 years, if there is an authorization.

Since the Flood Control Act of 1928 it has been established that these procedures should be followed.

It makes no difference how badly I want a project or how honest I might be about it, how sincere I might be about it, how much knowledge I possess regarding its worthiness. These things have to be

proved and it requires usually from 7 to 10 years to get the authorization.

We do have a double standard with relation to projects of this type at home and abroad.

I want to make the further observation that we will perhaps get an appropriation for one-tenth, one-eighth, perhaps one-sixth, and sometimes one-fifteenth, of the established estimated cost per year, and when that fact is added to the maybe 10 years for an authorization, sometimes we are 25 years bringing to a conclusion a worthy public works project in America.

In foreign aid the projects and programs are presented on an illustrative basis. Witnesses have stated that we do not firm up any projects until we get the money. I think they even went so far as to say we do not let the countries know what projects are planned until the money is appropriated.

You present a group of projects for which you plan to spend money, and you do have the right to transfer from one project to another.

I think we established last year you had requested funds for a highway in Argentina. You could legally take that money and build a brick building in Algeria—not that you would, but you could under the legislation; so you decide upon particular projects after you get the money, and not before, whereas in America for any projects of this type it is necessary to establish the criteria before you get the money.

We shall now insert the statement as to procedures involved for public works projects in America.

(The statement referred to follows:)

PROCEDURE INVOLVING THE CONCEPTION, AUTHORIZATION, AND ULTIMATE CONSTRUCTION OF CORPS OF ENGINEERS' RIVER AND HARBOR AND FLOOD CONTROL PROJECTS

(Also beach erosion under section 10 of the River and Harbor Act of 1962)

Step No. 1. Initiation of action by local interests

Local citizens who desire navigation, flood control or related water resource improvements should contact their Senators and Representatives with a request that provision of the desired facilities be considered by the Federal Government. Local interests may also request advice of representatives of the Corps of Engineers, who will furnish pertinent available information and advise them of the appropriate further procedures.

Step No. 2. Consultation by Senator or Representative with Public Works Committee

Either one of two courses of action may be taken by a Senator or Representative in securing authorization of an investigation. If a previous report on navigation, flood control, or allied purposes has been made for the area in question, the Senator or Representative may request the Senate or House Committee on Public Works to adopt a resolution authorizing a review of previous reports to determine whether any modifications of the Chief of Engineers' recommendations in such reports would be advisable, as contemplated by section 4 of River and Harbor Act approved March 4, 1913. If no previous report has been made, the Senator or Representative may request the committee to include authorization for a survey in either an omnibus river and harbor and flood control bill or a separate bill.

Step No. 3. Action by the Public Works Committee

If the committee is convinced of the need for a review report, an appropriate resolution calling upon the Board of Engineers for Rivers and Harbors to make the review will be adopted by the committee and referred to the Chief of Engineers for necessary action. However, if a previous report involves the project

for the alluvial valley of the Mississippi River and tributaries, the resolution will call for a review of that report by the Chief of Engineers rather than by the board. If the committee is convinced of the need for an original report, the authorization for an investigation will be included in either an omnibus river and harbor and flood control bill or a separate bill for consideration by Congress. Each committee may request advice of the Chief of Engineers on the desirability of authorizing such study.

Step No. 4. Assignment of investigation by Chief of Engineers

Whether an investigation is requested of the Chief of Engineers by committee resolution or by authority of an act of Congress, the Chief of Engineers will assign the investigation to an appropriate reporting officer, usually the division engineer in whose territory the area is located. Division engineers may further assign the investigation to the proper district engineer. However, before work can be undertaken on an investigation, funds for that purpose must be appropriated by the Congress.

Step No. 5. Public hearings by division or district engineer

The division or district engineer, in order to ascertain the views and desires of local people, will hold public hearings as appropriate at localities accessible to all concerned. Local interests will be afforded full opportunity to express their views on the character and extent of the improvement desired and on the need and advisability of its execution. A hearing in connection with cooperative beach erosion studies will be optional with the reporting offices and the cooperating agency.

Step No. 6. Investigation by division or district engineer

The division or district engineer after carefully analyzing the data obtained from local interests and developed through field and office studies, will devise a plan of improvement best suited for problems under consideration and the area in question. During development of the plan of improvement, consideration will be given to optimum use of all water resources of the area by providing allied improvements. A favorable recommendaiton will depend on whether the benefits to be derived through the plan of improvement exceed the costs to be incurred.

Step No. 7. Review by division engineer and issuance of public notice

Upon completion of the report by the district engineer, the division engineer having jurisdiction will review the report and transmit it to the Board of Engineers for Rivers and Harbors. At that time he will issue a public notice to all parties known to be interested in the investigation, setting forth the findings of the district and division engineers and their recommendations for improvement, and informing those concerned that they may furnish their views to the Board.

Step No. 8. Review and hearings by Engineer Boards

The Board of Engineers for Rivers and Harbors, an independent body with separate staff in Washington, D.C., is required by law to review all survey and review reports except beach erosion reports. The Beach Erosion Board, also an independent body and staff in Washington, D.C., is the review Board for beach erosion studies. These Boards may hold public hearings before making recommendations to the Chief of Engineers.

Step No. 9. Preparation of proposed report of the Chief of Engineers and review thereof by the affected States and Federal agencies

When the Board concerned completes its review of the report and transmits its recommendation to the Chief of Engineers, the latter will prepare his proposed report and will refer it, with the Board's report, to the Governors of the affected States and to other interested Federal agencies in order to obtain their views and recommendations on the improvements discussed in the report. The Federal agencies involved may include the Departments of Agriculture, Commerce, Interior, Labor, and Health, Education, and Welfare; the Federal Power Commission; and interested branches of the Department of Defense. The States and the other Federal agencies normally will be expected to forward their comments on the proposed report to the Chief of Engineers within 90 days.

Step No. 10. Transmittal of report to Bureau of the Budget

After the Chief of Engineers receives the comments of the Governors of the affected States and those of other interested Federal agencies, the Secretary of the Army will submit a draft of his letter of transmission to Congress, with the

report of the Chief of Engineers and all pertinent papers, to the Director of the Bureau of the Budget for a determination of the relationship of the report to the program of the President.

Step No. 11. Transmittal of report to Congress

Upon receipt of the comments of the Bureau of the Budget, the Chief of Engineers will submit his report, together with all allied papers and comments, to the Secretary of the Army, who will transmit it to Congress. This step will complete the action required of the Chief of Engineers and the Department of the Army insofar as compliance with the congressional resolution or act authorizing the investigation is concerned.

Step No. 12. Project authorization by Congress

After the report is forwarded to Congress by the Secretary of the Army, the Committees on Public Works of the Senate and the House may hold hearings on the report with a view toward formulating a bill including authorization of projects recommended in the report. The report may be ordered to be printed by a committee and then is known as the project document. Authorization for construction of projects will usually be included in omnibus river and harbor and flood control bills.

Step No. 13. Assurances of local cooperation

When scheduling of planning and construction of an authorized project is considered, the district engineer notifies responsible local interests that they will be required to furnish formal assurances that they will provide the authorized measures of local cooperation. If assurances satisfactory to the Secretary of the Army are not furnished projects generally are placed on the inactive list. In the specific case of local flood control projects, projects are deauthorized as provided by law if the assurances are not provided within 5 years after the request is made.

Step No. 14. Request for planning and construction funds

In order for the Corps of Engineers to construct a project authorized in an omnibus bill, funds must be requested from Congress. All requests for planning and construction funds will be reviewed by the Bureau of the Budget, and, if found to conform with the President's budgetary policies, will be transmitted to the House Committee on Appropriations for consideration.

Step No. 15. Appropriation of planning and construction funds

Upon completion of hearings by the Appropriation Committees considering the Department of the Army civil works appropriations, a bill will be reported out of committee and referred to the full Congress for passage. The enactment will then go to the President for signature. Authority and funds will be thereby given to the Chief of Engineers to initiate detailed planning and construction of the projects referred to in that bill.

Step No. 16. Preparation of plans

Before construction of the project can be started, detailed plans, specifications, and cost estimates will be prepared by the district engineer, with such assistance and review by the division engineer and the Chief of Engineers as are necessary. At this time, the formal assurances of local cooperation required by law, of which local interests were notified in step 13, must be provided by local interests and approved by the Secretary of the Army.

Step No. 17. Invitation to bid

Upon completion of plans and specifications, prospective bidders will be invited to bid on constructing the proposed improvements. Upon determination of the eligible low bidder, a contract will be awarded to him for construction of the project in accordance with those plans and specifications, or, if satisfactory bids are not secured, Government construction with hired labor may be undertaken as provided by law.

Step No. 18. Initiation of construction of project

After award of the contract, the successful bidder will mobilize his plant, equipment, and personnel, and start construction.

Mr. RHODES. Also it should be noted that an authorization of one of these projects is just a hunting license. You still have to get the

approval of the Bureau of the Budget and you have to get an appropriation.

Mr. PASSMAN. Sometimes it takes 25 years to complete one of these projects. There are no shortcuts.

Mr. RHODES. I happen to be on the subcommittee that appropriates this public works money and they move slowly.

PROJECT REVIEW STANDARDS

Mr. BELL. The point I meant to make yesterday, Mr. Chairman, was that the standards which we apply in reviewing public works projects, specifically water or related land resource construction projects, are the same standards as those applied in the United States. That is required by law, and we follow that law.

Furthermore, the law requires that we have completed before we approve a project and fund it, technical engineering, financial, and other plans necessary to carry out the project.

We take these responsibilities very seriously. We use good engineers. We insist that the projects be carefully planned and we insist they be carefully reviewed.

I entirely agree with you that our timetable is quite different. The method of the relationship between authorization and funding is quite different.

What I am asserting, sir, is that we are applying sound criteria and standards, and they are essentially the same criteria and standards as are applied in the United States.

APPLICATION OF U.S. PROCEDURAL STANDARDS TO FOREIGN AID PROJECTS

Mr. PASSMAN. Mr. Bell, it takes 10 years to get a worthy, money-saving, lifesaving, wealthsaving project through in the United States because, on account of experience, it was proved that the slipshod method did not work; so they came up with a complete, hard set of procedures, which had to be followed. All this must be followed before you can get the first slice of an appropriation.

If it is good for America to follow these procedures on similar projects I do not know why it would not be good to follow them in foreign countries.

You frequently do your establishing of projects after you get the money, and not necessarily before; is that correct?

Mr. BELL. It may happen in time, either after or before. The main point, sir, is that I do not believe our procedures are slipshod. I believe they are very careful, and that they rest on adequate, careful, and detailed engineering and technical and financial planning.

Some of our projects also take several years from the initial idea through the feasibility study stage and on through application and approval of a loan for construction. I don't know what the average time of consideration of our projects is. I would doubt it is as long as the Corps of Engineers projects you cite here.

I do not think the length of time is particularly desirable. I think the key point is whether we are following procedures which give us adequate assurance that the projects we are embarking on are sound and sensible projects. Obviously we should have a system in the

United States to achieve that objective, and we should have a procedure under the foreign aid program to achieve that.

Mr. PASSMAN. If we could amend the law to provide that—you would have to follow the same procedure on similar projects abroad—and I use the words "similar projects" because I want to be completely fair—and if this procedure has been proven correct and profitable for the United States, would you be willing to follow it on similar projects, recognizing you have exceptions for commodities and many other political considerations?

Mr. BELL. It seems to me, sir, there are certain elements of the American public works system which do not fit the circumstances of the foreign aid program.

In the first place, the projects which we finance under the foreign aid program are located in foreign countries. I don't know whether the committees of the Congress would wish to consider each project we are considering, which is the case in the Corps of Engineers project. This is a matter which I gather has been before the Congress continually for year after year, and it has been decided against.

Mr. PASSMAN. I want to repeat—I speak of similar projects, and not political projects.

Mr. BELL. I understand.

Mr. PASSMAN. If this procedure has been established as the correct one in America, would you have objections to it being followed abroad?

Mr. BELL. I suggested that one thing, it seems to me, which is quite different——

Mr. PASSMAN. I know you suggested that, but——

Mr. BELL. The second point is this: The system of financing here in the United States is different. These are largely financed by the Federal Government. Localities put up rights-of-way and other elements of cost.

In the situation which we have——

Mr. PASSMAN. That should shorten the time, and not lengthen it, if localities are putting up one-third of the money.

Mr. BELL. It may shorten or lengthen it. It depends on how quickly the locality can gather its share of the resources.

However, those are essentially grant projects. The U.S. Government finances the Federal share of these projects as an outright gift.

Mr. PASSMAN. What do you call these transactions in which we are engaged?

Mr. BELL. They are loans.

Mr. PASSMAN. Secretary Dillon said they were not loans.

Mr. BELL. He said they were credits.

Mr. PASSMAN. He said they were development credits. I asked if he would refer to them as loans, and he that he would not.

Mr. BELL. I don't want to argue about the semantics. The point is that the dollars used to finance these do have to be repaid. We are a lending agency today almost entirely, certainly entirely for projects of this kind.

The way the Congress has established the agencies which make loans domestically as well as abroad, the individual projects do not come before the congressional committees for review.

This is true of the REA, Small Business Administration, and as far as I know without exception in the lending programs of the Federal Government the individual projects are supposed to be reviewed and approved by the agency that is made responsible for those loan funds. Therefore the parallel arrangement as it is, it seems to me, would require our reviewing the project and stand responsible to this committee and the other committees of Congress for having chosen sensible projects, and you obviously should and do review our judgments in this annual process, and so do the authorizing committees.

Mr. PASSMAN. I think I would have to read into your statement that inasmuch as these are called loans we do not have to be quite so careful, because we expect to get the money back.

Mr. BELL. No.

Mr. PASSMAN. Did you refer to American projects as being grant aid?

Mr. BELL. I said that is a different system of financing. In the case of loans the U.S. practice is not to have the projects reviewed by the individual committees so far as I know.

Mr. PASSMAN. You are not comparing a Small Business Administration loan to one of these things you put out in Pakistan or India, are you?

Mr. BELL. It is a loan financed by the Federal Government.

Mr. PASSMAN. Do you know that only maybe about 1 out of 138 applications to the Small Business Administration is approved?

Mr. BELL. We turn down a lot of loans.

Mr. PASSMAN. I know that, because, as loose as this is, you are bound to have a lot of applications. However, I do not think you mean to compare these things you are putting out with the Small Business Administration loans in America.

I think there is a double standard. I think it is wrong. I think the more we can point out the difference between the way we plan and implement an American project and one abroad the better it is.

For instance, you have projects where you commit a lump sum to a foreign nation under section 202(b). You might commit $200 million to a nation.

Mr. BELL. But that does not commit it to individual projects, sir.

Mr. PASSMAN. You approve one of these section 202(b) commitments for perhaps $200 million. You are immediately committed to that nation for $200 million.

Within the $200 million you have all types of projects with which you will deal.

Mr. BELL. That is right.

Mr. PASSMAN. There may be commodities involved.

Mr. BELL. Yes.

Mr. PASSMAN. There may be projects you think you should not start which you will start, such as those we referred to yesterday, some country where they started 29 projects. Some had been brought almost to completion. There was also a residue of over $5 million required to complete those 29 projects.

The country said "We want the money." You canceled the commitments for the 29 projects, and you put the money in a New York bank for these people. It is an idea of what we are up against.

When you commit $20 million you are just about going to have to go along with those people if you are going to have their good will and cooperation with the types of projects they want. You will have to use their engineering data to a large extent.

Mr. BELL. That is where I differ.

PAKISTAN AND INDIA COMMITMENTS

Mr. PASSMAN. Let us take the last commitment to Pakistan.

Mr. BELL. All right.

Mr. PASSMAN. Provide to the committee a list of those projects.

Mr. BELL. I would be glad to.

Mr. PASSMAN. The last commitment to India.

Mr. BELL. Yes, sir.

Mr. PASSMAN. Supply this committee with a list of those projects.

Mr. BELL. Right.

These are exactly the kinds of cases I talk about. Against the consortium commitment we make to——

Mr. PASSMAN. Let us think of U.S. commitments.

Mr. BELL. That is what I speak of, as part of the consortium.

Mr. PASSMAN. We want your ratio of benefits to costs.

PROJECT AUTHORIZATION AND REVIEW STANDARDS

Mr. PASSMAN. We want to know when the projects were initiated and why you made a commitment until you had this same type of engineering data.

Mr. BELL. We make a commitment under the consortium to provide up to a certain amount of money to Pakistan or India, assuming that satisfactory projects are presented to us which against our standards we do find acceptable, under the standards I was just talking about. Therefore, when we thereafter make an individual loan for a power project, or highways, whatever it may be, within this overall consortium total, the individual projects must meet the criteria I was speaking of, which are essentially the same criteria as the projects——

Mr. PASSMAN. Who reviews them?

Mr. BELL. Consulting engineers normally are American firms.

Mr. PASSMAN. If this were for India would you have Indian engineers?

Mr. BELL. Sometimes.

Our engineers must have reviewed the project and found the data and the engineering job to be adequate and satisfactory by American standards before we will finance it.

Mr. PASSMAN. This is as far away from American standards as we are from the moon.

If you would put in the record when we made the commitments to India and Pakistan, and also the projects you have approved and the disbursements which have been made, it will be appreciated.

Mr. BELL. Very well.

(The information supplied follows:)

SUMMARY OF AID LOANS AUTHORIZED UNDER U.S. PLEDGES OF ECONOMIC ASSISTANCE TO INDIA AND PAKISTAN THROUGH IRRD CONSORTIA

INDIA

1. U.S. pledges

The U.S. Government, as a participant in the Indian consortium, committed itself to supporting the first 3 years of India's third 5-year plan (from April 1, 1961, through March 31, 1964) with dollar development loans up to $1,450 million. Both the AID–DLF and the Export-Import Bank were to participate in meeting the commitment.

At the final Indian consortium pledging session of May 31 to June 1, 1961, the United States pledged $545 million for Indian fiscal year 1961–62. At the final pledging sessions of July 30, 1962, and August 7, 1963, the United States pledged $435 million each for Indian fiscal years 1962–63 and 1963–64.

Total U.S. pledges for Indian fiscal years 1962, 1963, and 1964

	AID	Export-Import bank	Total
Indian fiscal years 1961–62	472.4	72.6	545
Indian fiscal years 1962–63	385.0	50.0	435
Indian fiscal years 1963–64	385.0	50.0	435
Total	1,242.4	172.6	1,415

2. AID loans authorized as of Apr. 25, 1964

[In millions of dollars]

	Date authorized	Amount	Cumulative disbursements as of Mar. 31, 1964
National Small Industries	May 27, 1960	10.0	7.2
Industrial Credit Investment Corp. of India	Aug. 29, 1960	5.0	.51
Premier Autos I	Dec. 22, 1960	7.2	6.1
Talcher Thermal	Mar. 30, 1961	33.0	4.2
Birsingphur Thermal	do	8.4	2.7
Sharavathi Hydro II	Apr. 18, 1961	18.4	1.6
Nonferrous metals	May 26, 1961	20.0	20.0
Cambay (Dhuvaran) Thermal	Jan. 19, 1962	33.6	29.3
First nonproject	Mar. 23, 1962	200.0	182.9
Bandel Thermal	Nov. 30, 1961	38.0	26.8
Patherdih Coal Washery	Jan. 24, 1962	4.2	3.6
Premier Autos II	Dec. 18, 1961	3.0	1.4
Rayon Tire Cord	Mar. 28, 1962	9.8	3.9
Pamba-Kakki Hydro	Mar. 23, 1962	20.2	2.6
Railways IV	May 31, 1962	43.0	38.7
International Finance Corp. II	Mar. 23, 1962	20.0	6.8
Trombay Thermal	May 29, 1962	17.9	11.7
Hindustan Motors	June 22, 1962	15.8	5.6
TELCO Truck	June 26, 1962	13.7	8.6
Ramagundam Thermal	June 29, 1962	8.4	
Delhi C Thermal	do	16.0	
NAPCO Bevel Gear	do	2.3	2.2
Satpura Thermal	Oct. 16, 1962	25.1	
Central Ropeways "F"	Mar. 30, 1963	7.7	
Second nonproject	Jan. 11, 1963	240.0	137.0
Chandrapura II Thermal	Mar. 11, 1963	16.0	
Railways V	Mar. 30, 1963	15.85	
Dugda Coal Washery	May 6, 1963	5.1	
Tarapur Nuclear Power	June 28, 1963	80.0	
National Engineering Industries	Jan. 10, 1964	4.3	
Commodity assistance 1963–64	Jan. 30, 1964	225.0	
Trombay Fertilizer II	Jan. 31, 1964	7.8	
Sharavathi III	Apr. 15, 1964	3.1	
Commodity assistance 1964–65	Apr. 22, 1964	50.0	
Total		1,227.85	503.41

3. Compliance with section 611(b)

AID/Washington made the following computations of benefits and costs with respect to development loans to India for water or related land resource construction projects as required by section 611(b) of the Foreign Assistance Act of 1961, as amended:

	Benefit-to-cost ratio
Sharavathi Hydro II	4.46 to 1.
Sharavathi Hydro III	6.23 to 1.
Pamba-Kakki Hydro	1.56 to 1.

PAKISTAN

1. U.S. pledges

On January 25, 1962, at the third meeting of the Pakistan Consortium, the United States pledged $500 million for the 2-year period, fiscal year 1962 and 1963. Of this amount, it was expected that $427 million would be AID development loans, $23 million would be AID development grants, and $50 million would be Export-Import Bank credits.

On May 3, 1963, at the fourth meeting of the Pakistan Consortium, the United States pledged $212.5 million for fiscal year 1964. Of this amount, it was expected that $187.5 million would be AID development loans and $25 million would be Export-Import credits.

Total U.S. pledges for fiscal years 1962, 1963, and 1964

[In millions of dollars]

	AID		Eximbank development credits	Total
	Development loans	Development grants		
Fiscal years 1962-63	427.0	23	50	500.0
Fiscal year 1964	187.5		25	212.5
Totals	614.5	23	75	712.5

2. AID loans authorized as of Apr. 25, 1964

[In millions of dollars]

Title	Date authorized	Amount	Cumulative disbursements as of Mar. 31, 1964
Karachi Electric Supply Corp.	Jan. 19, 1962	26.0	5.1
East Pakistan power distribution	do	8.6	.5
Railways (fourth)	June 26, 1962	31.0	22.8
General commodities (first)	June 29, 1962	42.0	39.5
Iron and steel imports	Jan. 18, 1962 (45) June 29, 1962 (45)	90.0	89.5
Sui Gas Transmission Co. Ltd.	June 15, 1962	2.8	
Timber extraction and sawmill	Dec. 1, 1962	2.2	
Malaria eradication (first)	Feb. 3, 1962	3.8	1.0
Airport and Airways Service	Feb. 16, 1963	2.1	
Salinity control and reclamation project No. 2	do	10.8	.8
General commodities (second)	Feb. 11, 1963	30.0	20.7
Chalna anchorage	do	3.6	
Dacca International Airport	Mar. 16, 1963	4.3	
Coastal embankments	Mar. 14, 1963	6.5	
General consultants, East Pakistan	Mar. 25, 1963	4.4	
Operation and maintenance of Rechna Doab project	Apr. 1, 1963	0.75	
Feasibility studies	Mar. 27, 1963	2.0	
General commodities (third)	June 17, 1963	70.5	46.7
Machinery Pool Organization, West Pakistan	June 29, 1963	5.0	
General Investigation and Consulting Services, West Pakistan.	June 28, 1963	5.6	
Balancing works, Karachi water and sewage system	June 29, 1963	3.1	
General Advisory Service in Public Health Engineering, East Pakistan.	June 28, 1963	1.5	
Railways (fifth)	June 29, 1963	14.5	
Mechanical Equipment Organization, East Pakistan	do	1.5	
Telecommunications facilities	do	4.7	
Sui Gas Transmission Co., Ltd.	Mar. 23, 1964	2.7	
Consulting services and 5 urban water supplies, West Pakistan.	Mar. 31, 1964	3.6	
Iron and steel and general commodities	do	100.0	
Malaria eradication (second)	Apr. 22, 1964	10.4	
Karnafuli 3d hydroelectric unit	do	3.8	
Siddhirganj Thermal Plant	do	8.5	
Lyallpur power station	do	18.1	
Total		524.35	226.6
Less: Loan authorizations canceled:			
Sui Gas Transmission Co., Ltd.		2.8	
Balancing works, Karachi water and sewage system		3.1	
Total		−5.9	
Net loan authorizations outstanding Apr. 25, 1964		518.45	

3. Compliance with section 611(b)

AID Washington made the following computations of benefits and costs with respect to development loans to Pakistan for water or related land resource construction projects as required by section 611(b) of the Foreign Assistance Act of 1961, as amended:

	Benefit-cost ratio
Salinity control and reclamation project No. 2	1.9 to 1.
Coastal embankments	2.5 to 1.
Karnafuli 3d hydroelectric unit	2.1 to 1.

Mr. PASSMAN. You have been making disbursements in India at a tremendous rate, and they have not had time to give these projects the same type of planning we give them in America.

STATUTORY PROJECT AUTHORIZATION STANDARDS

Mr. CONTE. Mr. Bell, is there anything in the authorization bill in regard to these projects that we have to meet the same criteria?

Mr. BELL. Yes, section 611.

Mr. CONTE. Would you read that?

Mr. BELL. May I ask it be inserted? It is about 20 lines.

It states:

Completion of plans and cost estimates. (a) No agreement or grant which constitutes an obligation of the United States Government in excess of $100,000 under section 1311 of the Supplemental Appropriations Act, 1955, as amended (31 U.S.C. 200), shall be made for any assistance authorized under titles I, II, and VI of chapter 2 and chapter 4 of part I:

1. If such agreement or grant requires substantive technical or financial planning, until engineering, financial and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost to the United States Government of providing such assistance, have been completed; and

2. If such agreement or grant requires legislative action within the recipient country, unless such legislative action may reasonably be anticipated to be completed in time to permit the orderly accomplishment of the purposes of such agreement or grant.

(b) Plans required under subsection (a) of this section for any water or related land resource construction project or program shall include a computation of benefits and costs made insofar as practicable in accordance with the procedures set forth in the memorandum of the President dated May 15, 1962, with respect to such computations.

(c) To the maximum extent practicable, all contracts for construction outside the United States made in connection with any agreement or grant subject to subsection (a) of this section shall be made on a competitive basis.

These are the standards written into the statute and which we follow very rigorously.

Mr. PASSMAN. But you have that language in that section which lets the Agency off the hook.

"Insofar as practicable" is not found in this language regarding America. A double standard is in effect. We do not follow the American standards in establishing these projects.

Mr. BELL. Mr. Chairman, there is no such qualification on the first of the standards, the major standard I read.

Mr. PASSMAN. Did you read "insofar as practical"?

Mr. BELL. In subsections (b) and (c) but not in subsection (a). That section is a flat requirement without any qualification at all.

Mr. PASSMAN. Mr. Bell, I have checked a few of these projects. You do not have the same standards as for American projects.

You have no way, really, in many cases, of getting the information that is needed.

Mr. BELL. You are quite right that in underdeveloped countries the information we would like to have——

Mr. PASSMAN. That is where we are helping—underdeveloped countries.

Mr. BELL (continuing). That information is frequently missing.

On 611 we take this requirement very seriously. When it states "Insofar as practicable" that is what we understand it to mean, meaning that unless there is some reason to the contrary, and a good reason, we apply these standards just as the law states, and when it states "to the maximum extent practicable" the construction shall be let on a competitive basis, we take that seriously. There are rare exceptions to that.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

POINT IV PROGRAM

Mr. PASSMAN. I think the bilateral technical cooperation point IV program started under the administration of President Harry S. Truman, did it not?

Mr. BELL. In Latin America it started in about 1942 under President Roosevelt with the Nelson Rockefeller——

Mr. PASSMAN. When did the point IV program start, under what administration?

Mr. BELL. In 1949 under President Truman.

Mr. PASSMAN. Let us talk of foreign aid as such. We shall stick with point IV, which was technical aid; is that correct?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Under that program you had all types of technicians, including schoolteachers?

Mr. BELL. That is right.

Mr. PASSMAN. And you had agricultural professors, deep and shallow wells; and just about every type of project that is in the technical aid field was appropriate under technical cooperation?

Mr. BELL. That is right.

PEACE CORPS AND AID TECHNICAL ASSISTANCE PROGRAM ROLES

Mr. PASSMAN. Now we get to the Peace Corps, and they do the same types of projects that you do under technical cooperation and the point IV programs?

Mr. BELL. There are two fairly significant differences, Mr. Chairman.

Mr. PASSMAN. They are doing technical work, such as teaching in classrooms, showing how to raise swine and chickens and build better fences, and so on?

Mr. BELL. Yes.

Mr. PASSMAN. Thank you.

Mr. BELL. The Peace Corps typically provides what you might call operational personnel, that is, teachers directly in secondary schools, and nurses, and individuals who work with villages, and so on. The technical cooperation program of AID typically does not provide operational persons but, instead——

Mr. PASSMAN. What do you mean by "operational"?

Mr. BELL. People who actually do an operating job. Our people by and large are advisers and trainers. Rather than providing schoolteachers, AID might well provide an adviser, or a professor, or a teacher training institute in an underdeveloped country. This is a very significant and important difference. It is essentially the line between what we provide under technical cooperation and the Peace Corps.

Mr. PASSMAN. Two teachers go out, one teaches the pupil how to recite and the other teacher does the reciting. Is that what you are saying?

Mr. BELL. It doesn't seem to me quite like that, sir. If you are asking for a justification of the Peace Corps——

INTERAGENCY DUPLICATION OF TECHNICAL ASSISTANCE EFFORTS

Mr. PASSMAN. You say here:

> Technical coperation is our best means for conveying U.S. ideas, techniques, and know-how. It builds directly the most vital ingredients of growth, skilled people and functioning human institutions.

I think there are about seven of these outfits doing the same kind of thing, many duplicating the work of the other.

You stand by this statement, do you not?

Mr. BELL. Certainly I do.

Mr. PASSMAN. Then why do we not stick to this and provide these skills and these ideas and these technicians? You say it is the best means.

Mr. BELL. We would be delighted——

Mr. PASSMAN. If it is the best means of accomplishing the objectives we should stick with it.

Mr. BELL. I hope the committee will support our full request, sir.

Mr. PASSMAN. I will not personally support six other appropriations doing the same kind of work.

The Peace Corps is duplicating the U.N. technical aid program and the bilateral technical aid program.

Check me later and put it in the record if it is not true that there are seven different appropriations which provide technical assistance.

PEACE CORPS

Mr. BELL. The justification for the Peace Corps is partly because of the benefit to the young Americans who are overseas in it.

Mr. PASSMAN. I agree. You said it. Do not amend your statement.

Mr. BELL. Right.

Mr. PASSMAN. It is to benefit the volunteers.

You made a factual statement and I am glad it is in the record.

Would you say something else about it?

Mr. BELL. Yes, sir. What I started to say was that the benefit, the advantage of the Peace Corps, is partly for the young Americans who are in it. Many are in difficult conditions.

Secondly, the Peace Corps volunteers do make a direct contribution of types of skills which are frequently very short in countries where they work, and that is beneficial.

Thirdly, they provide a very significant personal demonstration of the interest of the United States in wanting to help the people of these countries where they work.

I believe those are the three primary values that the Peace Corps serves from the standpoint of the U.S. interest.

I would certainly defend the point of view you have picked out of my statement that the technical cooperation program is directed at the establishment of training institutions and other kinds of institutions in the recipient countries. We are trying to establish, in other words, an institution in that country which can produce teachers and others itself.

Mr. PASSMAN. Mr. Bell, I agree with you 100 percent.

But other people wanted to start on this, too. They did not want to call it technical aid, so they called it, first, the Youth Corps. Then they called it the Peace Corps.

Mr. BELL. I would not want the record to leave the impression that I believe there is any competition between the technical cooperation program and the Peace Corps.

Mr. PASSMAN. There is competition. You find them on the same jobs.

Mr. BELL. I support both of them, and in the countries I have visited——

Mr. PASSMAN. The Peace Corps has taken over a good part of the responsibility of the technical cooperation program.

Mr. BELL. In the countries I have visited, I have very carefully checked on this point, and I have been pleased to find there is a good cooperation between the Peace Corps representatives and our AID mission director, and frequently they have worked out combination projects under which the Peace Corps may provide individuals to do a given operating job, and we will provide some of the funding, perhaps for equipment, machinery, and some of the senior advisers, who are relevant.

Mr. PASSMAN. The AID technical people tell the Peace Corps men how to build a house, if that is the building. Your people will advise. The Peace Corps men will do the construction. The people there in the recipient country observe the operation. Is that how it works?

Mr. BELL. I would think that is a rather prejudicial way to put it.

Mr. PASSMAN. You say, and again I quote:

> Technical cooperation is our best means of conveying U.S. ideas, techniques, and know-how.

I agree with you, sir.

Mr. BELL. May I add one final point, Mr. Chairman. In the countries I have visited, I have gone to look at a number of Peace Corps projects, and in all the cases I have seen the Peace Corps volunteers have been fully occupied and so have our AID technical cooperation people.

Mr. GARY. I just want to say that one of our colleagues from the other side of the aisle came to me the other day and said, "Vaughan, I told you the other day that I did not agree with you on the Peace Corps, that I didn't think it was worth while, but I have just come from down in Latin America and I saw some of their work, and I take back everything I said. I now support them very fully."

Mr. PASSMAN. I want to say that about the only way you are going to pin this thing down is to go out in disguise. If they find out you are a Member of Congress, the skids are greased before you get there.

ASSISTANCE TO BRAZIL

I read from your statement Mr. Bell, on page 11—

> Just as the recent situation in Brazil has played a large part in preventing us from proceeding with the full utilization of the funds available, this year the current developments in that country may point to revision in the necessary re-requirements of the Alliance for 1965. We will, of course, keep the Congress closely informed on this.

How much assistance have we given to Brazil since the inception of the AID program? According to my record, we have given to Brazil $2,114,600,000 through fiscal 1963.

What amount are we giving them in fiscal 1964?

Mr. BELL. Of course, fiscal 1964 is still going on, Mr. Chairman.

Mr. PASSMAN. Have you an estimate of what we will add to that $2.114 billion?

Mr. BELL. Roughly ———. I think that is a little high, as a matter of fact.

Mr. PASSMAN. The book says ———.

Mr. BELL. Yes. That was our expectation when this book went to print.

Mr. PASSMAN. It is subject to revision?

Mr. BELL. Yes.

Mr. PASSMAN. What amount of aid do you contemplate for Brazil in fiscal 1965?

Mr. BELL. We are not sure. That is the point of my statement. We had thought in the neighborhood of ———. However, that was on the assumption that the Goulart administration would have stayed in office and we would have been working, as the committee knows, in the northeast and directly with the States and with selected borrowers. There would have been no general funding for the Central Government as such.

Now thatMr. Goulart has been replaced, if the present Government of Brazil undertakes the kind of stabilization and self-help program, development program, that we would like to see—in other words, accepts its responsibilities under the Alliance for Progress, then we would be prepared to consider substantially greater funding.

When we presented the 1964 program to the Congress a year ago and at that time hoped the Brazilians would act sensibly under the Alliance, if I remember it correctly we had thought the total amount of aid might be in the neighborhood of ———.

Mr. PASSMAN. A direct answer, please.

Mr. BELL. My specific answer, Mr. Chairman, is that we do not know yet.

AMOUNT OF AID FURNISHED BRAZIL

Mr. PASSMAN. Goulart did not go out voluntarily, did he?

Mr. BELL. No.

Mr. PASSMAN. Could you tell us how much aid we gave to Brazil under his regime, under his administration, during his tenure in office?

Mr. BELL. We will have to supply that.

(Information supplied follows:)

ASSISTANCE TO BRAZIL DURING GOULART ADMINISTRATION

During the administration of former President Goulart, from September 1961 through March 1964, U.S. dollar assistance to Brazil consisted of AID loans, $171.5 million; AID grants, $39.2 million; and social progress trust fund loans, $55.3 million; or a combined total of $266 million. Peace Corps assistance during this period totaled $3.5 million, and military assistance, $70.6 million. In addition to the above described dollar assistance, loans and grants under the food-for-peace program during the Goulart administration totaled $241.9 million.

Of the AID loans, $100 million represents AID's participation in balance-of-payments assistance agreed to in May 1961 with the IMF, European creditors, the Export-Import Bank, and U.S. Treasury stabilization credits also participating. This assistance was provided to avert Brazilian financial collapse, and to give the then Quadros administration time to carry out a program of financial stabilization. The entire stabilization loan program was suspended with Quadros' resignation, however, with none of the AID funds having been disbursed.

In order to assist the new parliamentarian-type government succeeding Quadros, which appeared ready to cooperate with the Alliance, AID agreed to release

a total of $74.5 of the $100 million between November 1961 and April 1962. After that time, further releases were suspended because of the Brazilian Government's failure under President Goulart to take effective stabilization measures. The remaining $25.5 million was released in April 1963 after several specific reform measures were undertaken in connection with the Bell-Dantas agreement. The Government of Brazil did not pursue the further specific measures toward stabilization, reform, and development to which it had formally committed itself, and no further such assistance has been given since.

After April 1963, assistance to Brazil has consisted of food-for-peace shipments, and limited assistance for specific projects, including those required to fulfill the U.S. commitment to aid the distressed northeast area of Brazil.

Mr. PASSMAN. Let us do a little checking.

Mr. BELL. When did he come in? I do not remember.

Mr. PASSMAN. I do not, either.

Mr. RHODES. I think Quadros went out in 1961.

Mr. BELL. About 2½ years, since about fiscal 1962 and 1963.

Mr. PASSMAN. Let us take 1962. What did we give him? In fiscal 1962, I think it was $254,900,000; in fiscal year 1963, $154,600,000.

Could you tell us how many coups they have had——

Mr. BELL. This year, the AID obligations through March 31 for Brazil are about $40 million only.

Mr. PASSMAN. I am going by your record.

Mr. BELL. I am speaking about 1964.

Mr. PASSMAN. How much in 1964?

Mr. BELL. Thus far, about $40 million.

(Additional information supplied follows:)

FISCAL YEAR 1964 U.S. ASSISTANCE TO BRAZIL

Total U.S. assistance to Brazil during fiscal year 1964, through Mar. 31, 1964, is as follows:

	Millions
AID dollar loans	$34.1
AID dollar grants	6.7
Social progress trust fund loans	2.5
Peace Corps	1.0
Food for peace (loans and grants)	112.0
Military assistance	18.5
Total	174.8

Mr. PASSMAN. Goulart got more than half a billion dollars of our money. Could you tell us how many coups they had during the time we disbursed $2.146 billion of American wealth in Brazil?

BRAZILIAN GOVERNMENT POLICIES AND U.S. AID LEVELS

Mr. BELL. First may I comment on the 2 years——

Mr. PASSMAN. Go ahead, if you wish.

Mr. BELL. The policies of the Goulart administration were not all that bad to begin with. You remember, Mr. Quadros' policies looked fairly good. Mr. Goulart continued them for some time. Indeed, in the spring, just a year ago, in the spring of 1963——

Mr. PASSMAN. We thought he was all right, then.

Mr. BELL. He was following some sensible policies; and, indeed, a year ago when Mr. Dantas, the Finance Minister, was here, we made a good bargain with him. He was not able to keep it and he resigned, and of course our aid in effect was reduced at that point. The figures

for 1962 and 1963 would have to be interpreted against the specific policies that he was carrying out at that time.

Mr. PASSMAN. The policies that he was pursuing at that time, we thought, justified the amount of aid that we gave?

Mr. BELL. Yes, sir; I think that is a correct statement.

Mr. PASSMAN. What assurance do you have that the present administration will not repeat the same things?

Mr. BELL. There is no absolute assurance.

But, there are important pieces of evidence. There is the character of the individuals who are in the Cabinet. They are, by the testimony of our mission there, the ablest group of Brazilian Cabinet members there has been for many years. The Finance Minister; also the new Minister of Planning, Roberto Campos, who was their Ambassador here, whom many of us know personally. They are very able and sensible men who agree and believe in the Alliance concept and we expect will move Brazilian policies in a sensible direction.

Mr. PASSMAN. Of course, money is involved. It is rather easy for them to go along when they can see hundreds of millions of dollars in sight. Have they not just recently taken away some of the people's constitutional rights, Mr. Bell?

Mr. BELL. Yes, they have.

Mr. PASSMAN. Thank you.

Mr. BELL. But the main point I wanted to make, sir, is that I think we have learned something over the years.

Mr. PASSMAN. I hope that we have.

POLICY OF GIVING ASSISTANCE ON BASIS OF PERFORMANCE

Mr. BELL. I think we will follow in the future the same kind of policy we followed over the last year, namely, not to provide our assistance on the basis of promises, but on the basis of performance. This is the way we are doing it now——

Mr. PASSMAN. Is that a new policy?

Mr. BELL. It has been increasingly clear policy, and certainly quite definite and clear since I came into this office.

In the case of Chile, as this committee probably knows, we are insisting on a quarterly assessment of progress toward a budget surplus and toward other policies which we and the IMF and the Chileans have agreed on. As the Chileans perform, then the next segment of our assistance is made available.

I would expect we would follow a similar idea in any program of assistance we worked out with the new Brazilian Government.

While the U.S. Government was satisfied at that time, I think, looking back, we did not always assure ourselves and did not require adequate performance in all cases by the Government we wanted to help.

Mr. PASSMAN. Thank you.

Did not Mr. Goulart visit the United States, and he and the late President Kennedy had a meeting? Were not some quite complimentary statements made about Goulart when he came up here and talked our country into these large aid commitments.

NUMBER OF COUPS IN BRAZIL

How many coups have there been in Brazil since the inception of the foreign aid program? Could you put that information in the record for us, if you do not have it now?

Mr. BELL. Yes, sir; I will. It is not many. It will not be very many, not in Brazil.

(The information supplied follows:)

CHANGES IN GOVERNMENTAL AUTHORITY IN BRAZIL OTHER THAN BY ELECTION

Between 1946 and the overthrow of the Goulart administration, there were a total of three other transitions of governmental authority in which the Armed Forces played a part—Dictator Getulio Vargas in 1945, President Vargas in 1954, and interim President Carlos Luz in 1955.

In October 1945 Dictator Vargas was persuaded to resign, and a new President was chosen by popular election soon thereafter. In August 1954 Vargas, who had been elected in 1950 as President, committed suicide after military demands for his resignation. Under the constitution, Vargas was succeeded by Vice President Cafe Filho, who later resigned for reasons of ill health, and was succeeded by the President of the Chamber of Deputies, Carlos Luz. The latter was forced from office in November 1955 on the ground that he was conspiring to prevent the constitutional, popularly chosen President-elect, Juscelino Kubitschek, from taking office in January 1956.

Mr. BELL. I am not sure, Mr. Chairman, that the U.S. Government was ever quite so enamored of Mr. Goulart.

Mr. PASSMAN. Get the news reports and read them. We gave him money as if he were a double first cousin.

Mr. BELL. Mr. Chairman, as you know, we do not provide assistance on the basis of whether we like the man or not.

Mr. PASSMAN. We agree there.

Mr. BELL. It depends upon the fiscal policies of the government in question. Certainly, Mr. Goulart's fiscal policies did not improve, but deteriorated, the longer he was in office.

May I add one figure?

Mr. PASSMAN. Anything you want to add.

BRAZIL LOANS AND REPAYMENTS

Mr. BELL. As you noted from our statistical book, the total gross payment, loans and grants, under economic and military aid to Brazil since the end of World War II through fiscal 1963 was $2.114 billion. During the same period we received from Brazil in repayments and interest, $842 million.

Mr. PASSMAN. It is $2,114,600,000, and they repaid how much?

Mr. BELL. $843 million, repayments and interest, sir.

Mr. PASSMAN. You must be talking about the Export-Import Bank.

Mr. BELL. Most of that is actually Export-Import Bank, Mr. Chairman.

Mr. PASSMAN. I thought so.

I yield to Mr. Rhodes.

HISTORICAL BACKGROUND ON BRAZIL

Mr. RHODES. I think we might as well try to complete the historical background of the Brazilian situation.

At the time President Quadros resigned, Vice President Goulart was out of the country. He was in Communist China, to be exact. When he came back, the military did not let him assume the full powers of the Presidency. In fact, the Congress of Brazil, in a manner with which I am unfamiliar, amended the constitution of Brazil to provide that the powers of the Presidency would be diluted or almost done away with for a given period of time. Only after they thought they had assured themselves that Vice President Goulart would operate in a manner which was sensible did they restore the powers of the Presidency. In fact, I think that was done by popular vote, probably sometime in 1962.

Mr. BELL. Yes.

Mr. PASSMAN. It seems to me that we support any type of government that comes along.

FISCAL YEAR 1964 APPROPRIATION FOR THE ALLIANCE FOR PROGRESS

How much money did we appropriate last year for the Alliance for Progress program?

Mr. BELL. $455 million.

Mr. PASSMAN. What sum did the administration request, originally?

Mr. BELL. You are talking about fiscal 1964, sir?

Mr. PASSMAN. Yes; fiscal 1964, the original request.

Mr. BELL. The original request was $650 million, sir.

Mr. PASSMAN. What amount do you contemplate you will obligate?

Mr. BELL. The latest formal estimate is shown here as $88 million in technical cooperation.

UNCOMMITTED FUNDS FOR ALLIANCE FOR PROGRESS

Mr. PASSMAN. Give us the total, if you will, Mr. Bell. You requested $650 million. The Congress appropriated $455 million. What sum do you think you will have uncommitted on June 30, of this amount?

Mr. BELL. In addition to the amount the committee gave us, of course we had a substantial carryover.

Mr. PASSMAN. Of course you did.

On page 12 of your statement you said, and I quote:

> I anticipate that we will have a significant amount of Alliance loan funds uncommitted at the end of the fiscal year.

All I want to know is how much.

Mr. BELL. My guess is approximately $50 million, Mr. Chairman.

Mr. PASSMAN. Thank you.

Now elaborate all you please.

Mr. BELL. You asked me how much the appropriation for this year would be——

Mr. PASSMAN. I am interested in the unobligated balance.

Mr. BELL. Of the amounts available, we expect to have $50 million unobligated.

Mr. PASSMAN. Then let us say what will be the total amount of the unobligated funds.

Mr. BELL. You mean for all accounts?

Mr. PASSMAN. No, the Alliance for Progress on June 30.

Mr. BELL. $50 million is my best present guess.

Mr. PASSMAN. I thought maybe you had uncommitted funds from prior years.

Mr. BELL. But, sir, the point I am making is that we expect to have obligated in the present fiscal year more funds than the Congress appropriated because we will be spending also from the carryover.

Mr. PASSMAN. Because you had unobligated funds from previous years.

Mr. BELL. Exactly.

Mr. PASSMAN. Then let us put the two together, the amount of unobligated funds you will have available out of fiscal 1964 funds and the amount of unobligated funds that you have available from prior fiscal years.

Mr. BELL. Yes. The carryover of Alliance funds into fiscal 1964 was $96,300,000.

Mr. PASSMAN. And $50 million will be the total carryover?

Mr. BELL. Into fiscal year 1965. As of today's estimate; yes, sir.

Mr. PASSMAN. How about at the time this statement was made up?

Mr. BELL. At that time we did not expect any substantial carryover.

Mr. PASSMAN. At the time you made it up, you did not expect it, but you put it in here, and I quote again:

> I anticipate that we will have a significant amount of Alliance loan funds uncommitted * * *.

Mr. BELL. I was looking at the table I put in the book. That was put together 2 months ago. This statement was put together last week.

Mr. PASSMAN. Then this significant amount is $50 million?

Mr. BELL. Yes.

Mr. PASSMAN. So, if the Congress had appropriated $400 million, you would have gotten by all right.

Mr. BELL. It now appears so.

CONTINGENCY FUND

Mr. PASSMAN. Thank you, Mr. Bell.

I quote now from page 15 of your statement:

> So far this year we have obligated less than $20 million of the contingency fund, mainly for a series of disaster relief requirements and for unforeseen needs in southeast Asia and Central America.

Do you recall what the Congress authorized for the contingency fund last year?

Mr. BELL. I think it was $150 million, was it not, Mr. Chairman?

Mr. PASSMAN. Look it up and see.

Mr. BELL. I am pretty sure it was $150 million, but we will check it.

Mr. PASSMAN. I do not believe you were asking for the carryover of the——

Mr. BELL. I beg your pardon, sir. The authorization act was $160 million as finally enacted.

Mr. PASSMAN. You were not asking for the unobligated contingency funds to be carried over; is that correct?

Mr. BELL. We were asking for $160 million after that.

Mr. PASSMAN. I am speaking about your original request.

Mr. BELL. We asked for $160 million of new money.

Mr. PASSMAN. What was the amount of the unobligated funds that you did not previously request?

Mr. BELL. $127 million.

Mr. PASSMAN. What was the total that you had available for the contingency fund?

Mr. BELL. After the appropriation—the Congress appropriated $50 million of new money, and allowed us to use—or reappropriated, I guess is the technical phrase, the $127 million.

Mr. PASSMAN. Giving you a total of $177 million?

Mr. BELL. Yes.

Mr. PASSMAN. Through the first 9 months of this year, you have obligated only $20 million?

Mr. BELL. We have also committed this $50 million through transfer to military assistance.

Mr. PASSMAN. I want to stick with what you say, and I quote again:

So far this year we have obligated less than $20 million from the contingency fund.

That is a correct statement?

Mr. BELL. Yes; it is.

Mr. PASSMAN. Do you have any task group looking for places where this may be advantageously obligated?

Mr. BELL. No, sir; we do not.

USE OF CONTINGENCY FUND FOR MILITARY ASSISTANCE

Mr. PASSMAN. When you obligate that $50 million from the contingency fund to the military assistance program, if the future record is the same as the past record, they may subsequently deobligate that money, or squeeze out, or recoup. Is there a real need or is it a combination of the two?

Mr. BELL. As you know, Mr. Chairman, I was before this committee last year and took some pride in the fact that we had $127 million left over in the contingency.

Mr. PASSMAN. Of course, your predecessor knew he was requesting too much.

Mr. BELL. The point I am making, Mr. Chairman, is that I have sought and continue to expect to administer the contingency fund with a good deal of care and restriction.

So far as this $50 million is concerned that we presently anticipate transferring to the military assistance program, in January after the appropriation bill was enacted, the Defense Department and our own staff together laid out the proposed military assistance allocations in detail, taking account of the reductions. At that time the Defense Department asked if we would agree, assuming the funds were available later in the year, to plan a military assistance program assuming the transfer of $50 million. We did agree with that, and the President approved it.

Therefore, at the present time the military assistance program for 1964 is going forward on the assumption that this $50 million transfer will be made. That is not, in the judgment of the Defense Department or our own staff, as you know, a generous figure. They feel that is a very cramped figure.

CONSIDERATION OF ADDITIONAL MILITARY ASSISTANCE PROGRAM REQUIREMENTS

Mr. PASSMAN. What figure is not generous?

Mr. BELL. The amount that was appropriated plus the carryover plus the anticipated $50 million.

Mr. PASSMAN. Is it not more than you requested?

Mr. BELL. $200 million; no, it was not more than we asked for. Maybe I did not make myself clear, sir.

The military assistance program for fiscal 1964 which is now——

Mr. PASSMAN. You are talking about military assistance?

Mr. BELL. Additional requirements have come along during this spring.

Mr. PASSMAN. Vietnam, maybe?

Mr. BELL. Not so much in Vietnam; some there, some in the Congo.

Mr. PASSMAN. Perhaps ammunition for Greece?

Mr. BELL. I could not say; but there have been a number.

Mr. PASSMAN. If there were a shortage of ammunition for Greece, you could take money for it out of the contingency fund?

ANTICIPATED TRANSFER TO THE MILITARY

Mr. BELL. This is precisely the point I make, Mr. Chairman. It may well be before the end of this fiscal year the Defense Department will ask for an additional transfer.

Mr. PASSMAN. I anticipate they will, sir.

Mr. BELL. If that is done, we will consider it on the merits.

ADDITIONAL DEMANDS ON THE CONTINGENCY FUND

Apart from that, looking ahead with the special contingency fund, there are a number of additional requirements right now. It will clearly require more than $20 million. Nevertheless, at the present time we do expect to end up with some unobligated balance in the contingency.

Mr. PASSMAN. Thank you, Mr. Bell.

Of course, there are certain projects for which you could obligate that unobligated balance, which are rather generally supported in the Congress.

CONSTRUCTION OF MEDICAL FACILITIES AT THE AMERICAN UNIVERSITY AT BEIRUT

Mr. BELL. If you are referring to the A.U.B. Hospital——

Mr. PASSMAN. How much have you obligated to the American University at Beirut this year for construction?

Mr. BELL. I think it is about a million and a half.

We could not transfer funds into that account adequate to fund that hospital unless the President found it was a national security requirement. I do not see how he could do so.

We expect to complete the funding of it in the next fiscal year.

Mr. PASSMAN. The Chairman of the House Foreign Affairs Committee stated it was the purpose of his committee to write an authorization last year that would provide for this medical school, and that they had provided in the authorization adequate funds. Is that what he said?

Mr. BELL. They had not, sir. They may have thought they did.

Mr. PASSMAN. Is that what Chairman Morgan said?

Mr. BELL. Yes, sir; it was.

But, as I say, if the President considered it serious enough and in the national interest——

Mr. PASSMAN. But he did not give them a dime.

Mr. BELL. We are going to go ahead and fund it, Mr. Chairman. It is not being held up now. The detailed plans are being drawn. The work on that medical sciences building is underway.

Mr. PASSMAN. We are getting ready to close this fiscal year. Have you actually obligated these funds to this project?

Mr. BELL. I could not say whether they are obligated or not.

Mr. PASSMAN. Thank you.

Mr. BELL. Let me say for the record, Mr. Chairman, it is my expectation and it is our expectation that we will proceed when Congress provides the funds to support and build that hospital. We have made the decision. It is clear.

Mr. PASSMAN. How much money are you going to provide in this fiscal year?

Mr. BELL. About a million and a half dollars. That is the last I heard.

Mr. RHODES. Is that from the contingency fund?

Mr. BELL. No, sir; that is from the American schools and hospitals.

FUNDING OF HOSPITAL IN POLAND

Mr. PASSMAN. But you are fully funding the Polish hospital, are you not?

Mr. BELL. That is a much smaller sum, sir.

Mr. PASSMAN. Certainly it is smaller, but that is not what I asked you, sir.

Mr. BELL. That is right.

Mr. PASSMAN. Your attorneys said they could not fund the hospital originally, did they not?

Mr. BELL. They changed that. They hold now it is essentially a teaching facility and, therefore, can be funded under the education fund.

Mr. PASSMAN. If you would scrutinize all projects as closely and carefully as you have on that hospital, you could operate on $250 million a year.

(Discussion off the record.)

U.S. INTEREST IN SCHOOLS ABROAD

Mr. PASSMAN. I shall read from page 16:

> For fiscal year 1965, AID is requesting $16.9 million, plus $1.1 million in local currency, for assistance to American schools and hospitals abroad.

Now, on page 17, after you have named the schools:

> It is in the U.S. interest to help these schools survive and function effectively, but not in the interest of the Government or the schools themselves to continue underwriting operating budget deficits. For this reason, AID continues to work with each school to determine the kind and amount of assistance most likely to strengthen its financial base, better equip it for its role and move it as rapidly as possible toward self-support.

Is it not true that most of these schools have been operating for a long time abroad?

Mr. BELL. Quite a long time; yes, sir.

Mr. PASSMAN. Some of them had been operating very successfully; had they not?

Mr. BELL. Yes, sir; that is right.

Mr. PASSMAN. Supported by different foundations in America, and private contributions?

Mr. BELL. Yes.

Mr. PASSMAN. Let me say for the record that I hope the time will come, Mr. Bell, when you discontinue budgetary support for any type of school abroad.

Mr. BELL. We are very glad to have your support on that.

INTERNATIONAL COLLEGE FUNDING

Mr. CONTE. Is there not another school located on the campus of AUB; a secondary school?

Mr. BELL. It was located there, but it moved 2 or 3 years ago, I believe.

Mr. CONTE. Are you sure it has moved?

Mr. BELL. The International College, I believe they call it.

Mr. CONTE. Are they not in this budget for a new site?

Mr. BELL. Yes, but we regard that as a separate school. It is a separate entity, separate financially and a separate corporation.

Mr. CONTE. I realize that, but I thought they still had some buildings and some of them were on the AUB campus, and they wanted a new site because they wanted to relieve the situation of AUB, which was crowded.

Mr. BELL. I think they have moved. I will check the point for the record.

Mr. CONTE. Yes.

(The information supplied follows:)

INFORMATION ON INTERNATIONAL COLLEGE

1. International College has not yet moved from the AUB campus to the new site.

2. The Agency proposes to make a grant of a yet undetermined amount which with other funds the college is raising will permit the construction of a minimum number of buildings and an orderly transfer of the college to the new site.

GROSS NATIONAL PRODUCT AND PURCHASING POWER

Mr. PASSMAN. Mr. Bell, on page 18, I quote from the second paragraph:

> Our share of government grant contributions and subscriptions to international agencies in 1962 was 42 percent overall, and the other donors contributed 58 percent. In consequence, it is fair to say that the share of the United States in total free world economic aid dropped a little from 1960 to 1962.
>
> It should be noted that the average per capita GNP in the United States since 1962 was $2,974, more than twice as great as the average per capita GNP of the other DAC countries, which was $1,135.

According to the statistics that I have—and I certainly believe they are accurate—if we should take our 1940 price tags and stick them to the 1962 production, the GNP would be $269 million, and not $554

million. So, the GNP is up, of course, including unit production, but also through inflation. And, when you compare our GNP to the GNP of some other country, should we not also take into account what that GNP would purchase of their commodities against what ours would purchase in our goods and services?

Mr. BELL. The other countries have had a similar inflation, obviously, since the prewar——

Mr. PASSMAN. I am not arguing with you, Mr. Bell. I am making a statement of fact. I make these trips sometimes just to go into places and make purchases on a comparable basis to see what I could buy a shirt for in a certain city, a comparable silk tie or a pair of shoes. I just got a pair of Italian shoes in this morning. They paid the duty and everything else. I buy them for $21.95, with the duty and everything else. I think they would cost $29.95 in America. If I bought them overseas, it would have been, I think, about $14.50.

Mr. BELL. I would agree, sir, that it is very difficult to compare precisely the incomes in two different countries. Nevertheless, I think the economists and statisticians would say to you that, while the precise figure of $2,974 in relation to $1,135 could be discussed, nevertheless the relative magnitude is a legitimate and accurate comparison, and that the average per capita income in the United States is roughly twice-plus what it is in the other countries.

Mr. PASSMAN. I am just back from overseas. I stopped at an airport in Japan——

Mr. BELL. Any individual comparison, sir——

Mr. PASSMAN. I stopped at the airport, which is usually the highest priced place to buy something. I saw some cotton handkerchiefs, and I bought a dozen for 45 cents.

I looked at a shirt there. I thought it was comparable to the shirt I had, and I bought it for $2.25.

That same kind of situation is true of a lot of items. I can look at hundreds of things. I know we are out of the world market.

Mr. BELL. Mr. Chairman, the key point is that the income of the average person in Japan and what he can buy for that, the real purchasing power of his income as against the real purchasing power of our income—which is what you are trying to compare——

Mr. PASSMAN. I am talking about gross national product.

Mr. BELL. The average——

Mr. PASSMAN. Per capita income is one thing. Gross national product is something else, is it not?

Mr. BELL. Not very different; no, sir.

Mr. PASSMAN. There is a difference.

Mr. BELL. You can make the comparison between per capita income and GNP. So long as you use the same comparison for both countries you are not distorting the situation. What we are trying to say with these figures is that the average American man receives in goods and services in a year twice as much as a similar fellow in these other countries, and that, it seems to me, is a thoroughly defensible point when one goes abroad and compares the way they live with the way we live.

Mr. RHODES. The point the chairman is making is that if you compared the GNP of Japan and the United States, and if the same shirt would go into the Japan GNP at $2.25 and into the American GNP at $7.50, the GNP comparison is distorted somewhat.

Mr. BELL. In the case of the shirt. There are other commodities where the comparison is the opposite.

Mr. RHODES. The point is that the GNP comparison between countries is not always valid.

Mr. BELL. I agree, but economists and statisticians, I am sure, would agree that the magnitude between the two——

Mr. PASSMAN. There are some 44 steel commodities, including barbed wire, nails, staples. When United States Steel and the other steel mills turn out these commodities at so much per ton they establish its GNP value, do they not?

Mr. BELL. The value added, yes.

Mr. PASSMAN. There are many usable steel commodities that you can buy in Japan delivered dockside to ports in the United States, the port of New Orleans, for example, up to $34 a ton less than you can buy them in Pittsburgh.

U.S. COMPETITION IN WORLD MARKETS

I think we are out of the world market by about 40 percent in food. And with regard to textiles, we are so uncompetitive that we recently passed a measure, which I voted against, to start subsidizing textile mills in this country.

Off the record.

(Discussion off the record.)

Mr. BELL. May I comment, Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. BELL. First of all, the record is quite clear that the United States is competitive on world markets. We export $20 to $25 billion of goods each year commercially and we import substantially less than that, as you know.

Those are Department of Commerce figures.

Mr. PASSMAN. You include all foreign aid as an export, do you not?

Mr. BELL. You can include it or exclude it.

Mr. PASSMAN. The Commerce figures include it, do they not?

Mr. BELL. The Commerce figures show both the exports exclusive of foreign aid and the exports inclusive of foreign aid.

BALANCE OF PAYMENTS

Mr. PASSMAN. Is it not true we still have a balance-of-payments deficit?

Mr. BELL. Balance of payments; yes. The balance of trade is favorable.

Mr. PASSMAN. We do have a balance-of-payments deficit?

Mr. BELL. Yes.

Mr. PASSMAN. And it has been very substantial over the past 10 years?

Mr. BELL. It is very serious.

Mr. PASSMAN. And our gold reserves are down?

Mr. BELL. Yes, sir.

TRADE BALANCE

Mr. PASSMAN. Will you compile and put in the record a statement as to our trade balances for the past 18 years?

Mr. BELL. I will be glad to.

Mr. PASSMAN. Then, you get that total and then the total of our aid for the same number of years that we exported, and see if we actually have a minus or a plus. Then, when you get through with that, you will relate it to the GNP on a unit basis. We could have a favorable trade balance and still be unfavorable on the number of units because it all depends on how you price those units. We have locomotives and highly specialized items we produce in America that people abroad have to buy from us because they do not produce them, but if you bill a foreign country $300 for a unit and if you could buy that same article from another country for $200, we have exchanged units but we have a $100 advantage so far as the trade is concerned.

Mr. BELL. If we export a locomotive at $300——

Mr. PASSMAN. I am talking about an item. We take credit for $300 but if we can import that same article from country B at $200, that gives us a trade advantage of $100, does it not?

Mr. BELL. It would on the simple arithmetic.

(The information supplied follows:)

U.S. balance of trade for past 18 years and Government grants and capital-dollar payments to foreign countries and international institutions

[In millions of dollars]

Year	U.S. exports [1]	U.S. imports	Trade balance	Government grants and credits [2]
1946	10,184	4,953	+5,231	[3]
1947	15,338	5,768	+9,570	[3]
1948	12,653	7,114	+5,509	[3]
1949	12,051	6,638	+5,413	[3]
1950	10,275	8,874	+1,401	[3]
1951	15,032	10,998	+4,034	[3]
1952	15,201	10,753	+4,448	[3]
1953	15,774	10,914	+4,860	[3]
1954	15,110	10,929	+4,818	[3]
1955	15,550	11,491	+4,059	[3]
1956	19,095	12,774	+6,321	[3]
1957	20,862	13,255	+7,607	[3]
1958	17,916	13,255	+4,661	[3]
1949	17,633	15,627	+2,006	[3]
1960	20,558	15,017	+5,541	1,107
1961	20,962	14,713	+6,249	1,116
1962	21,672	16,389	+5,283	1,070
1963	23,208	17,151	+6,057	882

[1] U.S. exports, including military assistance program. Data on exports, imports, and trade balance from figures provided by AID (A/SRD) from Department of Commerce sources.
[2] Statistics for "Government grants and capital-dollar payments to foreign countries and international institutions" not available for years before 1960.
[3] Not available.

Source: Survey of Current Business, March 1964 and June 1963.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TRADE BALANCE WITH JAPAN

Mr. BELL. Mr. Chairman, we export to Japan far more than we import from Japan.

Mr. PASSMAN. I did not say we did not.

Mr. BELL. Our trade balance with Japan is very favorable indeed to the United States.

Mr. PASSMAN. I am just asking you a simple question. If we get radios from Japan and we buy those radios for $100 each, then we have a market in Europe because they like our radios better than Japan's radios and we charge them $150, that would be an even trade so far as units are concerned, but we show a $50 plus on the export side.

Mr. BELL. If that were the case it would be very favorable from our point of view. Typically that is not what happens.

Typically we export different kinds of things than we import.

Mr. PASSMAN. I said we have certain specialized items that we export. Powerplants is one item that we export because they do not produce them and they are practically forced to buy from us.

Mr. BELL. We also export to Japan cotton and grain.

Mr. PASSMAN. With a subsidy.

Mr. BELL. You mean at the world market price?

Mr. PASSMAN. My point is if you buy 100 radios from Japan and pay $100 each and we sell 100 similar radios to Europe at $150 each we have exported 100 radios and imported 100 radios that we have a 50 percent balance-of-trade advantage.

Mr. BELL. That would be a very shrewd deal.

Mr. PASSMAN. It happens every day.

Mr. BELL. May I come back to the main point?

Mr. PASSMAN. I think that is the main point.

Mr. BELL. American commodities are competitive on the world market.

Mr. PASSMAN. Some of them are.

Mr. BELL. Some of them are competitive on the world market, and the balance of trade is favorable to us. The relevance of that goes back to whether the figure on the average per capita income, GNP, legitimately means what it shows. All statisticians and economists who have studied the matter would say that in fact the American consumer enjoys about twice as great an advantage as the average consumer abroad.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We are trying to justify giving away our wealth in the aid program by harping on what other countries are doing, such as the United Kingdom and Canada and Japan. We spend our money sending people over there to persuade them to give something to somebody.

U.S. EFFORTS TO ELICIT AID FROM COUNTRIES REPRESENTED ON THE DAC

Do we have any representatives from any of the DAC nations, or any of the other nations, over here trying to get us to join some other nations in giving away something? Or is it all one way? How about your former deputy, Mr. Coffin? Is he in Europe?

Mr. BELL. He is the U.S. representative on the Development Assistance Committee and each of the other donor nations have a representative on the same committee.

Mr. PASSMAN. Is his job to try to talk them into giving their wealth away?

Mr. BELL. No. The committee was established, by and large, as a liaison and coordinating committee.

Mr. PASSMAN. Does he have anything to do with trying to persuade people to enter into agreements to make loans or grants to other nations? Is that part of his job?

Mr. BELL. The main part of his job, Mr. Chairman, is to work with the other governments that are members of the DAC in talking about how we and they should approach a situation in different countries and different regions.

Mr. PASSMAN. Mr. Coffin is in Europe and one of his jobs is to try to talk those nations into giving something away to other nations. What else does he do, other than try to talk them into giving away money?

DAC OPERATIONS

Mr. BELL. The main purpose of this group is to try to coordinate the various aid programs. For example, recently there was real concern about what was going to happen in east Africa; there still is, Tanganyika and Uganda and other east African nations. Some of the DAC countries are active in Africa, the British primarily, because they were the colonial power there, the United States, the Germans, and others. It has seemed to all of us it would be useful if the DAC countries met together through the representatives on this Committee and discussed what each of us is doing and what we might do. We find this a very helpful arrangement. It helps us to know what other countries will be doing in a given situation and it gives us an opportunity to urge them to do more if that seems desirable under given circumstances, and it gives an opportunity for joint action where that is appropriate. Sometimes there are policy agreements to which we all subscribe. Some years ago we came to an arrangement on terms of aid in which the countries agreed it should be related to the balance-of-payments situation of the recipient countries, and other countries of DAC said by and large that meant they should reduce their grants and make more loans.

From the standpoint of the United States I would say this activity has been very beneficial over the last 3 years since it was first established.

Mr. PASSMAN. Do they have any representatives over here telling us how it would be to our advantage to give away some of our wealth?

Mr. BELL. DAC is located in Paris and the committee meets there.

Mr. PASSMAN. Who is the head of DAC?

Mr. BELL. The head now is Dr. Willard Thorp. He is an American. He could be from any DAC nation but it happens he is an American and a very distinguished person.

Mr. PASSMAN. Mr. Johnson appointed Mr. Coffin. President Johnson said in announcing his appointment that it reflected the seriousness with which he viewed DAC.

IDA CONCEPT COMPARED TO DAC MISSION

It would appear to me that the purpose of DAC is to get more aid out of those countries, and that was particularly true when we were considering the IDA a few weeks ago. These people espousing the cause of IDA said, and I paraphrase, "Look, we have talked these people into putting up this much money and if we do not put up this

41.6 percent, or whatever the portion is, we will lose it. If we don't put up ours they won't give anything."

You do not handle IDA, however.

Mr. BELL. No, but I know a great deal about it.

Mr. PASSMAN. That was the presentation, that we will lose it if we do not put ours up. Have we reached the point that other nations are so dependent on us for advice as to what we will give away that if we do not give 41.6 percent, or whatever it is, they will run?

Mr. BELL. IDA, as you know, is a part of the international bank, the World Bank, and it is not related to DAC. The bargain that was made with respect to IDA was a very specific one; namely, that we would put in so much and they would put in so much.

Mr. PASSMAN. That is right, but they justify it by saying, in effect, "Look at what these nations have agreed to give away if we give away a big piece of it, 41.6 percent." Are they so dependent on what we give away that if we do not give ours they will not give theirs? You will continue your aid, will you not?

Mr. BELL. You mean the regular bilateral aid program?

Mr. PASSMAN. It is all aid.

Mr. BELL. But the question IDA raises is whether the pledges the other countries make in these especially soft loans that IDA puts up——

Mr. PASSMAN. They would not put up theirs unless we put up ours?

Mr. BELL. The agreement was they would put up theirs if we put up ours and vice versa.

Mr. PASSMAN. And if we do not put up ours they will not put up theirs?

Mr. BELL. That is what I understand.

Mr. PASSMAN. Does that mean they will not give the equivalent?

Mr. BELL. I cannot tell. I would think they would not give it on the soft terms that IDA gives.

Mr. PASSMAN. But, a great part of the aid IDA gives is to the former colonies of the part I countries. Pakistan and India are the largest recipients, are they not?

Mr. BELL. I think they are.

Mr. PASSMAN. And certainly they are former colonies of Great Britain?

Mr. BELL. Right.

Mr. PASSMAN. And they have very strong ties and very strong trade agreements with those countries?

Mr. BELL. Yes.

But, it seems to me the IDA arrangement is very beneficial from the standpoint of the United States because it insures that more than one dollar of other countries' money is made available for every dollar of our money.

Mr. PASSMAN. Maybe they should give away $12 for each dollar we give. Our public debt exceeds by about $26 billion the combined public debt of all other nations of the world.

Mr. BELL. The question is not what they should do but what we can encourage them to do.

Mr. PASSMAN. It is what we can get them to do. That is right. I thought it was Mr. Coffin's assignment to see what he could get them to do.

Mr. BELL. But Mr. Coffin has nothing to do with IDA.

Mr. PASSMAN. But it is aid, just the same.

Mr. BELL. What I was talking about was the IDA arrangement that has been made, and it seems to me it is an effective arrangement. We have reached an agreement under which the other countries will put up this money and this seems to me to be a very beneficial arrangement from the standpoint of the United States.

BRITISH FOREIGN AID REDUCTION

Mr. PASSMAN. When I hear the statements made to this committee, and then I read information that comes in to us from the embassy papers, and then when I read what are supposed to be authentic news accounts from the countries we claim are increasing their aid, there seem to be some discrepancies.

For example, here is a newspaper article from Reuters, in London, "Britain Cuts Foreign Aid Requests." The article goes on to say—did you see this article?

Total spending for 1964–65 is estimated at just over $504 million—a drop of nearly $19.6 million.

Biggest drop is $23.8 million for the Colonial Office spending.

Mr. BELL. No. May I check on it and put something in the record at this point?

Mr. PASSMAN. Anything you like, but I am going to put this article in the record.

Mr. BELL. Thank you.

(The article referred to follows:)

[From the Washington Post, Mar. 12, 1964]

BRITAIN CUTS FOREIGN AID REQUESTS

(Reuters)

LONDON, March 11.—Big cuts in oversea grants, loans, and development plans are shown in civil estimates for the Commonwealth and foreign countries published here today.

Total spending for 1964–65 is estimated at just over $504 million—a drop of nearly $19.6 million.

Biggest drop is $23.8 million for the Colonial Office spending, which is estimated at $27.2 million for the coming year.

Foreign grants and loans are down by about $9.8 million at $61.9 million but the Commonwealth relations office estimates are up $8.4 million, standing at just under $84 million.

British defense aid to the Malaysian Federation will be stepped up by $8.4 million to $22.4 million, most of which is a grant toward the cost of arms and equipment to be supplied from British sources.

Other grants to Malaysia are almost doubled at $7 million.

However, military aid to India is being reduced from $25.2 million to $20.5 million.

(The following was submitted for the record by AID:)

BRITAIN CUTS FOREIGN AID REQUESTS

The Reuters article cites United Kindom estimated expenditure totals which are on a different basis from DAC aid figures. The totals in the Reuters article exclude some aid expenditures such as Commonwealth Development Corporation

loans and include certain non-aid items such as non-aid operating costs of the Foreign Office and the Colonial Office.

The latest British estimate we have for total United Kingdom net aid disbursements for calendar year 1964 on a DAC basis (grants, loans of maturities over 5 years, and contributions to international agencies) is $462 million compared to actual disbursements in calendar year 1963 of $413 million. Bilateral commitments were higher than gross bilateral expenditures in both 1962 and 1963 which points toward increased expenditures in the next few years. The United Kingdom Government has stated its desire to expedite expenditures in 1964. It should be noted that the United Kingdom aid expenditures in the last quarter of 1963 were the highest for any quarter since the second quarter of 1961.

JAPANESE AID PROGRAM

Mr. PASSMAN. Is it not true that some of the aid Japan gives is in the form of reparations?

Mr. BELL. They provide reparations.

Mr. PASSMAN. That information is on page 739.

Mr. BELL. Of what, sir?

Mr. PASSMAN. Of the hearings before this committee last year, with reference to Japanese grant aid in 1961. The total grant aid was $80.4 million, of which reparations represented $65.1 million and other bilateral grants $2.7 million and grant contributions and capital subscriptions to multilateral agencies, $12.6 million.

Mr. BELL. The Japanese also make loans, of course, quite substantially.

Mr. PASSMAN. This is what the Agency said, and if it is true that a great part of Japanese grant aid is reparations, that is compulsory. As far as their loans, we find many 4-, 5-, or 6-year loans at a high rate of interest.

Mr. BELL. Let me put in the record here a full statement on the Japanese aid program.

Mr. PASSMAN. Put in anything you want, Mr. Bell.

(The following was submitted for the record:)

In 1962, reparation grants accounted for 40 percent of Japanese net aid disbursements—$66.8 million out of $165.1 million. Loans net of repayments totaled $83.4 million—about 50 percent of disbursements. The loans counted in these DAC figures are all of maturities over 5 years. The remaining 10 percent went for bilateral technical assistance grants of $7.8 million and multilateral contribution grants of $8.6 million. There was a $1.5 million reflow to Japan on redemption of international agency bonds.

Reparations were 26 percent of new commitments in 1962—$70 million out of $274 million.

Japanese loan terms have been among the hardest in DAC, but in 1963 showed some improvement according to preliminary estimates. In 1962 Japanese loan commitments averaged 8.1 years' maturity and 6.1 percent interest. Loans of over 10 years' maturity increased from $13 million in 1962 to $136 million in 1963. Loans with interest rates of less than 6 percent increased from $66 million in 1962 to $124 million in 1963. The improvement has not been great but the Japanese Government has indicated that further improvement would occur. The liberalization in 1963 was largely connected with Japanese pledges to the India and Pakistan consortia. Japan, as a member of DAC, agreed to the DAC terms of aid resolution a year ago which called for a liberalization of the aid terms of the harder DAC lenders in view of the growing debt problem of less-developed countries.

Prime Minister Ikeda announced a few months ago that he intends to increase aid $400 to $500 million annually, though no specific plans have yet been made available.

INTEREST RATES ON DAC COUNTRY LOANS

Mr. PASSMAN. On page 20 of your statement you say:

Interest rates on aid loans of the other DAC countries are being reduced somewhat. The new British terms policy provides for waivers of interest payments for up to 7 years.

It says "up to" 7 years. It does not say that is the average for all loans. So, if you will, put in the record how many years.

Mr. BELL. We cite at the end of the paragraph that—

Britain has already granted such waivers in several important cases, on loans totaling $115 midlion to India, Pakistan, and Turkey.

Mr. PASSMAN. That is $115 million to three countries. What we want to find out is if this is just an occasional waiver, because your statement says:

A 7-year waiver lowers a nominal 6-percent interest rate on a long-term loan to about 3 percent.

Let us find out on what percentage of the loans they are giving a 7-year waiver of interest payments.

(Information supplied follows:)

Following the DAC terms of aid resolution in April 1963, 7-year waivers on interest payments were pledged by the United Kingdom to India, Pakistan, and Turkey on loans totaling $115 million. Of this pledged amount $60 million was obligated in 1963.

The United Kingdom did not offer interest waivers to any other countries in 1963. However, the $60 million committed to India, Pakistan, and Turkey represented 25.4 percent of the total loans of $238 million committed by the United Kingdom in 1963. The United Kingdom has made its policy clear, that where the economic circumstances of the developing country make it necessary, the United Kingdom is prepared to consider granting such a waiver of interest.

TERMS ON U.S. LOANS

Mr. PASSMAN. What interest are we charging on our so-called loans?

Mr. BELL. During the grace period three-fourths of 1 percent and thereafter 2 percent.

Mr. PASSMAN. Under the amended legislation, the 2 percent does not take effect for 10 years. Are we not misleading the American taxpayer?

Mr. BELL. These are substantially subsidized loans.

Mr. PASSMAN. This 2-percent interest does not take effect until 10 years for the date of the transaction, so until then the interest will be three-fourths of 1 percent.

Mr. BELL. That is the minimum charge.

Mr. PASSMAN. In this agency the minimum is usually the maximum. We get some peanuts back, but the money does not go back in the Treasury, does it? It goes back in the program, or it goes back into a revolving fund, does it not?

Mr. BELL. Subject to reappropriation.

Mr. PASSMAN. Under the legislation, it goes back into the revolving fund?

Mr. BELL. Yes. We cannot use it, however, without a specific appropriation.

BRITISH LOANS

We will find out and put in the record the proportion of the British loans that have been made since this policy was established on which they have granted these waivers.

Mr. PASSMAN. And find out if that is all the waivers they have granted on their loans. And I want to reemphasize loans and not grants. I am familiar with the loans they make. Some are very short term.

REGIONAL ASSISTANT ADMINISTRATORS

Do you still have area men?

Mr. BELL. You are talking about the assistant administrators for the region?

Mr. PASSMAN. Whatever they are, are the same men there?

Mr. BELL. No. Mr. Mann is now in Latin America. Mr. Macomber has replaced Mr. Gaud.

Mr. Hutchinson is in Africa and Mr. Poats is the Assistant Administrator for the Far East. He replaced Mr. Janow.

Mr. PASSMAN. The mortality rate is only about 75 percent, then?

Mr. BELL. That is right.

PROPOSED ELIMINATION OF AID RESEARCH PROGRAM FUND LIMITATION

Mr. PASSMAN. On page 21, you talk about your research program. We are really going to have the researchers researching the researchers, if we keep getting money in all the bills for research.

Dr. Baumgartner, if I remember correctly, was in India at the time we considered this bill. One of her assistants called me, and I said, in effect, "There is no use for us to have too much contact with too many. We want to ascertain what limitation Dr. Baumgartner thinks she should have and I, personally, will cooperate." Not one word was received from the Agency. So, subsequently, we marked up the bill and we kept limitation at the same level of previous years. Now, this fiscal year is coming to a close. You have just a little over 60 days left. But, on page 21, you say, and I quote:

> First, we are seeking removal of the limitation on research funds in section 113 of the current act. Under this provision a limitation of $6 million now exists. The President has already sent to the Congress a recommendation that this limitation be raised to $9 million in the current fiscal year.

Inasmuch as the fiscal year is just a little over 60 days away, or 70 days away, why would it not be wise to let us handle this in fiscal 1965 for you? You have money that must be obligated before the end of the fiscal year and we will be fair about that.

Mr. BELL. This is a limitation, sir.

Mr. PASSMAN. But do you know of any reason why we could not wait until next year to take care of Dr. Baumgartner or to adjust the limitation on funds for research?

Mr. BELL. We have projects which now are waiting that have been fully reviewed by our research advisory committee. The difference between starting them now and 70 days from now is obviously not very great. I would hope very much that we could get this limitation raised. The funds we have requested for next year are related to an expectation of spending $15 million for research.

Mr. PASSMAN. Is not the research fund growing in practically every agency of Government?

Mr. BELL. If you are suggesting that we await the funds for fiscal year 1965, that would add $3 million to the $15 million and would mean an $18 million program for next year.

Mr. PASSMAN. I do not think you would lose anything if you got $400, because every bill that comes here has money in it for research. But I want to be reasonable about it. You have not actually committed yourself on these projects, have you?

Mr. BELL. No; of course not.

Mr. PASSMAN. If you have not committed yourself on them why not slow down?

Mr. BELL. The basic point, Mr. Chairman, is that this Agency, in my opinion and in the opinion of many observers, has not conducted enough research.

Mr. PASSMAN. What are you researching?

Mr. BELL. Essentially on how we can get more out of our aid money. We are researching on raising agricultural productivity in other countries. One practical illustration, we are currently saving between $2 and $3 million a year on our antimalaria program because of research.

Mr. PASSMAN. How long have you had a research program, Mr. Bell?

Mr. BELL. It started with the 1961 act.

Mr. PASSMAN. And we had already disbursed over $100 billion for foreign aid.

Mr. BELL. In my judgment we should have been doing substantial research since the beginning.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. There may be a deficiency bill but, if there should be, this is not a deficiency; this is a limitation.

Mr. BELL. I agree with that, this is not a deficiency, but the Budget Bureau people told us they might put this into that bill on the grounds that the research program is stopped dead the way it is now.

Mr. PASSMAN. You have some unobligated funds, do you not?

Mr. BELL. The limitation is $6 million per year.

Mr. PASSMAN. If you got by with that amount in the past why can you not get by with it now?

COMMITMENT OF RESEARCH FUNDS

Mr. BELL. The work of receiving and reviewing the proposed projects was going on last summer and fall and by the time we had the money a substantial number of projects were ready to go. We have committed $4,843,379 as of April 17.

Mr. PASSMAN. All of that money was obligated between about January 11 and March 31?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Less than 90 days?

Mr. BELL. No. They had been reviewing the projects beginning last summer and fall.

Mr. PASSMAN. Do you operate under a continuing resolution?

Mr. BELL. Yes.

Mr. PASSMAN. Then you have obligated along the way. If you need more money for research I believe the committee will consider it.

Off the record.

(Discussion off the record.)

LENDING LEGISLATION TO SCATTER AID PROGRAMS

Mr. PASSMAN. On page 22, you say:

> I should like to close, Mr. Chairman, by emphasizing the close connection between the economic and the military assistance programs. We often tend to think of them as separate programs. But what we are presenting to this committee is the mutual defense and development program. It is a single program, serving a single purpose: promoting U.S. interests and security in many parts of the world, under many different conditions. A weakening of any part weakens the whole program.

But, there is a Senator who is advancing a plan to scatter this program. If you are not familiar with these bills, I think there are seven of them.

Mr. BELL. Are those Senator Fulbright's bills, sir?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. BELL. I have been testifying on some of these bills before the Senate Foreign Relations Committee.

Mr. PASSMAN. There is some reason why all these bills have been introduced and I think we both know the reason. I admire you for your courage in stating forthrightly in your statement that this is one program and it should be kept together, and I will help you keep it there. You know and I know the trend is to scatter this program, and I will cooperate with anyone to keep that from happening. You are familiar with those bills?

Mr. BELL. Yes, I am.

CONGRESSIONAL REDUCTIONS OF FOREIGN AID REQUESTS

Mr. PASSMAN. Every year that I have been chairman of this subcommittee, you people have overestimated what you needed. But, for 9 years, fiscal 1956 through 1964, inclusive, the Congress, in its wisdom, reduced your estimates by $8,108,262,000, or 21.10 percent.

TITLE I AND II FUNDS AVAILABLE FOR EXPENDITURE IN FISCAL YEAR 1964

We also want the record to show that the total title I funds available for expenditure in fiscal year 1964—I repeat, available for expenditure—were $10,044,714,611; and under title II the total funds available for expenditure in fiscal year 1964 were $760,878,157, or a total, under titles I and II, available for expenditure in fiscal year 1964 of $10,805,592,768.

I am going to place these two tabulations in the record.

(The tabulations referred to follow:)

Foreign aid funds by program and amount (available for expenditure in fiscal 1964)

TITLE I—FOREIGN AID

1. Military assistance:		
Unexpended, June 30, 1963	$2,421,741,138	
New funds, fiscal 1964	1,000,000,000	
		$3,421,741,138
2. Development loans (credits):		
Unexpended, June 30, 1963	2,210,008,162	
New funds, fiscal 1964	687,300,000	
		2,897,308,162
3. Development grants:		
Unexpended, June 30, 1963	401,934,508	
New funds, fiscal 1964	159,700,000	
		561,634,508
4. American hospitals abroad: New funds, fiscal 1964		14,300,000
5. Alliance for Progress:		
Unexpended, June 30, 1963	$871,506,483	
New funds, fiscal 1964	590,000,000	
		1,461,506,483
6. Chilean reconstruction: Unexpended, June 30, 1963		17,765,353
7. Supporting assistance:		
Unexpended, June 30, 1963	$365,561,363	
New funds, fiscal 1964	330,000,000	
		695,561,363
8. Contingency fund:		
Unexpended, June 30, 1963	336,251,725	
New funds, fiscal 1964	50,000,000	
		386,251,726
9. International organizations:		
Unexpended, June 30, 1963	134,340,178	
New funds, fiscal 1964	116,000,000	
		250,340,178
10. Investment surveys: Unexpended, June 30, 1963		1,500,000
11. Acquisition of property: Unexpended, June 30, 1963		4,138,154
12. Investment guarantees: Unexpended, June 30, 1963		268,585,914
13. Borrowing authority, ECA: Unexpended, June 30, 1963		544,626
14. Administrative expenses, AID:		
Unexpended, June 30, 1963	$10,047,137	
New funds, fiscal 1964	50,000,000	
		60,047,137
15. Administrative expenses, State:		
Unexpended, June 30, 1963	785,105	
New funds, fiscal 1964	2,700,000	
		3,485,105
16. Joint control areas: Unexpended, June 30, 1963		4,764
Total, title I, funds available for expenditure in fiscal year 1964		10,044,714,611

TITLE II—FOREIGN AID

17. Peace Corps:		
Unexpended, June 30, 1963	$34,384,236	
New funds, fiscal 1964	92,100,000	
		126,484,236
18. Ryukyu Islands:		
Unexpended, June 30, 1963	4,189,207	
New funds, fiscal 1964	10,000,000	
		14,189,207
19. Cuban refugees:		
Unexpended, June 30, 1963	17,207,763	
New funds, fiscal 1964	39,717,137	
		56,924,900
20. Migrants and refugees:		
Unexpended, June 30, 1963	8,753,814	
New funds, fiscal 1964	10,550,000	
		19,303,814

Foreign aid funds by program and amount (available for expenditure in fiscal 1964)—Continued

TITLE II—FOREIGN AID—continued

21. International Development Association:		
Unexpended, June 30, 1963	232, 320, 000	
New funds, fiscal 1964	61, 656, 000	
		293, 976, 000
22. Inter-American Development Bank:		
Unexpended, June 30, 1963	200, 000, 000	
New funds, fiscal 1964	50, 000, 000	
		250, 000, 000
Total, title II, funds available for expenditure in fiscal year 1964		760, 878, 157

RECAPITULATION

1. Unexpended funds (from prior years), title I, June 30, 1963	7, 044, 714, 611
2. Unexpended funds (from prior years), title II, June 30, 1963	496, 855, 020
3. New funds appropriated, title I, fiscal 1964	3, 000, 000, 000
4. New funds appropriated, title II, fiscal 1964	264, 023, 137
Total funds, title I and II, available for expenditure in fiscal year 1964	10, 805, 592, 768

Total economic and military assistance, 9 years

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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, 275, 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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Mr. BELL. Am I correct in understanding that this constitutes the pipeline as of June 30, 1963, in the sense of the obligations, the unexpended, plus the appropriations and the unobligated carryovers for 1964?

Mr. PASSMAN. Did you ever see anything plainer than this:

1. Unexpended funds (from prior years), title I, June 30, 1963, $7,044,714,611.
2. Unexpended funds (from prior years), title II, June 30, 1963, $496,855,020.
3. New funds appropriated, title I, fiscal 1964, $3 billion.
4. New funds appropriated, title II, fiscal 1964, $264,023,137.

Mr. BELL. That is what I assumed it was.

Mr. PASSMAN. You do not have to assume.

Mr. BELL. The only distinction I thought would be helpful is a distinction between the committed funds as of June 30 and the unobligated funds.

Mr. PASSMAN. I said unexpended funds, did I not?

Mr. BELL. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. A vote on final passage of a bill is now being taken in the House.

We shall recess until 1 o'clock tomorrow afternoon.

WEDNESDAY, APRIL 22, 1964.

UNOBLIGATED FUNDS AS OF JUNE 30, 1963

Mr. PASSMAN. The committee will come to order.

Yesterday I inserted in the record a table of unexpended funds. Now I want to state that funds unobligated on June 30, 1963, title I, amounted to $524,281,836, and in title II, $219,899,564, for a grand total of $744,181,400.

When we concluded our hearings yesterday, I had finished my questioning on the Director's general statement. Then I intended, as in previous years, to yield to all other members, to consume as much time as necessary, to ask any questions they should see fit.

Mr. Rhodes?

CANADIAN FOREIGN AID EFFORTS

Mr. RHODES. Mr. Chairman. Mr. Bell, on pages 19 and 20 you have dealt with the Canadian effort as far as foreign aid is concerned.

Mr. BELL. Yes.

Mr. RHODES. Didn't Canada have a financial crisis within the last 2 years, a crisis which was so severe as to require the Export-Import Bank to give a standby commitment of some $200 million?

Mr. BELL. I believe they did. I am not sure it was ever drawn on, but it was a standby commitment as you say.

Mr. RHODES. I understand it was not drawn on.

Mr. BELL. Yes. They sought various other countries' help, too.

Mr. RHODES. The thought struck me when I read this treatment of the Canadian program in your statement that either Canada must have a different type of foreign aid than the classical type of grant aid which we many times think of, or they are not taking what would appear to be a prudent course as far as their own financial structure is concerned. Are you familiar with the rationale behind the rather massive increase in Canadian foreign aid?

Mr. BELL. Well, I would be glad to supplement what I say now for the record but as I recall it, the Canadian financial crisis to which you refer occurred in the spring of 1962. It was about 2 years ago as I remember. I was still Budget Director, which is why I can place it in time. It was a short-lived crisis. They came out of it very quickly. Since then I believe the Canadian economy would be rated by most standards as doing very well. Their aid program has been quite low. I do not believe I have the precise figures with me.

Mr. RHODES. Would you furnish it for the record?

Mr. BELL. I would be glad to.

Mr. RHODES. It would be well if we could have for the record the level of Canadian aid for the last 5 years, broken into categories of grant aid, loans, et cetera.

Mr. BELL. We will be glad to do that.

(The information supplied follows:)

Canadian aid disbursements and commitments 1959–1963

[In millions of dollars]

	Official net disbursements				
	Calendar year 1959	Calendar year 1960	Calendar year 1961	Calendar year 1962	Calendar year 1963 (preliminary)
Total official	60	75.3	61.5	50.3	97.5
Bilateral	53	48.1	45.1	37.4	90.2
Grants	53	48.1	48.5	22.2	51.4
Net loans [1]			−3.4	15.2	38.8
Multilateral	7	27.2	16.4	12.8	7.3
	Official commitments				
Total	(2)	75	111	73	141
Bilateral	(2)	58	96	58	125
Grants	(2)	58	56	44	43
Loans [1]	(2)		40	14	82
Multilateral	(2)	17	15	15	16

[1] Loans with maturities of more than 5 years.
[2] Not available.

Mr. BELL. In any event, the amount of Canadian aid I am sure is less than one-half of 1 percent of their GNP, and a relatively low portion of their budget. I think the Canadians have not regarded their aid program either at the time of the financial crisis or more recently as being a serious burden on their economy. The change, their announcement of an intention to increase their aid levels, came after the elections in Canada and is a reflection of the policy of Mr. Pearson's government, in contrast to Mr. Diefenbaker's government. The amounts of money that are involved I believe would not, either before or after the increase, be regarded as a severe burden on the Canadian economy. I will be glad to supplement this for the record.

Mr. RHODES. Then on page 19 when you state "Canada has announced its intention to increase its aid levels by 50 percent in 1964," you probably really are not dealing with an increase of dollars which would be of great magnitude?

Mr. BELL. Well, I will want to correct this, but my recollection is that the Canadian aid effort has been of the order of a hundred million dollars and it is going up to $150 million. It is that order of magnitude. I repeat, in terms of their economy, which is, of course, very much smaller than ours, these are significant figures. They are not severe burdens.

Mr. RHODES. The main reason for including this in your statement I presume is to show the attitude of Canada rather than to indicate that the increase is to have any great impact on the free-world aid?

Mr. BELL. That is right. They are one of the smaller donors in terms of the totals.

TOTAL FUNDS AVAILABLE IN FISCAL YEAR 1965

Mr. RHODES. The amount requested for foreign aid in this fiscal year is $3.4 billion of new obligational authority.

Mr. BELL. Yes.

Mr. RHODES. The amounts which will be available from other sources, revolving funds, estimated recoveries, reimbursements and the like, will bring the total up to $3.635 billion, is that correct?

Mr. BELL. That was the way the figures looked when we put this book together about 2 months ago. It worked the other way around, in reverse, Mr. Rhodes. We, looking at the requirements around the world, came to this $3.6 billion figure; taking account of what we would have available in carryovers and recoveries brought us to the appropriation request by subtraction, so to speak. The reason I put it that way is that if, as now is anticipated, it turns out that we will have some carryover funds beyond those that were estimated when we got this table together for the Alliance for Progress in the loan category, I would think it would be quite appropriate to adjust the appropriation request at that time, later in this year.

INCREASED REQUEST IN FISCAL YEAR 1965

Mr. RHODES. The total request then, considering recoveries and other accretions to the available funds, would be $153 million more for the next fiscal year than is available for programing in fiscal year 1964?

Mr. BELL. Exactly.

Mr. RHODES. So actually the administration request is for an increase in the program over the program it has had for the present fiscal year?

Mr. BELL. That is correct.

Mr. PASSMAN. Would the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. Your request exceeds the appropriation by $526,700,000 for the same items as mentioned in title I, does it not?

Mr. BELL. Yes, sir. That is the comparison of the two appropriation requests—of the appropriation request and of the appropriations enacted by the Congress. Mr. Rhodes, I believe, was comparing the funds available this year with the program we are requesting, or proposing to fund next year.

Mr. RHODES. That is correct.

Mr. BELL. That difference is actually $146.4 million.

Mr. RHODES. I have always considered the amount of money which we reappropriate to be exactly the same as newly appropriated money.

Mr. BELL. Exactly.

Mr. RHODES. Whether you reappropriate it or appropriate it initially. I always look at the total funds available.

Mr. GARY. Will the gentleman yield?

Mr. RHODES. Yes, sir.

UNOBLIGATED BALANCES REQUESTED TO BE REAPPROPRIATED

Mr. GARY. Are you asking for these unobligated balances to be carried over into the next year appropriation?

Mr. BELL. We are, sir.

Mr. GARY. How much does that amount to?

Mr. BELL. When these tables were put together the worldwide estimate—economic and military—was $30 million. As I was saying to the chairman yesterday, I would not today be surprised if we added about another $50 million in unused loan funds for Latin America. I offered to come before the committee later this spring, at such time as may be convenient for the committee, when they are preparing to get ready for markup.

Mr. GARY. That would be $3,480 million, is that correct?

REDUCTION OF BUDGET REQUEST TO REFLECT POSSIBLE CARRYOVERS

Mr. BELL. I beg your pardon, sir. What I was saying a minute ago was if it appears later in the spring we do have an anticipated carryover, which we did not have and which was not anticipated when these figures were put together, I would assume the logical thing to do would be to reduce the appropriation by that amount of money, since we would, assuming that the $50 million were carried over from this year, appropriate $50 million less for next year.

Mr. GARY. That is what I am asking. Is the $3,400 million the full amount that you are requesting, or are you requesting that, plus the unobligated balances?

Mr. BELL. The formal request, Mr. Gary, is for $3.4 billion plus carryover. When we know a little later in the spring any significant or sizable carryovers that we are likely to have available, I would expect, checking with the President, to propose a reduction in the appropriation, either formally or informally, because what we want to do is to be able to fund the program as indicated here of $3,635 million.

Mr. GARY. How does that compare with last year insofar as appropriation, plus carryovers?

Mr. BELL. We have available at the present time in the current year $3,488 million, appropriations plus carryover and we want next year, we propose to fund a program of $3,635 million, with appropriations and carryovers.

The figures that are on this table here on page 41 show how we got to that appropriation request with the estimated carryover we had before us at that time. If the carryover is anticipated to be somewhat larger, as today I think it will be, then I would think the appropriation request should be reduced correspondingly.

SOCIAL PROGRESS TRUST FUND EXCLUDED

Mr. RHODES. The figures you gave do not include the $135 million for the Social Progress Trust Fund.

Mr. BELL. That is right, in either year. In order to make them comparable we have removed the Social Progress Trust Fund.

Mr. RHODES. There was no request for Social Progress Trust Fund money last year, as I recall.

Mr. BELL. In fiscal year 1964, yes, $200 million was requested. The appropriation was $135 million. That is why, you see, the first column on that page adds to $2,865 million. You appropriated $3 billion. The difference was that $135 million for the Social Progress Trust Fund. Since we are not asking anything for that this year, we put that down in the footnote in order to make the columns comparable.

POSSIBLE ADDITIONAL REQUEST FOR FISCAL YEAR 1965

Mr. RHODES. How much do you think the figure of $3,635 million might vary? In other words, you or another witness testified that there will be a necessity for increases in Vietnam and possibly in other parts of the world. Do you have any idea of the total magnitude of these possible increases?

Mr. BELL. Well, as I have indicated on Vietnam, the present hunch, guess, or rough calculation is $30 to $50 million more than was included in the supporting assistance figure here, but I would assume that additional amount could be covered out of the contingency fund.

POSSIBILITY OF ACCELERATED COMMITMENT OF FUNDS IN BRAZIL

The situation in Brazil, as you know, is still very uncertain. If the Brazilians undertake the kind of stabilization and development program we would all like to see them undertake, we could add ——— development loans under the Alliance to Brazil during the next fiscal year.

Mr. RHODES. Do you think it is possible to actually commit ——— in 1 year from a standing start and do it on an economical basis?

Mr. BELL. It is not a standing start. They have had pending all during this past year quite substantial requests for loans which we have been holding off so that they have a backlog. I would say roughly and you can check this when Mr. Mann and Mr. Rogers are before you, there could be ——— of loans that are quite far along. Engineering has been done. Most of them are good projects. We were telling them, "For the time being we are not making that kind of money available to Brazil." So to answer you, we would need to examine your question carefully before giving you a precise answer, but I would not think it would be out of the question that a sensible response to a good Brazilian program might well be in the ——— range.

Mr. RHODES. Other than that, do you feel increased requirements could be met from the contingency fund?

Mr. BELL. Thus far, the ones we can see today, yes, sir.

POSSIBILITY OF REDUCED BUDGET IN FISCAL YEAR 1965

I should also mention that there are situations which could go the other way, in which requirements could be reduced. As Secretary Rusk said when he was before the committee, the situation in Indonesia is very uncertain. We have not got much money in the program for 1965 for Indonesia but certainly the Indonesian program could end on a moment's notice. Obviously there are other cases in which requirements could be reduced as well as those in which requirements could rise.

POSSIBLE INCREASE FOR BRAZIL

Mr. RHODES. Speaking of the Brazilian situation, on page 43, under the total economic assistance proposed for fiscal year 1965, you have loans of ———. You did not mean to say that there would be ——— in addition to this, did you?

Mr. BELL. ——— Yes, I did.

Mr. RHODES. So this should be from ———.

Mr. BELL. No, sir. When we use these figures, we customarily think of the lower end, which is the figure we had in. What I am saying to you essentially if you will look at the column under Alliance for Progress loans, where that says ——— what I am saying is that that might well read ———.

Mr. RHODES. That would really be an increase of ——— according to the ground rules you have now established.

Mr. BELL. I guess you are right. What I really mean is the first figure, instead of being ———, could be ———. That is right.

ADVISORY COMMITTEE ON PRIVATE ENTERPRISE IN FOREIGN AID

Mr. RHODES. Mr. Bell, I have some interest in the Advisory Committee on Private Enterprise and also in the Executive Corps. Would you care to give us the story on these two programs?

Mr. BELL. I would be glad to. May I go off the record for a minute?

Mr. RHODES. Yes.

(Discussion off the record.)

Mr. BELL. For the record, let me say we are in process of talking with a number of persons about becoming members of the Advisory Committee on Private Enterprise in Foreign Aid and we hope within a very short period of time that the membership will have been completed and announced and they will have started to work. Incidentally, we also think we have located a good top staff man to work with them.

We share, may I add, your strong interest in this and look forward to the work of this committee very much indeed.

Mr. RHODES. What type of staff will you have to have for this committee? By that I mean numbers, payroll, et cetera.

Mr. BELL. Our expectation is we will have a very good executive secretary and perhaps one other person who would be full time working with the Committee. We expect this Committee will meet once a month and will need very good staff papers prepared for it so that at one monthly meeting they can, for example, consider the whole problem of investment guarantees—our policies, all the alternatives and what they recommend. At the next one they would review, say, our work with the international labor movement—how we can do better, using American labor leaders, training institutions—in influencing the development of free trade unions overseas. This is the nature of the staff work that has to be done for the extensive meetings of this committee. But I would not expect to get it done by building a large staff for the committee; we need a person or probably two who would organize assignments and we would use other people in our organization from time to time. In addition I would hope we would get a good deal of help from businesses and from the AFL–CIO and from other sources of ideas about how to use the private sector better.

COMPENSATION OF MEMBERS

Mr. RHODES. How will the members of the Committee themselves be compensated? On per diem?

Mr. BELL. I would expect they would receive per diem only and travel, but no salaries.

I haven't been over that with the ones I talked to. I just assume that.

ESTIMATED EXPENDITURES OF COMMITTEE

Mr. RHODES. Do you have a total estimate for the probable expenditures of this committee in the fiscal year 1965?

Mr. BELL. There was one made.

Mr. RHODES. Would you like to furnish it for the record?

Mr. BELL. I will.

(The information supplied follows:)

ESTIMATED EXPENSES: ADVISORY COMMITTEE ON PRIVATE ENTERPRISE IN FOREIGN AID

This committee can be operated for 12 months on the amount of $50,000 contemplated by the amendment to the Foreign Assistance Act which created it (section 601(c)(5)). This amount would be distributed approximately as follows:

Travel (committee members)	$12,000
Living expenses (committee members)	5,000
Professional staff (two present AID employees)	24,000
Clerical and stenographic	9,000

It has been suggested by the proponent of the amendment, Senator Javits, and others, that this budget will not permit the travel to less developed countries and the employment of outside consultants which would be desirable for the best use of the committee's time. If travel and staff of this character were to be provided, a budget of $125,000 would be required.

Mr. BELL. I might add that we think this is about a year's job. In adopting this amendment, the Congress, we understand, meant this committee to do a job and then to terminate. We told the prospective members this. We expect it will go on for approximately a year and then wind up, so that I would not expect the committee to continue throughout the fiscal year 1965, necessarily. Perhaps the work will carry them that long, but it is not, in other words, a permanent and continuing body.

EXECUTIVE CORPS

Mr. RHODES. Has the executive corps been set up or is this in the talking stage?

Mr. BELL. It is in the advanced preparation and discussion stage. We had a preliminary meeting in Washington, perhaps 6 weeks or 2 months ago, at which representatives of the leading business organizations and a number of individual businessmen whom we invited were all present.

The discussion went on most of the day. Then the business representatives there, established a working subcommittee of their own, which includes C. D. Jackson of Time-Life, David Rockefeller, Sol Linowitz of Xerox, Dan Kimball of Aerojet, and three or four others. I will put all of the names in the record if you would like. They have met two or three times since then. They have drawn up incorporation papers. They are preparing to launch themselves formally any day now. They have selected their chairman of the board and have received agreement from quite a few people to serve on the Board. The last I knew, at the end of last week, they were desirous of fixing on their full-time chief executive officer and they were thinking of some very senior retired business officials, and trying to select among them.

I understand that when they had that man selected, then they were going to announce the launching of the Executive Service Corps.

Mr. RHODES. Will there be any Federal expense connected with the Federal Service Corps?

Mr. BELL. We expect a contract with them in their early stages to help them with their administrative costs. We do not expect to contribute anything significant toward the costs of the individual businessmen who will go overseas. We expect that they will be paid a salary by the businesses where they will work, in local currency of course, and on a local salary scale. Those salaries could be supplemented, probably by other income of the American businessman concerned. He may be a retired person with a retirement income or he may be on leave from his own business in the United States.

EXECUTIVE CORPS CONCEPT AND PROGRAM PLANS

Mr. RHODES. Will AID guide the distribution of the members of the executive corps as to the country of location and as to the type of work in which they will be engaged?

Mr. BELL. We expect to offer them all the advice and help they want. We regard them, however, as a private organization in a true sense and we expect them to make their own decisions. The people whom I have indicated are senior people and they obviously are experienced abroad, and they will make up their own minds as to what they want to do. We will expect to offer them the full support of our aid missions and embassies abroad. They will work directly with business organizations and groups in the less developed countries. I would expect them to begin with a number of countries where there would not be unusual difficulty. I would expect them to start in several of the Latin American countries, and perhaps in India, Nigeria, countries where conditions are naturally good. I would not expect them, in other words, to start right out in a place like Guinea or Indonesia, where there are exceptional difficulties; but as they find their feet and learn how to do this sort of thing effectively, I would hope that it will work well and would be spread very widely.

Mr. RHODES. Is this a substitute for another type of export of expertise? In other words, there is probably a lot of expertise available in American countries which could be sent abroad on a contract basis?

Mr. BELL. Yes; that is right.

OTHER PROGRAM DESIGNED TO SEND AMERICAN KNOW-HOW ABROAD

Actually, this came out of several strands of thought, one of which was how could we do a better job of healing to introduce technical and management know-how into individual businesses overseas. This is not something on which we have a distinguished record. We have tried various things over the years—productivity centers, training courses. Perhaps the best thing we have done is to get some of the American business schools interested in establishing summer courses or working with foreign business schools to establish full business school type training in underdeveloped countries. Most of those things have not gone directly to the local individual business in the foreign country. We felt that the notion of trying to contract with American

businesses for dozens and hundreds of people to go into individual situations abroad is a very difficult and complicated way to accomplish what is a very desirable end. We were delighted, therefore, when this idea came along. We staffed it out, as you know, and prepared a basic report which is now being pursued. The other thing that we have done is to try to persuade business consulting firms to go overseas—we are trying to do that in Taiwan right now with Booz, Allen, Hamilton to get offices to work in Taipei with Chinese businesses.

Mr. RHODES. Directly with the Chinese business community, or through you?

Mr. BELL. No; we try to encourage them to do this without any funds at all. We would like to get a system established in which we have as little a part as conceivable and in which there are as few taxpayers dollars involved as possible.

Mr. RHODES. I guess I had in mind something as fundamental as this. Suppose you furnish bulldozers for X country to build roads. Maybe nobody in X country knows how to operate bulldozers.

Mr. BELL. This kind of problem we attack continually every day. Our purpose is not to furnish bulldozers or any other equipment unless we see there is already existing an organization which can maintain and operate the equipment in the future, or unless the recipient country is prepared to help build such an organization.

Mr. RHODES. Couldn't you build such an organization best by contracting either with the company that built the bulldozers to supervise maintenance, operation, et cetera?

Mr. BELL. We frequently do that. We have, if I am not mistaken, some training schools for caterpillar bulldozer drivers, run by the Caterpillar Co., in cases as you cite, where we are financing availability of some bulldozers, either by loan or grant. We want to be sure that the people who are going to use them do not crack them up the first day but learn how to use them and maintain them and make the best out of them. We have this point very much in mind.

Mr. RHODES. I can imagine too setting up a water system for a city and needing somebody to teach them how to operate the pumps.

Mr. BELL. That is exactly right. Whatever project we go into we have learned over the years—and it is now absolute standard operating procedure that such training has to be involved in the initial planning before we regard it as a complete project in which it would make any sense for us to proceed.

Mr. RHODES. I find inquiries that I have received from private enterprise on how they can best help in the aid effort to have increased almost a hundredfold in the past year. I think you can take a lot of credit for that, Mr. Bell.

Mr. BELL. I appreciate that.

Mr. RHODES. I think it is very good.

I think we have a long way to go. I think we are learning a lot about this. The Executive Service Corps I hope will not be the last good idea that comes along.

Mr. GARY. Will the gentleman yield?

Mr. RHODES. Yes.

AID TO SMALL FARM COMMUNITIES ABROAD

Mr. GARY. In the farming enterprises over there they have a great many small farms.

Mr. BELL. Yes.

Mr. GARY. We would call them hardly more than gardens here in this country. There are very few farms of sufficient size to justify the use of modern farm machinery. Are you doing anything to provide farm machinery for a locality or group that could be used as a community enterprise on these small farms?

Mr. BELL. We are; we have a number of projects in different countries that are attacking the problem you speak of. I would not claim by any means that we have licked it in very many places but we are working on precisely that point. For example, in Tunisia we are financing the availability of some tractors. This is on loan. They will be American tractors, but they will be used by farm cooperatives set up for the purpose of holding the machinery for a group of farmers and which will be available in turn to each of them. Together they have assumed the responsibility for paying for the tractor and for maintaining and operating it. In this connection also we have got a training program that goes right along with the availability of the tractors.

There is another type of problem involved in the case of India; for example, where many of the farms are small. Tractors are really too large. The need is not for an American-style farm tractor. It is more for a garden-type cultivator, which typically is not available in India. The American agricultural machinery companies have not yet focused on this particular problem, so that we have to encourage initiative and ingenuity on the part of the American farm equipment manufacturers. They may very well find themselves designing special equipment for conditions abroad, which is different from what they have found to be effective and salable here in the United States. This problem has many ramifications, but you are entirely correct, it is a very important problem in attempting to raise agricultural productivity in the less developed countries.

UNOBLIGATED BALANCES AS OF JUNE 30, 1964

Mr. RHODES. You mentioned coming back to the committee in the event that carryovers are discovered which might be of greater magnitude.

Mr. BELL. Yes, sir.

Mr. RHODES. As a matter of fact, Mr. Bell, the carryovers are only estimates until sometime next fiscal year; are they not?

Mr. BELL. I would hope that we would be in a position to have a pretty clear bead on our major figures by early or mid-June. By that time; for example, it should be reasonably clear what the status of loans in process is going to be. I would not be positive we would have a good final figure on the contingency fund at that time because that sometimes fluctuates even toward the end of the year.

Mr. RHODES. As I recall, in past years we have not been able to get a very clear figure of the actual carryovers until sometime in September following the end of the fiscal year. In fact, there have been some

rather wild deviations as I remember between the actual figure and the estimate.

Mr. PASSMAN. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. PASSMAN. I am very happy to see the distinguished AID Controller present.

You are following the same accounting procedures from the field this year as you have in previous years, Mr. Controller?

Mr. TENNANT. We have made some slight improvements but essentially we follow the same procedures.

Mr. PASSMAN. In some of the accounts there are blank vouchers at the embassies, I suppose, under the supervision of the Ambassador; obligations are entered into. Vouchers are drawn. Sometimes it is as late as September before you can finally ascertain the actual amount of the carryover?

Mr. TENNANT. I believe that there is a problem in our discussion—sometimes we are talking here about the expenditures and sometimes the obligations. On the obligations——

Mr. PASSMAN. You have to wait until you get the accounting on the expenditures, do you not?

Mr. BELL. No, sir.

Mr. TENNANT. On the unobligated, let me cover that point first if I may. I think last year we gave you a preliminary figure around the 1st of August. On August 8, or something like that, we gave you a figure of the unobligated as of the end of the month—that is as of June 30, 1963. The only obligations that are recorded in the current fiscal year are those that occur on or before June 30.

At the end of each year—and we give you a preliminary figure based on the record as of June 30—at the end of each year there is an audit that goes on with respect to obligations, trying to see whether any of them do not qualify under section 1311 of the Supplemental Appropriations Act of 1955 and sometimes during the 30 or 40 days after the end of the month some of these transactions are disqualified or adjusted, so there sometimes is a difference between preliminary and final figures.

Mr. PASSMAN. Thank you.

Mr. RHODES. I yield to Mr. Conte.

Mr. CONTE. Mr. Bell, I want to start by saying how pleased I am with what you have been doing since you have taken over this very difficult job. There are no thanks; a lot of hard knocks.

Mr. BELL. Thank you.

Mr. CONTE. I think you have done an outstanding job. The Government is very fortunate to have you in this position.

Mr. BELL. Thank you very much.

Mr. CONTE. I hope you can come out of it without any ulcers and still have that crop of hair when you get through.

Mr. GARY. Will the gentleman yield?

Mr. CONTE. Certainly.

Mr. GARY. I would like to add my commendations to the job Mr. Bell has done. I think he has done a very excellent job. I think he is really getting this program where we can support it with very much better grace and less controversy than in the past.

Mr. BELL. Thank you, sir.

EXCESS CURRENCY COUNTRIES

Mr. CONTE. Mr. Bell, do you know how many rupees we have in store in a country like India? What is the backlog?

Mr. BELL. Several hundred million dollars worth. Mr. Tennant has the exact figure. This figure is from the budget submitted in January, The President's budget. The estimated avaliability during fiscal year 1965 in India is some $532 million worth.

Mr. CONTE. There are several other countries with large backlogs of local currency?

Mr. BELL. That is right. The Treasury, which keeps the books on these matters, at the present time classifies seven countries as so-called excess currency countries, meaning that we have a larger supply of local currency in that country than we have anticipated U.S. uses for such local currency over the next 2 or 3 years. Those countries—should I continue——

Mr. CONTE. I would like to have them for the record.

Mr. BELL. They are Burma, India, Israel, Pakistan, Poland, the United Arab Republic and Yugoslavia.

Mr. CONTE. Could you give us the amount of local currency in each one of those countries?

Mr. BELL. Yes. In dollar equivalents the supply for fiscal year 1965 is expected to be $1,520 million.

Mr. CONTE. Total?

Mr. BELL. Yes, sir, of all of them. The two largest amounts are something over $500 million in India and someting over $500 million in Poland; something over $100 million in Yugoslavia, the United Arab Republic, and Pakistan and about $50 million in Israel and about $15 million in Burma.

UTILIZATION OF LOCAL CURRENCY HOLDINGS

Mr. CONTE. This may be a little out of your jurisdiction but let's start out this way: What can we use these local currencies for?

Mr. BELL. It varies by country. In the Yugoslav case, last year, in response to that earthquake, we contributed a substantial amount of our U.S. use dinars to help in the reconstruction of Skopje, after the disastrous earthquake. In the Polish case the arrangement with the Government of Poland is such that gradually they will become convertible in future years. They gradually will be turned into dollars so that in effect they represent a deferred dollar payment.

Mr. CONTE. Does that mean we will be able to use those dollars outside of Poland?

Mr. BELL. Yes.

In the case of Pakistan, it is expected that a substantial share of the excess will be devoted to a project through which, as you know, we and the World Bank and other countries are helping the diversion of Indus Basin waters.

The amount in Israel is more than we need for the next 2 or 3 years and therefore technically is classified as excess, but we will have continuing needs for Israeli pounds. I would expect that we could use all of this amount effectively over some years into the future. The India case is the most serious in the sense that at the present time we

do not see any foreseeable U.S. use of that many rupees and therefore it appears that if nothing were done there would be a large balance on hand in India for many years.

LOCAL CURRENCY HELD IN INDIA

We are running some risk because this is becoming a political issue within India.

Mr. CONTE. I was going to get to that.

We are getting to the point where we are controlling the economy.

Mr. BELL. That is what some of the Indian politicians are concerned about. In fact, these funds are kept in banks and we consider ourselves responsible custodians. We would not do anything that would represent a serious blow to the Indian economy, or the exercise of economic domination over India.

It is plain that we will have increasing political repercussions within India. We are beginning to think about an idea that was first put forward 2 or 3 years ago by Secretary Dillon when he was still in the State Department.

INTEREST ON BANK DEPOSITS IN INDIA

Mr. CONTE. You say these rupees are in banks and they are accumulating interest in these banks?

Mr. BELL. Yes.

Mr. CONTE. What is the interest?

Mr. BELL. It is low interest. I do not know the exact figure. The Treasury is the custodian of these funds.

(The information supplied follows:)

Interest on United States-owned Indian rupees

[In dollar equivalents]

1. Interest earned and collected for fiscal year ended June 30, 1963	$15,229,052
2. Interest earned and collected during fiscal year 1964 period July 1, 1963, to Dec. 31, 1963	7,876,547
3. Balance as of Dec. 31, 1963, in earned interest account	77,451,596

PROPOSED USE OF EXCESS INDIAN CURRENCIES TO ENDOW FOUNDATION

Mr. BELL. One idea which has been proposed is that we would use a substantial amount of these rupees as the endowment fund for a foundation—a United States-India education and scientific foundation—something like that. Such a fund would be something like the Fulbright funds that have been used over the years, to improve Indian education, to provide for American scholars and other people to visit India, to contribute to the improvement and enlargement of Indian research institutions and in general to operate as the Rockefeller or Ford Foundation operates in the United States.

Mr. CONTE. You could invest the money in Indian securities, could you not?

Mr. BELL. Yes.

Mr. CONTE. And get a greater return for your money?

Mr. BELL. Right.

Mr. CONTE. You could use the income to more or less support your foundations?

Mr. BELL. Yes.

Mr. CONTE. I have been doing some work on it myself. I think it is an excellent idea. We are getting to the point where we have a tremendous problem in a country like India. Rather than giving out American dollars and hurting our balance of payment, we could put this money to good use.

Perhaps we could call this foundation an educational-cultural foundation. We could perhaps name it the Kennedy Foundation.

We could use it for scholarships and secondary education and research.

Mr. BELL. Right.

Mr. CONTE. Libraries?

Mr. BELL. Exactly.

Mr. CONTE. I wanted to get your opinion on it. Do you agree with this?

Mr. BELL. I think this is a very promising idea. I ask that a specific proposal be prepared—how would it be established, who would run it, who would pass on the budget, how much money would be involved—a clear and definite proposition. I would not want to offer a firm judgment until we had a specific proposal before us. But certainly on the basis of preliminary discussions, it looks like a very constructive and promising idea which would serve to advance the interests we all have in the development of an effective free society in India; and simultaneously would make good use of funds which at the present time are not usable and are indeed a risk to us for the political reasons we were speaking of.

Mr. CONTE. I would like to discuss this with you further in either your office or my office.

Mr. BELL. I would be delighted.

REDUCTION IN ADMINISTRATIVE MACHINERY IN AFRICA

Mr. CONTE. Mr. Bell, did I read something about our program in Africa being cut down? We are not going to have economic aid south of the Sahara?

Mr. BELL. You may have read it, but if so, it was a mistake. What we have done, and what Mr. Hutchinson will go into before the committee at any length you wish, is to continue the process the committee knows we have already begun—that is, to try to limit the administrative machinery by which we administer our aid programs in Africa.

In the last year or so we have eliminated AID mission directors in a dozen countries and given the ambassador a second hat. The ambassador has been delegated the functions of an AID mission director and thus, we streamline the U.S. establishment in that country.

During the coming year and a half, we are going to try to go further than this and experiment still further with the complete removal of full-time AID administrative personnel from a number of countries where there are very small programs. The aid program would not be affected. We will continue to have aid projects that are warranted under our standards, but we will try to operate them with even less administrative overhead than we have today.

That is what we intend to do. You may have read a distorted version of that in the newspapers. There is not any change in the policy

toward these countries. It is an attempt further to minimize the administrative machinery which is necessary to carry these projects out.

Typically, if this works, we would have a single office here in Washington with a few people in it which would be responsible for organizing programs, not by having someone stationed in the African country permanently, but by making visits to work out the detail, to execute the project. Supervision and followup would be achieved by means of periodic visits from Washington, or from a nearby AID country mission.

We would have to have someone in the embassy designated as the AID liaison officer, so to speak, to be the point of reference for any AID issues that come up.

We believe we can save some money with this on the administrative side.

Mr. CONTE. I am pleased to hear that.

A couple of years ago I suggested this should be done. I think you can save a lot of money.

SELF-HELP PROJECTS IN AFRICA

I have heard some disturbing news recently that we have done away with a lot of self-help projects in Africa and we are building some buildings ourselves that are costing a lot more money than these self-help projects, and you do not get the community participation.

Mr. BELL. Right. My attitude is exactly the same as yours. I am surprised to hear this.

Mr. CONTE. I will go into more detail when we get into Africa. It was this morning I heard it.

In Liberia I saw some pictures of some schools we built without self-help, costing about $20,000 each, and we built some other schools with the self-help program that cost about $10,000.

Mr. BELL. I am very strong for self-help measures. I would like to follow it up.

Mr. CONTE. I will bring the pictures in.

TAX AND LAND REFORM PROGRESS UNDER THE ALLIANCE FOR PROGRESS

Regarding the Alliance for Progress, how are we progressing in regards to our tax reforms and land reforms in Latin America?

Mr. BELL. Well, when Tom Mann and Bill Rogers are here, they can give you full details. In general, the program of assistance to improve the tax administration in Latin American countries is going very well. The Internal Revenue Service of the Treasury has, as I am sure you gentlemen know, established a special unit which operates teams of agents who are sent down to the various Latin American countries to help them improve their tax systems. There are teams now in 6 to 12 countries.

The results in some cases are quite spectacular. The increases in revenues where tax administration has been improved is substantial. This is one important point.

Furthermore, there are also a number of countries which have passed significant tax legislation primarily to increase tax rates and to make tax burdens more equitable.

There are some seven or eight countries in which significant tax legislation of this kind has been adopted.

We do not by any means think the program of improving either tax laws or tax administration is completed. We have a long, long way to go.

I would say this is one of the more promising and one of the more encouraging aspects of the Alliance. There are still some countries that have not been touched very much.

There are 8 to 12 countries where there is a good record along these lines.

Land reform, I think, is moving somewhat more slowly. There are half a dozen countries in which the beginnings, the initial steps, have been taken—a law has been modified, an organization has been set up. All of these, however, I think we would say are in fairly early stages.

Perhaps the most encouraging is the one in Colombia. There is a very vigorous man in charge of a new land reform institute. Incidentally, this is a very good illustration of what is meant by land reform in Latin America because it is not primarily concerned with taking land owned in large estates and cutting it up and making it available to small property owners—there is some of that involved—but the main thing land reform means in Latin America is to work in a rural area and to make available the range of services and supplies which are needed so that the farmers in that area can increase their output.

This frequently requires credit. Farmers require supplies of such items as fertilizers or tools. It may involve marketing reforms. It may involve an extension service. But these various aspects are what the term "land reform" means in Latin America. It is really the kind of an agricultural support system that we have in this country, that we have developed over the years both through private distributors and salesmen and through the services provided by the Federal and State departments of agriculture and the land grant colleges.

Mr. RHODES. That is rather interesting to me. I have heard the wheat-cotton bill we passed last year called a land reform bill. We did not plan for it to be the type of bill that would break up large land holdings or collect small ones. I hope it was not that. You are very reassuring.

Mr. BELL. I did not mean to comment directly on that bill, Mr. Rhodes.

Mr. CONTE. Mr. Bell, I do not know whether you can answer this question or not.

EFFECTS OF CONGRESSIONAL REDUCTION IN BUDGET FOR FISCAL YEAR 1965

On your first page you say:

> First, the President's request for funds for fiscal 1965 is responsive to the congressional desire—which the President shares—to appropriate for foreign assistance only the tight, realistic minimum of funds needed to serve essential U.S requirements.

I just do not go along with the President on this.

Certainly, he has been up here 20 years. He knows the legislative process. He knows the pitfalls of this particular program. Certainly Congress will cut the program no matter how tight it is.

Based on what Secretary McNamara said, $1 billion for military assistance is the bare minimum they need, in fact they need more money than that.

Assuming the Congress does not cut the military appropriations, and it is my guess they will not, that leaves you $2.4 billion in economic assistance. If it is the bare minimum, it is going to be cut, and assuming it will be cut, I would like to know what you think it will do to your program. If you want to put this in the record, it is all right.

If economic assistance is cut from the amount $2.4 billion by $500 million, what will it do to your program, and if it is cut $200 million, what will it do to your program?

Mr. BELL. I will put something in the record on that.

(The information supplied follows:)

EFFECT OF CUTS OF $500 MILLION OR $200 MILLION ON AID ECONOMIC ASSISTANCE PROGRAM

The President's request for funds for the economic assistance program for fiscal year 1965 is a minimum request. It represents the lowest estimate of funds needed to serve essential U.S. requirements.

Development of these requirements for 1965 resulted from a detailed assessment of the minimum amounts needed for (1) transitional countries which are approaching the time when they will not need loan assistance on concessional terms; (2) countries where U.S. aid is designed to bring about substantial progress for security and development; and (3) countries where there are limited programs. Eighty-eight percent of all economic assistance will be concentrated in the 25 countries where aid is aimed at bringing about substantial progress for security and development; only 2 percent is planned for the transitional countries and 10 percent for the limited program countries.

The proposed funding level for fiscal year 1965 is slightly more than was actually available in fiscal year 1964. Thus any cuts in the proposed fiscal year 1965 appropriations would mean a substantial impairment in the U.S. capacity to assist other countries to maintain their security and to expand their economies. Even more important, any cuts could substantially effect U.S. security and foreign policy interests.

A reduction of either $200 or $500 million would have a proportional effect on the foreign aid programs. Because of the tightness of the program, a $200 million reduction would damage the U.S. capacity to carry out programs in the three categories mentioned above.

A reduction of $500 million would force deep cuts throughout the economic assistance program with grave implications to the U.S. national interest. The brunt of the cuts would have to be borne in countries where we have major programs, such as Vietnam. AID has been making a major effort during the past 3 years to move countries toward the point where their dependence on external assistance could be progressively reduced. A reduction at this time would jeopardize early realization of this objective. In particular, a reduction of $500 million would cripple the U.S. effort in the 25 countries—which are really 88 percent of U.S. economic assistance—where U.S. aid is aimed at bringing about substantial progress for security and development.

Mr. CONTE. When this bill comes up, we will have a guideline to go by.

GOAL OF ECONOMIC AID PROGRAMS

Mr. BELL. I will be glad to put something in the record on that. I would like to say in general, as I have been suggesting in these days of testimony, the funds that we are requesting on the economic side are as essential to the U.S. national interests as are the funds on the military side. When we work in Latin America, through economic means to help achieve some decent degree of economic and social progress and thereby prevent the attempt which is being made by extremists, mainly

Communists, to take over; that is as vital to the United States own interests as is the provision of arms and weapons around the rim of the Soviet Union and China for the same purpose.

In a country like Vietnam, the military and economic assistance are equally involved in helping to win that war. The same is true in many other countries.

ECONOMIC AID TO VIETNAM

Mr. GARY. What are you doing in Vietnam—your part of it?

Mr. BELL. Our part consists of the following elements:

First, we have people and equipment and supplies going out into the countryside in Vietnam which are to help the country people establish their defended villages, and to achieve some degree of improvement in their schools, in their shelter services, and in their agricultural production, so that the people on the Government side of the fight have some hope and promise for the future.

Second, there are some 75 to 100 young men out in the countryside in Vietnam in the various provinces, under considerable physical personal risk all the time, working right alongside our military advisers to the Vietnamese military units and paramilitary units in those rural areas.

Also, we are helping to support what is essentially the war economy of Vietnam. The Vietnamese are maintaining a very substantial military force. Their military budget is therefore high. The demands of their economy for commodities—for cement, chemicals, and iron and steel—and for current production of consumer goods of many kinds, is great. We are using surplus agricultural commodities where we can to supply the needs of the Vietnamese economy and we are financing other needs directly under the supporting assistance appropriation which is made available here. You can think of our effort really as two aspects. One is the direct work out in the countryside as part of the direct counterinsurgency activity, and the other is basic support for the Vietnamese economy so it can sustain this war effort. Both of these kinds of assistance are just as necessary to the successful outcome of the war there as are the military equipment we are providing, the military advisers that are in there, and so on.

AID TO LAOS

Mr. GARY. Is that also true with respect to Laos?

Mr. BELL. Yes, sir; although the amounts of money in Laos are far smaller. We are conducting the same two kinds of activities in Laos; yes, sir.

Mr. CONTE. Mr. Bell, I have one more question and that is in regard to employees in your shop downtown.

IMPORTANCE OF ECONOMIC AID PROGRAMS

Mr. BELL. Excuse me. I want to add two more points in response to your earlier question regarding the importance of economic assistance.

In India and Pakistan and elsewhere in Asia, economic assistance is what is necessary to enable those countries to have any chance of sustaining themselves as free societies.

I remember a year ago General Clay, time and again, speaking of the vital importance of continuing our major program of aid to India, which is mostly economic, said this is the area that has the people, has the industrial base, has the governmental and private leadership which can make it the counterweight to the Red Chinese. He said India is the most important area in which we are working in Asia.

In Africa, the amount of our help is relatively small. The Europeans are providing most of the aid in Africa. Our total is a bit more than $200 million, as I remember—grants, loans, everything. But the African situation is of course very volatile, and the outcome is of great importance to us, and these amounts, while relatively small, are of the greatest importance to the U.S. interest in the stability and progress of Africa.

NUMBER OF EMPLOYEES IN AID PROGRAM

Mr. CONTE. I want to go to one other question, and that is in regard to employees.

How many employees do we have in your shop? Let's put it this way: How many employees do we have in the entire aid program, the State Department and the AID agency itself?

Mr. BELL. For the Agency for International Development, including the Alliance for Progress, the direct-hire personnel strength as of June 30, 1963, was 6,881 Americans and 9,950—roughly—foreign nationals, making a total of 16,800.

Mr. CONTE. How many do we have right here in Washington, D.C.?

Mr. BELL. We have about 2,800.

Mr. CONTE. About 2,800?

Mr. BELL. Yes.

EMPLOYEES UNDER CIVIL SERVICE

Mr. CONTE. How many of those people are under civil service?

Mr. BELL. Nearly all of them.

I can provide the figure for the record.

(The information follows:)

NUMBER OF AID/WASHINGTON CIVIL SERVICE EMPLOYEES

As of March 25, 1964, there were a total of 2,868 direct-hire employees in the headquarters offices of AID. Of this total, 2,368 serve under civil service appointments. The remainder are Foreign Service personnel serving on rotational assignments, consultants or experts on temporary appointment pursuant to Public Law 600, or excepted appointees serving at the discretion of the Administrator under section 625 of the Foreign Assistance Act.

The Congress has never enacted a personnel authority, or statute, which was especially designed for this program. We have instead, from the beginning, used the civil service system for employees in Washington and the Foreign Service Reserve authority for positions overseas. This is for U.S. nationals.

Now, this has made for a good deal of awkwardness because neither system was designed for this kind of program. It has made for awkwardness in an additional sense in that our people rotate back and forth to Washington. When they go out to the field, they leave the civil service system in a technical sense and accept the Foreign Service Reserve appointment, but they have rights to resume the civil service appointment as and when they come back to Washington. So we work with a very mixed-up set of personnel authorities.

Mr. CONTE. Do we not have a lot of people down there that have been there since the aid program started back in Marshall plan days?

Mr. BELL. I do not know whether we have figures on length of service.

Yes, there certainly are numbers of individuals who have been there for a long time. Some of them date back beyond the Marshall plan into Nelson Rockefeller's Institute of Inter-American Affairs during World War II.

INCOMPETENT EMPLOYEES IN AGENCY

Mr. CONTE. I imagine we have a lot of hardworking, dedicated people in the AID Agency, but also, we must have a lot of deadwood. This must make it very difficult for a person in your position to clear out this deadwood. You are saddled with it, and under the civil service laws you cannot do anything about it. I wonder if there is any move to reorganize the whole department.

PENDING LEGISLATION TO EXTEND SELECTION-OUT SYSTEM

Mr. BELL. There is now before the House Foreign Affairs Committee a Presidential request made on our behalf to give us personnel authority we do not now have. One is to extend our selection-out system to the civil service employees. We have a selection-out system now authorized and in effect for our Foreign Service Reserve employees.

The selection-out system works on the basis of an annual evaluation of the performance of each employee. The records of those identified with marginal competence are reviewed by a special selection-out panel. There is an appeal process if the panel feels they should be removed and selected out. The procedure calls for an appeal process to the Administrator and if then selection out is confirmed, severance pay is authorized under our basic statute. It now applies to the Foreign Service Reserve employees, and we would like to have the authority to apply the same system to our civil service employees.

This is the major new authority we have asked for. We would expect to apply it steadily and continually over the coming years. You do not expect to remove a great many people at any one time by such a system. We expect gradually to level out the marginal employees and upgrade the average quality of your staff over a period of time. It cannot work quickly and overnight. It should not be embarked on if it was thought of in that way.

It is an element of a continuing personnel program for raising the quality of the people we have available to do this work.

DISCRETIONARY AUTHORITY TO REDUCE EMPLOYEE FORCE

The second element we have asked for is a short-term limited authority. This is to give me discretionary authority to eliminate up to 100 people per year only for the next 2 years and only for grades 13 and above. Only the upper levels would be subject to this particular authority.

Mr. CONTE. How about hiring?

Mr. BELL. Our hiring authority is the customary one.

Mr. CONTE. You say you will eliminate 100. If you wanted to hire 50 more to replace some of the 100, would you get back in the same saddle?

Mr. BELL. We are seeking to do a very careful selection job in our recruitment at the present time. I have watched the results of this for a year. I have seen the results of a year's work before that. I can personally testify if you go visit today the U.S. aid missions around the world, and if you look at the aid mission directors and the deputy directors we have there now, and you compare them with what we had 2 or 4 years ago, there is a very substantial improvement in the quality and competence of those people.

Many of the mission directors previously was not necessarily deadwood. They were often men who were good technicians, but they were not good managers.

Mr. CONTE. Misfits?

Mr. BELL. We are insisting today on topflight management people in our missions. I believe that this is evidence of what can be done by a steady effort to get the people we need and put them in the right place.

Mr. CONTE. My primary concern was right here in Washington.

Mr. BELL. My answer to you is, if the Foreign Affairs Committee and the Congress gives us the authority we are asking for, then I believe we would be able to put into effect, in addition to the authority we now have, the kind of personnel program which would result in a steady rise in the competence of the people here in Washington as well as in the field.

Mr. CONTE. In other words, you feel you will have the necessary tools to streamline your shop and bring it up to date where it should be.

Mr. BELL. Yes, I do.

UTILIZATION OF EXCESS FOREIGN CURRENCIES IN INDIA

Mr. RHODES. I have a question.

Mr. Bell, in your colloquy with Mr. Conte, it was mentioned that certain foreign currency which we have generated through the aid program which is in surplus to our needs might be utilized in a foundation, or through some other means by which it would possibly be of aid to the people in the nation rather than just being in a bank. I am interested in this. I think it might be well to mention a couple of red flags as far as the operation is concerned.

One, if the foundation is set up in such a manner as to have a free hand in its investment policies, and if the endowment is of some magnitude, I think you would possibly be putting a revolver at the head of the economy of that country in that inflation might follow if wrong investments were made.

Mr. BELL. I agree with that point. We have that very much in mind.

I should have indicated that as one of the questions to which we want to see an answer before we decide whether we want to do this or not.

Mr. RHODES. The tightrope you have to walk is this—you do not want to continue to have the political liability which our control of a lot of those funds continues to be. At the same time, you have to have enough control so you have not created a Frankenstein.

Mr. CONTE. You would have in mind a board of governors.

The American Ambassador would be on that board?

Mr. BELL. Yes; there would be American representatives on the board, quite possibly the Ambassador.

Mr. CONTE. And the representatives of the Indian Cabinet?

Mr. BELL. It would be a mixed board.

Mr. CONTE. This would be a very sensitive area.

Mr. BELL. I would hope that the process of investment of the funds might contribute to what is badly needed in India—a larger capital market there. We have to worry about the safety of the funds, too.

Mr. GARY. Mr. Bell, have you testified before the Foreign Affairs Committee?

Mr. BELL. I have, sir.

Mr. GARY. You can answer this question either on or off the record.

PROGRESS OF AUTHORIZATION LEGISLATION

Do you have any information as to what we might expect so far as the authorizing legislation is concerned?

Mr. BELL. You mean as to amount?

Mr. GARY. As to time.

Mr. BELL. I have the following understanding, Mr. Gary: The committee has completed its hearings of the administration witnesses, so far as I am aware, with the single exception that at the end of the testimony period they want me to come back for sort of a roundup day or so, which I have agreed to do.

Also, the committee has asked this year to hear the unified commanders of the military forces—General O'Meara from Panama, Admiral Felt from Honolulu, General Adams of STRIKE Command, and General Lemnitzer from Paris. That has not been quite completed.

In general, the committee has just about wound up with its hearing of administration witnesses. They have heard some public witnesses, and they have more to go. They told me yesterday afternoon that they hope to have my final appearance on about May 7.

Mr. GARY. Have you had any hearings at all in the Senate?

Mr. BELL. We have, sir.

The Senate called hearings starting 3 weeks ago. So far, on three of those separate pieces of legislation that the chairman of the Senate Foreign Relations Committee has introduced. One of them related to the additional authority we are asking for foreign investment guarantees.

They heard one morning's testimony on that aspect of it.

Then they heard Harland Cleveland on the authority for the contributions to international organizations.

Then last week I appeared. The subject of the discussion was the bill authorizing technical cooperation and development grants, that aspect of the total program.

Last week we met from 9 a.m. until 10, at which point a point of order was raised because the Senate was going into session and the committee was not allowed to meet longer.

I returned yesterday morning at 8:30, and was before the committee from 8:30 until 10 o'clock when a point of order was made and the Senate went into session.

The questions they asked me, however, were not in fact limited to the technical cooperation part of our entire program. I do not know what will be happening next. I am quite prepared to continue testifying as long as they wish.

Mr. GARY. You do not know when we will get a finally enacted authorization bill?

Mr. BELL. Not so far as the Senate is concerned; no, sir. I have no basis.

Mr. GARY. We cannot report until we get a final bill.

Mr. BELL. I understand, sir.

Mr. GARY. We have to have authorization before we can go on the floor at all.

Mr. PASSMAN. For aid officials and personnel, this is a 100-percent job with them; is it not? It is a full-time job?

Mr. BELL. Yes.

TOTAL PERSONNEL IN FOREIGN AID PROGRAM

The total number of personnel that are involved in the AID, all types, will be found on page 189 of part 3, of the hearings of last year, and the number is 64,536. Those are the participants, the contract personnel, the AID personnel, the military personnel, anyone getting a check from the Federal Government, 64,536.

Is that figure up or down for fiscal year 1964?

Mr. BELL. For fiscal year 1964, I do not have the figures here, Mr. Chairman. I am sure we can supply them

Mr. PASSMAN. This was April 30, 1963.

Mr. BELL. In order there may be no misunderstanding, I take it you are not asking for simply a figure representing the employees of the AID?

Mr. PASSMAN. I am asking for an up-to-date check on every person. I am using your caption—Agency for International Development, actual and estimated number of personnel employed, or participating in the foreign assistance program.

You gave us a total of 64,536. Now, if you will put a comparable table in the record at this point, we shall appreciate it.

(The information supplied follows:)

FOREIGN ASSISTANCE ACT PROGRAM, MILITARY AND ECONOMIC

Summary of personnel employed directly, contractor employees, man-year equivalent of supporting services received and foreign nationals being trained

	Apr. 30, 1963 [1]			Mar. 31, 1964 [2]		
	U.S. nationals	Foreign nationals	Total	U.S. nationals	Foreign nationals	Total
1. Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds and trust funds):						
Economic	6,809	9,846	16,655	6,780	9,626	16,406
Military [3]	13,550	2,011	15,561	10,172	1,991	12,163
Total, direct hire	20,359	11,857	32,216	16,952	11,617	28,569
2. Persons participating in program other than direct-hire (includes contractor employees and man-year equivalent of reimbursable supporting services of other agencies):						
Economic	3,279	815	4,094	3,611	859	4,470
Military	129	5,270	5,399	134	5,031	5,165
Total, other than direct hire	3,408	6,085	9,493	3,745	5,890	9,635
3. Foreign nationals being trained [4] (number of trainees programed):						
Economic	----------	11,168	[5] 11,168	----------	11,893	[6] 11,893
Military	----------	17,335	17,335	----------	21,319	21,319
Total, foreign national trainees	----------	28,503	28,503	----------	33,212	33,212
Grand total (includes foreign national trainees)	23,767	46,445	70,212	20,697	50,719	71,416

[1] Data as of Apr. 30, 1963, for economic programs and estimated as of June 30, 1963, for military programs (as presented to committee during fiscal year 1964 hearings).
[2] Data for items 1 and 2 as of Mar. 31, 1964, for economic programs and estimated as of June 30, 1964, for military programs.
[3] Includes military personnel paid from DOD appropriations.
[4] Data represents number of foreign national trainees programed for the year. Foreign nationals receiving training are not paid wages or salaries from foreign assistance funds; they are in no sense employees of the U.S. Government.
[5] Includes 2,702 contractor foreign national trainees.
[6] Includes 3,305 contractor foreign national trainees.

Foreign participants being trained in fiscal year 1963 and fiscal year 1964 (number programed during year)

	Fiscal year 1963	Fiscal year 1964
Economic [1]	11,168	11,893
Military	17,335	21,319
Total foreign participants	28,503	33,212

[1] Includes contractor participants—2,702 in fiscal year 1963 and 3,305 in fiscal year 1964.

Mr. BELL. I want to emphasize, Mr. Chairman——

Mr. PASSMAN. Put anything you want to in the record, as long as you show us the number of personnel getting an AID check every month. I think I am going to establish that maybe 50 percent of this money is either paid for personnel, or people flying around over the world—administrative expense.

Mr. BELL. The only point I wanted to make clear, which is clear in this table, is that figure includes thousands of people who are in training programs, and who are in no sense employees.

Mr. PASSMAN. I stated participants, contract personnel, AID personnel, military personnel, AID personnel borrowed from the State

Department. It is completely itemized. We want the record to show there are 64,000 checks, or whatever the number is, issued to personnel. If it takes 50 pages, you put them in, please.

Mr. BELL. If you are interested in the total number of persons who receive checks, you would be interested, for example, in the several thousands of employees who are working on dams, or highway projects.

Mr. PASSMAN. I am interested in what I requested, and that is. for you to give us a corresponding table in the record.

Mr. BELL. We can provide the corresponding figures.

Mr. PASSMAN. We would be very happy if you would.

We want you to put it in the record.

I am quite disturbed when I sit here and listen to an indication that it is our responsibility to go anywhere in the world where there may be some trouble.

ANTICIPATED INCREASE IN AID TO BRAZIL

There is an indication now that if Brazil finds it could use more money it is the United States responsibility to pour it in.

Mr. BELL. That is not what I said.

Mr. PASSMAN. That is the way I read it, that you might have a requirement for ——— more than is in this record.

Reading your own words, your statement says:

> The new developments in Brazil may well lead to an increase in our program in that country.

Mr. BELL. Right.

Mr. PASSMAN. If there is a need, and they can use it, we are going to try to make it available?

Mr. BELL. No, sir.

I want to be quite clear on what is meant by the sentence there and by my colloquy with Mr. Rhodes.

We are prepared under the Alliance concept to assist the Brazilians if they are prepared to help themselves, if they are prepared to undertake the stringent policy measures which will permit them to bring their very severe inflation under control, if they undertake the policies which will lead to a permanent improvement in the economic situation, if they meet the requirements which are primarily self-help requirements of the Alliance, then I said it may well be desirable for us to make more loans in Brazil.

Mr. PASSMAN. Or grants.

Mr. BELL. Well, it would be primarily loans.

Mr. PASSMAN. As Secretary Dillon says, development credits.

Regardless of what it is, however, if we determine that there is some justification, then we feel it is our obligation to increase the amount that may be obligated to Brazil, regardless of the category into which it falls?

Mr. BELL. If the Brazilians do their part, I think it would be in the interest of the United States to enlarge our assistance.

Mr. PASSMAN. I should think that what you have testified with relation to Brazil might also hold true, in your estimation, for some other 85 nations around the world. Is that not so?

Mr. BELL. The situation in Latin America, sir, is somewhat different in that there is the Alliance for Progress. It represents an obligation

jointly entered into. Such a regional arrangement does not exist in most other parts of the world.

ASSISTANCE TO INDIA

Mr. PASSMAN. What part of the total aid that we are appropriating goes to India?

I think we have given India close to $5 billion. Let us see what they have this year. I think they get about 12.5 percent of the total appropriation.

Mr. BELL. It would be in that rough vicinity.

ASSISTANCE TO PAKISTAN

Mr. PASSMAN. And Pakistan comes in for big amounts.

Mr. BELL. Yes. Actually, we have on page 13——

Mr. PASSMAN. Insert the information in the record.

Mr. BELL. Let me read from a figure that need not come out of the record.

Mr. PASSMAN. Are you reading from the gray material?

Mr. BELL. Yes.

Mr. PASSMAN. It will be your responsibility.

Mr. BELL. The point I was going to make, this table 3 on page 13 indicates, I think, with reasonable justification——

Mr. PASSMAN. To what table are you referring?

Mr. BELL. Table 3, that of the countries we are assisting, we have identified some 14.

Mr. PASSMAN. You put that information in the record earlier. We discussed it yesterday.

PHASEOUTS AND DISTRIBUTION OF ECONOMIC AID

Mr. BELL. Fourteen of the seventy-six are on the way out.

The key point I want to make right now is, if you look at the next group down, some 50 percent of our proposed aid will go to only seven countries.

Mr. PASSMAN. We see ———. You are drying up one spigot, but they are eligible for the other spigots of foreign aid.

They have, I believe, fabulous allocations out of Public Law 480, which in reality is aid, but it is coming out of another spigot.

We must look over and see what they are getting out of these other spigots of aid. This thing is splattered like a dropped egg.

They also have substantial money coming out of the military assistance program.

Mr. BELL. ——— does, yes. Many of these others——

Mr. PASSMAN. Others do, too, do they not?

Mr. BELL. Yes, some do, but most do not.

Mr. PASSMAN. You indicate one figure. I want to show there are other spigots.

Mr. BELL. The total amount of the aid is being reduced to these countries. The point of this table is to show that these countries are on their way out of the economic aid program. There is movement in the program. There is a process going on which will get these

countries, most of them, on their own feet and the aid process therefore can logically and legitimately be expected to have a termination process built into it.

Mr. PASSMAN. Let us hope so.

In fiscal 1956, when we thought the time had come to cut down, I believe Congress appropriated $2.703 billion. Another relatively low year was fiscal year 1958, $2.768 billion; in 1959, it was $3.298 billion; 1960, $3.225 billion.

How they did complain when we cut those requests.

Last year, for fiscal 1964, Congress reduced the appropriation to $3 billion. You would have thought the world was going to cave in on us. But, just as sure as I am sitting here, there is a lot of uncertainty about what is going to be unobligated in certain parts of the program.

PIPELINE

We look at this new pipeline. It is not a 6-inch pipeline. It has gone up to about a 9-inch pipeline, and it is flowing freely. Money available for expenditure, the pipeline, had gone up for this fiscal year to $10,805,592,768, in titles I and II of the program.

I know there are reasons for it. But it follows, nevertheless, that this pipeline is building up and building up. You heard me read into the record this morning the amount of money that is obligated which may be withdrawn from the pipeline in subsequent years, and show that it has gone up about $2¾ billion in just 4 years.

The law is on your side. You do have the right in the foreign aid program, under many categories, to fund projects, not one slice of the cost in 1 year, but many years in advance, do you not?

Mr. BELL. It is our policy, sir.

Mr. PASSMAN. That is all I asked you.

Mr. BELL. Which has been gone over by the Congress year after year.

Mr. PASSMAN. Surely.

You do have the right to fund the project for the total cost, and fund it years in advance of completion date?

Mr. BELL. It is our normal process to fund a project completely at the beginning when we make a loan for a power station or a dam.

Mr. PASSMAN. Flood control?

Mr. BELL. We do very little flood control business.

We lend the full amount of the money at the beginning.

Of course it is paid out gradually as the work is done.

Mr. PASSMAN. That is certainly not the practice for projects of similar type in this country.

Mr. BELL. Could I come back a moment to the point about the pipeline?

Mr. PASSMAN. What do you want to say?

Mr. BELL. On the pipeline, thinking of it in a somewhat more limited sense than you used the word, but thinking of unexpended balances, with the single exception of the lending aspects of our program, our pipeline is being reduced.

Mr. PASSMAN. Thank you.

UNEXPENDED CREDIT BALANCES FOR ECONOMIC AID TO LATIN AMERICA

Mr. BELL. Not increased. The unexpended balances of the loans outstanding primarily in Latin America has been rising for the last several years, and accounts for the increase in the unexpended balances total for the economic aspect of the aid program. I just wanted to make sure that the record showed we have been seeking to, and have been in fact successful in, reducing the unexpended balances for all parts of the aid program except the loans.

Now, the loans, the unexpended balances of the loans have been rising primarily because they are new programs.

The Alliance loans have begun only in recent years, and the entire emphasis on conducting the aid program by loans, or credits, whichever term you prefer, has been a fairly recent one. As we have gone into loans and have, as you pointed out, made the amount of the loan available at the time the loan is signed and the projects have taken, and are taking some years to complete, there is indeed a rising volume of funds committed but unspent. That is about to taper off. We do not expect that this will be a continuing process because the amount of new loans and the amount of expenditures under outstanding loans is now approaching equality.

Mr. PASSMAN. Mr. Bell, thank you.

To start with, they are not loans. I asked Secretary Dillon, "Do you call these things loans?" and he said, "No, they are development credits."

You scatter these things out over the world, 30 or 40 or 50 years, no interest, and I just do not think of them as loans, and neither does Mr. Dillon.

INCREASES IN TOTAL PIPELINE AND DEVELOPMENT LOAN FUND

I want to repeat that 4 years ago the unexpended balance in the total category, in the pipeline was $8,511 million. But it had gone up 4 years later $10,805,768,000.

Then, I find on my recapitulation sheet then, "Development Loan Fund," and the amount unexpended was $1,347,710,480. This year the unexpended amount for the so-called development loans is about $2.9 billion.

And, really, it makes no difference what you call these transactions, it is still disposing of the American taxpayers' money.

There is no legislation that is going to bring any of it back into the U.S. Treasury. Whatever may be repaid goes into one of these revolving funds, through which it is redistributed.

I read from previous testimony by Mr. Hutchinson, with relation to Ghana, in our hearings:

Mr. PASSMAN. We are dealing with one deobligation.

The Defense Department calls it recoupment. Some of you people, I think, call it an overrun, not overobligated, or overestimated. I continue to quote:

Mr. PASSMAN. You are speaking of an overrun of $32 million. Did you obligate the overrun?

Mr. HUTCHINSON. We did, sir.

Mr. PASSMAN. There is a possibility there will be that much which you can in some subsequent year deobligate?

Mr. HUTCHINSON. That is theoretically possible.

Mr. PASSMAN. If it is an overrun, you just funded to the maximum, rather than the minimum?

Mr. HUTCHINSON. To the maximum cost estimate, yes, sir.

Mr. PASSMAN. It could very well be that the $32 million overrun would in some subsequent year be available for other projects?

Mr. HUTCHINSON. It would not be $32 million; the $32 million cost overrun we are talking about was a revision of our estimate of what it would cost in relation to the estimates that had been provided by the engineers in the first instance.

Mr. PASSMAN. Is this an exception, or is that the rule under which we operate?

Mr. HUTCHINSON. We normally try to be sure to obilgate to the estimated full cost of the project, rather than underestimate the cost. To do so would only mean we would be deluding ourselves and you, if we said the project was going to cost x when it was going to x-plus-some-more.

Mr. PASSMAN. Do you have a contingency account in every one of your contracts?

Mr. HUTCHINSON. Some contingency for a cost overrun.

Mr. PASSMAN. Thank you.

Now, he says, in effect, that they estimate more than the cost, and there is a contingency item built into these estimates. While, then, at some subsequent date, maybe 10 or 12 years from now, they will find out these projects did not cost what they were supposed to cost, and that this accounted for the pipeline going up.

Mr. BELL. I suggest, sir, that we might ask Mr. Tennant to prepare for us and for the committee, a summary of the facts on, say projects that have been completed over the last 2 or 3 years.

Mr. PASSMAN. That is good.

You put anything you want to in the record with respect to what you have, or have not, obligated, squeezed out, overrun, or deobligated; but Mr. Hutchinson's testimony shows that they have a reserve, or contingency account built into these projects.

Mr. BELL. May I put into the record, sir, a paper of the kind I have just suggested?

Mr. PASSMAN. Yes, and give us a copy of it.

(The information supplied follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT

Special analysis of development loans which have been fully disbursed, as of Apr. 30, 1964

Country	Loan No.	Original amount authorized	Changes during life of loan		Amount disbursed	Deobligations to effect closeout adjustments
			Upward amendments	Downward amendments		
Argentina	510-A-003	$24,750,000.00			$24,612,828.38	$137,171.62
	510-L-005	20,000,000.00			20,000,000.00	
Brazil	512-A-003	240,000.00			210,266.36	29,733.64
	512-L-004	50,000,000.00	$24,500,000		74,500,000.00	
Bolivia	511-A-001	2,500,000.00			2,498,149.17	1,850.83
Ceylon	383-A-002	1,600,000.00			1,475,942.29	124,057.71
	383-A-003	900,000.00			894,495.25	5,504.75
Chile	513-A-005	300,000.00			103,237.00	197,763.00
	513-A-009	5,000,000.00			5,000,000.00	
	513-L-017	40,000,000.00			40,000,000.00	
	513-L-018	35,000,000.00			35,000,000.00	
China	484-A-004	2,750,000.00	250,000		2,992,220.97	7,779.03
	484-A-007	2,000,000.00		$1,100,000	212,981.31	687,018.69
	484-A-008	1,000,000.00			1,000,000.00	
	484-A-009	686,000.00			683,374.65	2,625.35
	484-A-010	1,350,000.00			1,342,559.52	7,440.48
	484-A-012	2,500,000.00			2,483,182.11	16,817.89
	484-A-014	5,900,000.00			5,896,413.99	3,586.01
	484-A-024	40,000,000.00			234,417.94	[1]39,765,582.06
Colombia	514-A-016	8,000,000.00			8,000,000.00	
Costa Rica	515-A-002	300,000.00			299,883.18	116.82
	515-A-003	5,000,000.00			5,000,000.00	
Ecuador	518-A-007	5,300,000.00			5,300,000.00	
Ethiopia	663-A-001	500,000.00			499,999.94	.06
	663-A-003	180,000.00			20,965.37	159,034.63
Guatemala	520-A-001	400,000.00			399,217.15	782.85
Haiti	521-A-001	4,300,000.00			4,251,675.23	48,324.77
	521-A-002	300,000.00			298,720.00	1,280.00
Honduras	522-A-002	5,000,000.00			5,000,000.00	
India	386-A-006	40,000,000.00		10,000,000	29,990,755.78	9,244.22
	386-A-007	35,000,000.00			34,939,161.14	60,838.86
	386-A-010	35,000,000.00			34,991,053.12	8,946.88
	386-A-011	18,000,000.00			17,909,693.57	90,306.43
	386-A-012	22,000,000.00			21,927,319.91	72,680.09
	386-A-013	10,000,000.00			10,000,000.00	
	386-A-014	15,000,000.00			14,865,060.41	134,939.59
	386-A-023	13,100,000.00			13,072,990.08	27,009.92
Indonesia	497-A-009	2,600,000.00			2,469,486.80	130,513.20
Iran	265-A-005	47,500,000.00			45,912,478.24	1,587,521.76
Israel	271-A-011	15,000,000.00			15,000,000.00	
	271-A-042	15,000,000.00			15,000,000.00	
	271-A-056	666,666.67			666,666.67	
	271-H-063	10,000,000.00			9,995,983.50	4,016.50
Jordan	278-A-002	1,500,000.00			1,269,026.36	230,973.64
Korea	489-A-001	2,140,000.00			2,139,599.93	400.07
	489-A-002	3,500,000.00			3,491,279.69	8,720.31
	489-A-003	1,500,000.00			1,114,631.44	385,368.56
	489-H-016	8,300,000.00			6,388,391.10	1,911,608.90
Lebanon	268-A-003	400,000.00			369,590.05	30,409.95
Liberia	669-A-002	3,000,000.00			150,000.00	[2]2,850,000.00
Netherlands	147-A-004	3,000,000.00			3,000,000.00	
Nicaragua	524-A-001	600,000.00			585,278.11	14,721.89
Nigeria	620-A-001	800,000.00			663,600.00	136,400.00
	620-A-002	3,100,000.00			2,997,198.21	102,801.79
Pakistan	391-A-008	4,200,000.00			4,200,000.00	
	391-A-018	4,800,000.00		1,000,000	3,045,130.30	754,869.70
	391-A-022	2,000,000.00			1,993,693.59	6,306.41
	391-A-035	6,500,000.00			6,499,369.57	630.43
Paraguay	526-A-003	1,000,000.00			1,000,000.00	
	526-A-004	2,500,000.00			2,499,936.65	63.35
	526-A-005	2,600,000.00			2,574,410.37	25,589.63
Philippines	492-A-009	2,100,000.00			330,567.75	[3]1,769,432.25
Spain	152-A-047	3,900,000.00		2,121,087	1,679,359.28	99,553.72
	152-A-048	350,000.00			340,274.44	9,725.56

[1] Deobligation resulting from change in scope of project.
[2] Borrower obtained other sources of financing for this project.
[3] Project abandoned upon dissolution of corporation by stockholders.

AGENCY FOR INTERNATIONAL DEVELOPMENT—Continued

Special analysis of development loans which have been fully disbursed, as of Apr. 30, 1964—Continued

Country	Loan No.	Original amount authorized	Changes during life of loan		Amount disbursed	Deobligations to effect closeout adjustments
			Upward amendments	Downward amendments		
Sudan	650-A-001	$10,000,000.00			$9,978,133.70	$21,866.30
Syria	276-A-001	700,000.00			699,997.00	3.00
Thailand	493-A-006	1,750,000.00			1,750,000.00	
	493-A-007	750,000.00			750,000.00	
Turkey	277-A-008	900,000.00			543,974.16	356,025.84
Uruguay	528-L-015	6,000,000.00			6,000,000.00	
Venezuela	529-A-001	5,000,000.00			5,000,000.00	
Yugoslavia	158-A-011	5,000,000.00			4,992,250.34	7,749.66
	158-A-014	14,800,000.00			14,748,552.88	51,447.12
	158-A-021	5,200,000.00			5,174,639.10	25,360.90
Total		652,512,666.67	$24,750,000	$14,221,087	610,920,063.05	52,121,516.62

NOTE.—The alphabetical letter contained in the loan number identifies the type of loan as follows: A—Loans authorized by the former Development Loan Fund; H—AID development loans (loans authorized under ch. 2, title I, Development Loan Fund, of the Foreign Assistance Act of 1961); L—Alliance for Progress loans.

PIPELINE BUILDUP

Mr. BELL. My guess on this point, sir, is that we have had as many overruns as underruns. We tried to have enough funds to complete the project.

I would like to find out what our experience is.

Mr. PASSMAN. Please find out. The big money is being spent in the future. When you have a pipeline of $10 billion built up that will run for 2½ years, maybe, and you are getting more in the pipeline all the time, it will be 7 or 8 or 10 years before you know, actually, what some of those projects are going to cost.

Mr. BELL. I believe, sir, we follow the standard estimating and costing practices of the normal consulting engineering firms that we employ. I will try to put into the record something that indicates our experience.

TAX REFORM UNDER THE ALLIANCE FOR PROGRESS

Mr. PASSMAN. With reference to Latin America, some of the countries have finally agreed to enact tax laws and land reform laws. But passing laws is one thing, and enforcing them is something else. So, I think we should concern ourselves with the extent to which they are going out and collecting these taxes. Let us concern ourselves with whether or not they are getting ready to enforce these laws; or, whether they are just passing laws and doing it in order to get our aid.

Mr. BELL. There is the main point I made to Mr. Conte——

Mr. PASSMAN. You might pass all kinds of laws, but if there is no intention of enforcing the laws, it does not make any difference.

Mr. BELL. I agree entirely with your point.

Mr. PASSMAN. Thank you, Mr. Bell.

Mr. BELL. And our evidence is that 10 or a dozen of the countries in Latin America are indeed carrying out effective programs of improving their tax administration, meaning that they are collecting more of the taxes that are due.

Mr. PASSMAN. We hope so.

Mr. BELL. The testimony on this that I think is most expert is that of the Internal Revenue Service of the Treasury Department, which is providing the technical advisers for this work, and if the committee wishes, they, of course, could come before you or could respond to an inquiry.

Mr. PASSMAN. Who is that who wants to come?

Mr. BELL. I say the Internal Revenue Service of the Treasury Department——

Mr. PASSMAN. Let them send something down for the record.

(The information supplied follows:)

INTERNAL REVENUE SERVICE ACTIVITY IN LATIN AMERICA

The IRS, under its working agreement with AID, has conducted surveys, supplied advisory services, and trained participants in the field of tax administration in Latin America. In addition, IRS advisers have been trained for utilization as a Latin American Tax Assistance Reserve (LATAR). In fiscal year 1963, IRS advisory services were provided for 9 countries (Bolivia, Costa Rica, Guatemala, Honduras, Panama, Chile, Colombia, Ecuador, Peru) by 3 long-term advisers and 20 short-term technicians. at a cost to AID of $24,477. IRS also trained 26 participants from 12 Latin American countries (Argentina, Bolivia, Brazil, Costa Rica, Guatemala, Honduras, Chile, Ecuador, Mexico, Uruguay, Venezuela, and British Guiana).

For fiscal year 1964, it is estimated that IRS will have supplied advisory services to 11 Latin American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Chile, Colombia, Ecuador, Peru, and Venezuela), through 22 long-term and 28 short-term technicians, at an estimated cost to AID of $548,592. It is estimated that 23 participants from 10 countries (Brazil, El Salvador, Honduras, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela, British Guiana) will be trained during the year. Also, 40 IRS advisers will have received LATAR training (including Spanish language training), at an estimated cost to AID of $313,987. Nineteen of these advisers have been or are in process of being assigned for Latin America duty tours; 16 are still in training.

During fiscal year 1965, it is estimated that IRS advisory services will be furnished to ROCAP and 15 Latin American countries (Costa Rica, El Salvador, Guatemala, Nicaragua, Panama, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Paraguay, Uruguay, and Venezuela) through 44 long-term and 26 short-term technicians, at an estimated cost to AID of $1,114,387. It is anticipated that training will be offered to 100 participants from 17 Latin American countries (Argentina, Bolivia, Brazil, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, Dominican Republic). AID is setting aside $345,210 for 2 further LATAR training programs, 1 with Portuguese language training, the other Spanish language training, for 40 additional IRS advisers whose services may be requested by Brazil and other Latin American countries.

Mr. CONTE. Three of us sit on another committee, Treasury and Post Office, and I did cross-examine Mr. Caplin at great length on this. We appropriated money in that committee for agents to go to Latin America to try to strengthen and improve their collection system and have better enforcement.

Mr. BELL. That's right.

Mr. CONTE. In the Treasury record you will find Mr. Caplin gave an explanation of this.

Mr. RHODES. A direct appropriation to the Department to do that?

Mr. CONTE. Yes, sir.

Mr. PASSMAN. How much money are you allocating for the same purposes?

Mr. BELL. We will put in the complete costing arrangement.

Mr. PASSMAN. Put in the record, please, the countries which have tax obligations, and also the countries which have passed laws raising taxes. And then, maybe we could have something concerning the introduction or enactment of legislation forgiving the taxpayer from paying the taxes.

You and I know that if they pass these laws, they are going to have to go out and collect the money.

(The information supplied follows:)

TAX REFORMS AND ACHIEVEMENTS

Tax reform progress in the Americas has been impressive during the past 3 years. Whereas tax change toward more equitable and productive revenue structures had been a neglected question in pre-Alliance Latin America, it is now a central political issue in most countries. In many, substantial and concrete achievement is already evident.

Judged by a number of criteria—such as equity aspects, administrative progress, economic soundness and revenue consequences—achievement has been notable in a number of countries. Information on all but Haiti, Honduras, Dominican Republic, Panama, and Uruguay (excluded because of lack of current data) is summarized below.

Bolivia: Tax revenues have increased some 30 percent, or from 7.9 percent of the GNP to 9 percent, since 1961, owing largely to administrative improvements in income tax and customs administration.

Chile: Tax revenues estimated at $724 million in 1963 have increased some $300 million or by more than 70 percent (current prices) in the period 1961–63, keeping ahead of price increases. Major substantive reforms of the property, income, inheritance, and stamp taxes have been enacted. Perhaps most important for the future is the thoroughgoing modernization and reorganization of the income tax administration. In 1963, the Government secured five criminal indictments for tax evasion—the first in Chilean history.

Colombia: Tax revenues increased from about $270 million in 1961 to $380 million in 1963—a 40-percent increase—well ahead of price index increases in 1963. In real terms, tax yields increased some 12 percent. A major program of administrative modernization has been successfully launched. Technical planning for the introduction of withholding at source for the income tax is already far advanced. An AID/IRS team is assisting in these efforts. The revenue capacity of the already technically sound tax structure was strengthened by 1963 reforms which plugged a number of income tax loopholes, added an income tax surcharge, provided for a general sales tax and a strengthened property tax.

Ecuador: With the help of an AID/IRS team, Ecuador has begun to attack vigorously her most pressing tax reform problems. A comprehensive program of administrative overhauling should lead to better collections (estimated at 20 percent in fiscal year 1964).

El Salvador: Tax revenues estimated at $66 million ($8 million increase from 1961 to 1963) have risen some 14 percent in real terms in the period 1961–63, keeping pace with the rapidly increasing GNP. There have been major substantive and administrative changes in the income and sales taxes, whose yields increased 57 and 26 percent, respectively, over the 3-year period.

Mexico: Administrative and legislative reforms have been significant, with revenues increasing as a percentage of GNP. Tax revenues increased by about $216 million or by some 27 percent, as compared to a price rise of only 6 percent.

Costa Rica: Revenues have grown more rapidly than GNP increases and price rises, 1961–63, owing in large part to improvements in the administration of the income and property taxes. Yields of both taxes roughly doubled over the period. However, the country faces a difficult fiscal situation and has not yet undertaken the basic reforms which appear called for.

Guatemala: Revenues have increased slightly as a percentage of GNP, 1961–63, and kept well ahead of cost-of-living increases (revenues 11 percent, cost-of-living index, 3 percent). There have been reforms. The country's first, but weak, personal income tax was introduced. While progress has been spotty in the past, increased administrative efforts this year are already reflected in a 23-percent rise in first quarter collections over the same period last year.

Nicaragua: Numerous amendments of the indirect taxes have been important in keeping tax yield increases equal to the rapid growth of the GNP, 1961–63. However, no basic reforms of the highly regressive system have been undertaken.

Peru: Revenues rose from 14.5 to 16 percent of the rapidly increasing GNP, 1961–63. To a large extent, the $100 million or 33 percent increase in revenues—which is well ahead of a price increase of approximately 11 percent—reflected numerous legislative changes in indirect taxes. While Peru has just embarked upon a program of comprehensive administrative reform with the assistance of an AID/IRS team, no basic reforms of the essentially regressive tax structure have yet been undertaken.

Venezuela: Various substantive and administrative improvements have been made over the past 3 years, but little of a basic character has been attempted. Total tax revenue increased by $160 million. Oil revenues keep pace with the rapidly growing GNP (at roughly 23 percent of GNP).

Paraguay: Tax revenues increased from 12 percent of GNP in 1961 to 14 percent in 1963. Customs administration has been strengthened. Other reforms have lagged: Paraguay remains the only country in the hemisphere without a personal income tax.

Argentina: Tax yields have been dampened by adverse business conditions, and fell as a percentage of GNP, 1961–63. Increasing collections grew less rapidly than price rises. Partially offsetting this negative performance are substantial improvements in administration and the adoption of a variety of legislative improvements. The tax structure is basically sound, and given an upswing in the economy, its productivity should improve.

Brazil: Central Government revenues increased slightly faster than prices in 1963. They have remained as approximately the same percentage of GNP over the period 1961–63. While Central Government tax reforms have been modest, substantial improvements in the tax structures and administration of various important States have been made. This is particularly important in Brazil where the States share almost equal taxing power with the Central Government.

TAX PENALTY AMNESTIES

We have reviewed the tax legislation of Latin America during the past few years, and no cases were uncovered in which any country has provided forgiveness to delinquent taxpayers of past taxes due. However, tax penalty amnesties are common, and on occasion, as in Costa Rica last year, discounts are provided for the advance payment of taxes. Ordinarily, the amnesty legislation provides that if delinquent taxpayers identify themselves and declare their past taxes within a specified period of time, penatlies, or interest charges for late payment or failure to file will be wholly or partially waived. Ordinarily, these penalties are substantially increased for those taxpayers who fail to voluntarily come forward during the amnesty period. As a general proposition, we do not look upon tax penalty amnesties with favor although recent amnesties in several countries, such as Argentina, have been reasonably successful.

If resorted to with any frequency, they tend to undermine the credibility of the penalty system and over the long run discourage timely compliance. If delinquents are not prosecuted after the amnesty period has elapsed, the government's overall tax administrative capabilities would be discredited, and enforcement would be more difficult. AID policy and practices in most countries—such as Colombia, Chile, Costa Rica, Peru, and Guatemala, where active tax administration programs are underway—has been to strengthen capabilities for current and timely collections, so as to obviate the need for these questionable amnesty practices. Given strong tax administrations, the need for penalty amnesties would not arise.

PORTION OF BUDGET FOR SALARIES AND OTHER PERSONNEL BENEFITS

You have those 64,000 employees and participants—military personnel, AID personnel, foreign nationals, and American personnel. I wish we could ascertain what this is costing per year. It is my

understanding that maybe more than half the total appropriation is either paid out to personnel or paid out for subsistence or for airplane tickets. We may both want to have a look at that.

Mr. BELL. It can't be, Mr. Chairman.

Mr. PASSMAN. You have a look. If it is only 2 percent, put it in the record.

Mr. BELL. We will be glad to put it in the record.

Mr. PASSMAN. The total checks drawn for all personnel connected with the Agency, and related costs. I am talking about subsistence, transportation, and housing. Let us get down to what part of this aid appropriation is actually going for commodities. Is it not well for us to know those facts?

Mr. BELL. Sure, but the bulk of the military assistance funds are used for military equipment and the bulk of the economic assistance funds are used for loans, for projects and commodities.

Mr. PASSMAN. Mr. Tennant, would you say the average salary of an AID individual, and subsistence across the board, would be $8,000 a year, or what would the figure be?

Mr. BELL. The ones abroad would probably be on the order of $25,000. The ones for the United States are, of course, a lot less than that.

Mr. PASSMAN. Let us just multiply $12,000 by 1,000 one time, Mr. Bell.

Mr. BELL. $12,000 times 1,000 is $12 million.

Mr. PASSMAN. Now, will you take that sum and multiply it by 64?

Mr. BELL. That is about $768 million.

Mr. PASSMAN. We are running up a little bit; aren't we?

Now, if you will add all other related expenses to it——

Mr. BELL. This includes the related expenses. That is why it gets up as high as $12,000 per person.

Mr. PASSMAN. We used $12,000, and you say the total overseas comes nearer $25,000.

Mr. BELL. I thought your 12 was a rough average of the overseas and the United States.

Mr. PASSMAN. I do not know. You keep the books. But put the data in the record, please.

(The information follows:)

Personnel compensation, benefits, and travel, and participant costs for fiscal year 1964[1]

Direct-hire:	
Economic	$128,600,000
Military	[2] 86,300,000
Total direct-hire	214,900,000
Other than direct-hire:	
Economic	74,900,000
Military	12,400,000
Total, other than direct-hire	87,300,000
Participant costs:	
Economic	44,300,000
Military	49,000,000
Total participant costs	93,300,000
Total costs	395,500,000

[1] Based on numbers of people as shown in insert for p. 1978, Apr. 22, 1964.

[2] Approximately $75,000,000 is for military personnel and is not paid from mutual defense and development funds.

NONENFORCEMENT OF "BUY AMERICA" POLICY

Mr. PASSMAN. We advocate the "buy America" policy for foreign aid, and certainly we want to continue it, but let us do a little analyzing and see whether or not it is working out to the extent that we desire.

What is the extent of these development banks in Latin America?

Mr. BELL. The development banks to which we have made loans?

Mr. PASSMAN. No; we know there are all kinds of cooperative banks—the farm banks, the development banks.

Mr. BELL. I would suppose there would be 20 or 30, sir.

Mr. PASSMAN. I think there are several hundred.

Mr. BELL. Let me define what I am talking about, sir. It may be different from the question that you have in mind.

There are, in a number of Latin American countries, development banks set up to make loans to businessmen. We normally do not lend or help finance more than one of those per country, and there are several countries in which we don't have any. Secondly, we helped establish agricultural credit banks or funds which have the purpose of making credits. Normally there is a central institution of that kind in a country, and it may have relations with, it may have helped to support a lot of individual co-ops or individual credit enterprises, but the central organization is normally the one to which we make a loan, and there would be only one of those in a country, and in some countries, not even one. We do a similar thing in the field of housing.

Now, you think of them as industrial, agricultural, and housing credit institutions. Our loans go to the central unit in the country; that is why I suggested that in Latin America, considering the fact that we don't have these things at all in some Latin American countries, there might roughly be 20 to 30, but we will certainly check——

(Additional information supplied follows:)

DOLLAR LOANS TO INTERMEDIATE CREDIT INSTITUTIONS IN LATIN AMERICA

Through December 31, 1963, the Agency for International Development and its predecessor agencies had authorized a total of 32 dollar loans totaling $253 million to 29 intermediate credit institutions in Latin America, broken down as follows:

Industrial or development banks: Nine loans to eight institutions totaling $38.5 million.

Housing institutions: 14 loans to 13 institutions totaling $135.1 million.

Agricultural credit institutions: Nine loans to eight institutions totaling $79.6 million.

Mr. PASSMAN. Let me say, there are several hundred.

Mr. BELL. That is not what I am talking about.

Mr. PASSMAN. I am talking about the different types of lending institutions, banks and subbanks which branch out from grants that we make, or long-term development credits, whether it is through the Inter-American Development Bank or otherwise.

I am looking at page 2034 of last year's hearings and it shows the total for Latin American countries: $235,500,000.

There is no "buy America" clause attached to these loans, is there?

Mr. BELL. We do it in two ways. First, in the case of many industrial development banks, what we make available is U.S. dollars for use in the United States if the borrower wants to buy something from the United States. That is one way of controlling the expenditure of the funds.

The second is where we make available dollars, which in effect are going to be used as additional capital in the local currency and subloans are going to be in the local currency: we would require that those dollars be identified in the central banking system of the country—we make them available in the form normally of a special letter of credit so they can only be spent for U.S. items.

Mr. PASSMAN. There are many of these banks. They are getting loans out of one of the windows of what they refer to as the Inter-American Development Bank.

Mr. BELL. I wasn't talking about the Inter-American Development Bank. I apologize.

Mr. PASSMAN. Through these banks, after the money leaves the prime recipient, it branches out. Down on the local level, a lot of little building and loans and finance companies are involved, and these finance companies make loans to build houses, and none of that ever comes back to buy any American commodity.

Mr. BELL. No, but the initial dollars were made available only in the form—I am not talking about the Inter-American Development Bank, the AID——

Mr. PASSMAN. That is what I am talking about.

Mr. BELL. The point I was going to make, sir, is that the policies of the Inter-American Development Bank—you are entirely right—are different policies from those followed by AID, on this matter.

Mr. PASSMAN. I know there is no "buy America" provision in the IDB.

I have a list here, put out by the U.S. Government, to businessmen, subject "Aid to Business—Oversea Investment." Maybe this document was issued prior to your coming with the Agency, Mr. Bell?

Mr. BELL. The document was put out after I got there in about March, a year ago, roughly.

Mr. PASSMAN. It is a good supplement to what I indicated earlier, and believe me, these loan agencies are going to be borrowing from each other. This is rather farfetched, and it would be well for all of us to know what part of the foreign aid money is tied in with IDA, and with the Inter-American Development Bank.

(Additional information supplied follows:)

PROCUREMENT UNDER AID LOANS TO DEVELOPMENT BANKS

Almost all AID dollar loans are used exclusively to meet essential dollar foreign exchange costs of approved projects. This is consistent with U.S. policy on self-help and the need to minimize any adverse effect on the U.S. balance-of-payments position.

In a few exceptional cases a portion of the dollar funds may be authorized to finance costs in local currency. Thus in the use of AID loan funds, primary emphasis will be placed on the procurement of goods and services of U.S. origin. In special and compelling cases a waiver to permit non-U.S. procurement may be provided for individual subloans (e.g., for reasons of technical compatibility).

Mr. BELL. I remember typically the arrangement is either dollars which are made available to one of those banks for the procurement of U.S. equipment or commodities, or we make the dollars available under a special letter of credit which can only be spent here.

Mr. PASSMAN. You are talking strictly about AID?

Mr. BELL. Yes, sir.

Mr. PASSMAN. You are not talking about these international institutions?

Mr. BELL. No. We will check on this. I agree.

Mr. PASSMAN. You say you agree?

Mr. BELL. I agree that I will check on it.

Mr. PASSMAN. Well you are going to agree after you check that I am correct.

(Information supplied later follows:)

Procurement experience of international lending institutions cumulative through Mar. 31, 1964 [1]

[In terms of millions of U.S. dollars]

	International Bank for Reconstruction and Development loans	International Development Association credits		International Bank for Reconstruction and Development loans	International Development Association credits
Belgium	131.0	3.7	Sweden	72.6	2.9
Canada	152.1	7.5	Switzerland	117.7	1.0
France	221.0	4.1	United Kingdom	647.2	16.0
Germany	492.1	5.1	United States	1,964.2	15.1
Italy	193.6	3.5	All other	205.7	3.1
Japan	131.0	32.6			
Netherlands	55.6	4.7	Total	4,383.7	99.1

[1] These figures are based on disbursements and represent only items which can be identified as to procurement source. In view of the relatively short period covered by the International Development Association figures, they should not be regarded as an accurate indication of future trends. The results of IBRD procurement over a much longer period are considered to be a closer approximation to the likely long-term experience with the International Development Association. Totals do not add due to rounding.

INVESTMENT GUARANTEES

With respect to investment guarantees, I believe there were two claims against that account as of last year?

Mr. BELL. From the beginning of it, I believe that's right.

Mr. PASSMAN. I think you had one, just a few thousand dollars, out in the Congo. Did we later recover on that one?

Mr. BELL. I am not sure.

Mr. PASSMAN. We may have?

Mr. BELL. There was an investor in a plywood factory in the Congo. He received $69,000 for his inconvertible Congolese currency.

We took over that currency. We subsequently disposed of it at a slight gain.

Mr. PASSMAN. So we had a profit?

Mr. BELL. Yes.

Mr. PASSMAN. That pins it down to where there has been only one loss, and that was the ship contract in Taiwan; is that correct?

Mr. BELL. Yes, and there is another claim pending.

Mr. PASSMAN. I am talking about the ones we have paid.

Mr. BELL. Right.

Mr. PASSMAN. What was the amount of the Taiwan ship item?

Mr. BELL. $650,000.

Mr. PASSMAN. What was the company?

Mr. BELL. The payment was to Bank of America and the Marine Midland Industries Co.

Mr. PASSMAN. They were guaranteeing Ingalls of Taiwan, which was a subsidiary of the Ingalls Co. in America?

Mr. BELL. I assume so.

Mr. PASSMAN. Have we collected any on that account, or is it all washed up?

Mr. BELL. The legal proceedings have been instituted to enforce the liens and unsecured claims. In fact there is little likelihood of any substantial recovery being realized on that guarantee.

Mr. PASSMAN. That is a good record, so far.

Mr. BELL. That's right. This record could be changed overnight.

Mr. PASSMAN. You are not asking for any increase in that item for the investment guarantee?

Mr. BELL. No, sir, not here for the appropriations, but there is in the authorization statute a proposed increase.

CONGRESSIONAL BUDGET CUTS

Mr. PASSMAN. We have the same Secretary of State and the same Secretary of Defense that we had in 1960?

Mr. BELL. After January 20, yes, sir.

Mr. PASSMAN. We had the same Secretary of State, and the same Secretary of Defense on September 1, 1961, that we have today. That would cover the fiscal year 1962 appropriation. Am I correct?

Mr. BELL. I assume so, sir.

Mr. PASSMAN. Well, you fellows know.

I know, however, it must be the same Secretary of State and the same Secretary of Defense, because they both signed the letter to the distinguished chairman of the full Committee on Appropriations.

Mr. BELL. I will verify that, sir.

Mr. PASSMAN. They said here, and the letter was slipped under the door while the bill was to be reported to the full committee.

Mr. BELL. When was this?

Mr. PASSMAN. September 1, 1961.

I read from the letter:

DEAR MR. CHAIRMAN: We understand your committee today is considering the recommendation of the Subcommittee on Foreign Operations with respect to the appropriation of funds for foreign assistance for the fiscal year 1962. These recommendations, according to our information, involve reductions amounting to approximately $900 million from amounts authorized or anticipated to be authorized by the Congress.

Then, the next to the last paragraph:

In summary, it is our belief that the cuts proposed by the subcommittee would greatly increase existing risks to the political and military position of the free world in the face of the Sino-Soviet threat, and thus clearly and directly to the vital national interests of the United States. The House and Senate have just worked out authorizations that represent in the aggregate an 11-percent reduction in the administration request. A workable program can still be mounted with these amounts. It cannot be done with the cuts proposed by the subcommittee.

That comment referred to the fiscal year 1962 appropriation. Then, again, when the committee reported the fiscal year 1963 bill to the House with a recommended appropriation of $3 billion, plus, Secretary Rusk addressed a letter to the Speaker which stated in part:

DEAR MR. SPEAKER: I am gravely concerned by the drastic cut of over $1,100 million which the Appropriations Committee recommended in the appropriation requested by the President to conduct the foreign aid program for fiscal year 1963.

Further, with reference to the fiscal 1964 bill, you issued a statement commenting on the seriousness of the reductions made in the foreign aid authorization by the House of Representatives. You stated:

These cuts dealt a blow to the possibility of the United States to achieve freedom and peace in the world.

Now, let's see what we did:

Fiscal 1962: The budget request was $4,775,500,000. The appropriation below the budget estimate was $860,900,000. For fiscal year 1963: The amount below the budget request was $1,032,400,000. For fiscal year 1964, the amount of the appropriation was $1,525,325,000 below the revised budget estimate. For fiscal 1964 the appropriation was $624 million below the authorizations.

We are dealing with an estimate. We are dealing with a budget request and the money appropriated has been adequate, to say the least.

We shall insert some appropriate tables in the record.

(The information follows:)

Total economic and military assistance, 9 years

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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	2,275,000,000	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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Mr. PASSMAN. There have been a lot of statements issued about the infallability of these estimates, but the statements have not been verified by the facts. And, in my opinion, the estimates made this year are very little different, insofar as facts are concerned, than estimates which have been made in previous years.

Now, I wonder about how you could be any more accurate—maybe you can, but the controller, who deals with these figures full time, says the procedure is essentially the same as has been used in the past.

Mr. BELL. Could I say one word about——

UNDERESTIMATION OF UNOBLIGATED BALANCES FOR FISCAL YEAR 1964

Mr. PASSMAN. Just a moment, if you will.

On June 5, 1963, there was this colloquy between us:

I want you to verify these figures, or say they are not accurate.
You are actually going to have $243 million unobligated on June 30?
Mr. BELL. Yes.

Subsequently, covering the same items you referred to, what amount did you have unobligated?

Mr. BELL. I will check that for the record, Mr. Chairman. I will have to see what was covered by the $243 million figure.

Mr. PASSMAN. The amount was substantially higher than that figure, was it not, Mr. Controller?

Mr. TENNANT. I don't know exactly what is in that $243 million figure.

Mr. PASSMAN. Unobligated and/or unreserved: free funds applicable to fiscal year 1963.

Mr. BELL. We will check what those figures referred to and what the final figures were on a comparable basis.

(The information supplied follows:)

Unobligated/unreserved balances at June 30, 1963

[In thousands of dollars]

	Estimated in fiscal year 1964 congressional presentation	Actual in fiscal year 1965 congressional presentation
Economic assistance programs:		
Development loans	71,398	96,170
Alliance for Progress loans	45,800	92,018
Alliance for Progress technical cooperation		2,704
Inter-American social and economic program		1,623
Contingency fund	100,000	127,099
Technical cooperation and development grants		47,300
Supporting assistance		6,040
Surveys of investment opportunities	1,000	1,100
American schools and hospitals abroad (special foreign currency program)		100
International organizations and programs		336
Administrative expenses, AID		1,971
Administrative and other expenses, State		15
Total, economic assistance	218,198	376,476
Military assistance program:		
Grant aid	25,000	22,317
Credit sales		3,450
Total, military assistance	25,000	25,767
Total	243,198	402,243

Mr. BELL. Mr. Chairman, would you permit us to check that point?

Mr. PASSMAN. Surely.

The total of unobligated funds, titles I and II, was $744 million, but we agreed earlier this should be explained. We want the comparable figure, and it is my understanding that it was far in excess of $400 million.

Mr. TENNANT. I don't know whether this is comparable to the $243 million estimate but the unobligated military-economic was $402 million——

Mr. PASSMAN. That was the last figure, and you did not make it final, really, until September, did you?

Mr. TENNANT. We gave you a final figure in September.

Mr. PASSMAN. You gave us several figures before that time. You gave us a final figure in September, or was it October?

Mr. TENNANT. It was the beginning of October.

Mr. PASSMAN. You gave us the final figure in October.

Mr. TENNANT. The Treasury rules permit you——

Mr. PASSMAN. Are those rules still in effect?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. It was October when you finally gave us a final figure.

Mr. BELL. How different was that figure from the figure you have, say on August 1?

Mr. TENNANT. I think the figure was $395 million around August 8.

Mr. PASSMAN. You gave us $243 million as of June 5, did you not?

ESTIMATED UNOBLIGATED FUNDS IN THE ALLIANCE FOR PROGRESS, FISCAL YEAR 1964

I believe you said that in the Alliance for Progress unobligated funds for fiscal 1964 could be $50 million, did you not?

Mr. BELL. Do you mean unobligated balance?

Mr. PASSMAN. Yes; uncommitted.

Mr. BELL. My present guess is about $50 million.

FIRMNESS OF FOREIGN AID BUDGET ESTIMATES FOR FISCAL YEAR 1965

Would this be an appropriate point for me to comment briefly on the question of the solidity of our estimates for fiscal year 1965?

Mr. PASSMAN. You go ahead and comment. Some comment is needed.

Mr. BELL. I think the key point is that the budget proposals that are before this committee and the Congress this year are put in on a different basis from the figures in the past. Last year's request was $4.5 billion. This year's is $3.4 billion.

Mr. PASSMAN. It was originally $4.9 billion, and then adjusted to $4.5 billion.

Mr. BELL. It was originally put in at $4.9 billion, adjusted to $4.5 billion. This year it is put in at $3.4 billion. This year it reflects and is practically the same as the current rate of obligation.

This figure that was put in this year is a realistic estimate, assuming an on-going program of just about the present size.

Last's year's proposal was for a substantial increase in the aid program and it was explicitly—I explicitly made clear that some of the funds we were asking for were to have available if other countries undertook the kind of self-help measures we wanted them to undertake. This year we are not asking for the funds on that basis.

Now, this point, I think, is very important to the consideration of the proposals by the Congress this year, and this is the point.

Mr. PASSMAN. I imagine that in previous years Secretaries Rusk and McNamara and you believed what you said then, did you not?

Mr. BELL. Yes.

Mr. PASSMAN. Yet, it looks as if old stew is now being rehashed.

In your statement you say:

> We are requesting $3,391,700,000 in new obligational authority. $1 billion is for military assistance, and the remainder for economic assistance. This compares with $2,865 million appropriated by the Congress for the current fiscal year for the same purpose.

I have read that excerpt correctly, have I not?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Then, for the same purposes for which you are now requesting $3,391,700,000, the Congress appropriated last year, $2,865 million; is that correct?

Mr. BELL. Yes, sir; and made available to us——

Mr. PASSMAN. Unobligated funds, as has been done in previous years, and will be done again this year, no doubt. But, you are asking $3,391,700,000 for new obligational authority this year, while what was appropriated last year for the same purposes was $2,865 million—or, requesting an increase of $526,700,000. Have I made a statement of fact?

Mr. BELL. I didn't follow you too clearly, but I think—I have no reason to quarrel with you.

Mr. PASSMAN. I shall read from your statement again:

> We are asking a total of $3,391,700,000 in new obligational authority.

Mr. BELL. That is what is in the budget.

Mr. PASSMAN. This figure compares with the $2,865 million appropriated by the Congress for the current fiscal year for these same purposes?

Mr. BELL. Yes, sir; that is correct.

Mr. PASSMAN. Therefore, for the same purposes, in new obligational authority in the appropriation your requested increase is $526,700,000? Is that correct?

Mr. BELL. The appropriation increase, yes, sir.

But the carryover——

Mr. PASSMAN. The appropriation increase.

Mr. BELL. We are asking for a substantial increase in appropriation, but in the carryovers we expect a substantial decrease——

Mr. PASSMAN. Congress has reappropriated the carryover every year. No doubt we will give you the carryover this year.

I did not read anything other than what you said. Then I followed with a simple question.

TOTAL FUND AVAILABILITY IN FISCAL YEAR 1965

Mr. BELL. Yes; and as I added in my prepared statement, as follows:

To the amount of appropriations must be added reappropriations and carryovers of nearly $400 million, and estimated recoveries and reimbursements during the present year of another $220 million, so that the total funds available for programing in the present fiscal year are nearly $3.5 billion. We do not expect to have unobligated funds of a similar magnitude at the end of this June to carry over into the next year, and so our total program for 1965 is just over $3.6 billion.

Mr. PASSMAN. The military assistance program will squeeze out a minimum of $135 million. You do not really know what you are going to have available, unobligated.

Mr. BELL. We don't know precisely, sir——

Mr. PASSMAN. Until next October.

Mr. BELL. No, sir. As I indicated in my prepared statement, we have gone over the availability of funds this year and the current uses we are making of them.

We now have loans being considered sufficient to use—outside of Latin America—sufficient to use more than the funds we have available.

Mr. PASSMAN. Mr. Bell, you do not think that fact recommends an appropriation, do you? An application for one of these so-called loans is about the easiest thing in the world to get.

Mr. BELL. We expect to fully use and have no carryover on the Development Loan Fund.

Mr. PASSMAN. I am talking about this pipeline over here. If we are going to start comparing this to some of this philosophy, such as, "this is the rate at which we obligate it, and we are not going to have any new unobligated funds; therefore, you are going to have to increase the appropriation, so we can obligate at the same level that we did last year."

I do not know that you should obligate at the same level.

Mr. BELL. That is the issue that should be before this committee. I agree with that, sir.

FUNDS IN THE "PIPELINE"

Mr. PASSMAN. I want to speak in terms of the pipeline and what is available for expenditures. If Congress should not appropriate another dime, it would take you a long time to actually disburse this almost $11 billion, would it not?

You had in the pipeline for fiscal year 1964, $10,805,592,000 in titles I and II of the program. I do not know what you have pulled out of the pipeline, but it would take some time to disburse that amount.

Mr. BELL. Our expenditures in the current year are expected to be $3.4 billion, so at the end of the year, the committed funds will be approximately $7 billion.

Mr. PASSMAN. That is a lot of money.

Mr. BELL. About the same as at the beginning.

Now, as you know, sir, those funds are committed to projects underway. You are quite correct, some of those projects would continue for some time; 2, 3, 4 years, before they are completed. Of course, no new projects could be undertaken unless new obligational authority is made available to us.

Mr. PASSMAN. I believe you did say it could be that you might reduce your requests for new funds at a later date?

Mr. BELL. Yes; if we expect—later in the spring—if it seems reasonable to expect that we will have unobligated balances to carry over, obviously——

Mr. PASSMAN. Do you think you can get it down by $1 billion?

Mr. BELL. No, sir.

Not on the basis of unobligated funds carried over, sir.

Mr. PASSMAN. We do not know what amount may be squeezed out, kicked out, pushed out, or overrun and may be available.

FISCAL YEAR 1964 JUSTIFICATION STATEMENT

Here is what Mr. Rusk said, at page 2 in his testimony of last year:

The actual commitment of loan funds depends on performance. Requirements for sound proposals and for broader measures of self-help must be met before a loan is made. AID has withheld substantial loan funds for the fiscal year because of such requirements which were not fulfilled. If the performance of AID recipient countries should not meet conservative expectations for fiscal year 1964, loan funds would be similarly withheld.

Mr. BELL. That's right, and that happened, and that is why we had a substantial carryover.

Mr. PASSMAN. He was talking about fiscal year 1964 funds.

Mr. BELL. I believe, sir, that he is talking about the——

Mr. PASSMAN. He was talking about fiscal 1964.

Mr. BELL. 1964 funds. But that was on the basis of the requests we were making. Now that we have our available funds, we have examined them against——

Mr. PASSMAN. Are you making the same request this year?

Mr. BELL. No, sir. We are making a request for $1 billion less this year. That is the point I made a moment ago.

(Discussion off the record.)

DISCONTINUATION OF SUPPORTING ASSISTANCE FOR BASE RIGHT

Mr. PASSMAN. Last year, in connection with supporting assistance, the committee recommended that the portion of supporting assistance estimate which is to provide access to military bases should be budgeted under the DOD estimates. What have you done to carry out the committee's recommendations?

Mr. BELL. The base——

Mr. PASSMAN. Have you done anything to carry out the recommendations?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Have you switched such items over to the DOD?

(Off the record.)

Mr. BELL. In Spain, when the base negotiations were undertaken and completed last year, we successfully established as executive branch policy—and this was carried through—any quid pro quo to the Spanish should be in the form of military assistance and not in the form of economic assistance. There are no economic aid payments being made to Spain, as you know.

Mr. PASSMAN. But the amount of money disbursed in Spain is coming out of the mutual security program, is it not?

Mr. BELL. In the Spanish case the arrangement is that there will be some military assistance; yes, sir. But there is no supporting assistance.

Mr. PASSMAN. As far as is practicable, give us a report on the amount that will be paid out of the DOD for these base rights in 1965 that were in previous years paid out of the mutual security program.

Mr. BELL. The point I make, sir, is we have indeed been getting and ending the payments of economic aid——

Mr. PASSMAN. You made your point, Mr. Bell. But please provide to us an estimate of the amount of money that will be funded this year out of the Defense budget that would have normally been funded out of the military assistance program or economic assistance of foreign aid.

Mr. BELL. The word "normally" is what throws me because in the Libya case we are now negotiating——

Mr. PASSMAN. I can change it, Mr. Bell.

Would you supply to the committee a list of projects this year to be funded out of the Defense budget that had in previous years been funded out of the military assistance program?

Mr. BELL. I expect the result of that will be zero.

Mr. PASSMAN. If it is zero, let it be in the record.

(The information supplied follows:)

PROJECTS FUNDED THIS YEAR BY DOD WHICH WERE FORMERLY FUNDED BY AID OR MAP

The Department of Defense is not funding any projects this year which were formerly funded by AID or the military assistance program.

Mr. BELL. As I understand what you were reading from the report last year was a feeling on the part of the committee that we should cease or reduce the use of supporting assistance funds for base payments. That reduction is substantially underway.

Mr. PASSMAN. Mr. Bell, last year in relation to supporting assistance the committee recommended that the portion of the supporting assistance estimate which is to provide access to military bases should be budgeted in future years under the DOD estimate. We want to get a better understanding of what is actually defense as such and what is in the giveaway part of the program. Do you think it is a good idea to finally get the bases under the procedure the committee recommended.

Mr. BELL. What I am hoping is we can end payments for bases altogether.

We are making some headway in that.

NONAVAILABILITY OF DETAILED PROJECT SHEETS ON PROPOSED LOANS

Mr. PASSMAN. In its report of last year the committee stated:

The committee will expect, in connection with the fiscal year 1965 and future budgets, detailed justifications (or project sheets) on each individual loan proposed for each country in the development loan estimate.

Do you recall that statement?

Mr. BELL. I am not quite sure I understood.

Mr. PASSMAN. The detailed justifications (or project sheets) on each individual loan proposed for each country in the development loan estimate.

Mr. BELL. I assume that we are not able to provide you with the complete sheets ahead of time.

Mr. PASSMAN. If you cannot do so, certainly the manner in which you handle projects is not similar to the way we handle similar projects in this country. Check into how difficult it is to get money for comparable projects in America.

Mr. BELL. Yes, sir; but as I thought I made clear yesterday, when the Congress makes money available to a lending agency like the Small Business Administration or the Export-Import Bank or the ARA, it is not my understanding that the Congress expects individual loan applications to be put before the relevant committee.

Mr. PASSMAN. Mr. Bell, you are trying to confuse the issue. This is not the Small Business Administration. This is a giveaway program.

The language of our report of last year was not asking for any unreasonable information.

We want the information requested to be forthcoming.

If it is not forthcoming, we want to know why it is not.

Mr. BELL. There is substantial information that will be made available.

Mr. PASSMAN. Detailed sheets?

Mr. BELL. On some cases yes, but I do not expect we will be any more than the Export-Import Bank would be in the position——

Mr. PASSMAN. What if Congress should decide to appropriate money just for the projects for which you have detailed information? There will not be any more of these blank checks as far as I am concerned. This is a simple, fair request. We hope that you will comply with it.

FISCAL YEAR 1965 ECONOMIC ASSISTANCE FOR PROGRAMS SUSPENDED IN FISCAL YEARS 1963-64

Are you proposing any economic assistance to any country in fiscal year 1965 where our economic aid program was suspended either in fiscal year 1963 or 1964?

Mr. BELL. I do not believe so.

Mr. PASSMAN. Have a look, please.

Mr. BELL. Excuse me. I beg pardon, Mr. Chairman. We suspended our economic aid programs temporarily in both Honduras and the Dominican Republic in the fall of 1963.

Mr. CONTE. Panama?

Mr. BELL. Yes, and Panama. The programs have already been——

Mr. PASSMAN. We suspended, then reinstated them?

Mr. BELL. Yes, sir.

Mr. PASSMAN. But you did not suspend the funds we had credited for disbursement?

Mr. BELL. No, sir.

Mr. PASSMAN. Do you have any more countries in this category?

Mr. BELL. Morocco was suspended for about 2 months this year. It has been resumed. There has been no deobligation.

(Information supplied later follows:)

New projects in fiscal year 1965 in countries in which aid was suspended in fiscal years 1963–64

	Request, fiscal year 1965 (thousands)
I. Africa:	
Morocco:	
Agronomic research	$71
Agricultural extension	114
National agricultural planning	25
Livestock and poultry development	108
Agricultural cooperative credit and marketing	130
Industry and engineering training	127
Artisanal Industries	81
Rural education	30
Industrial feasibility and investment studies	160
Technical support	354
Total, Africa	1,200
II. Near East-South Asia	None
III. Far East	None
IV. Latin America:	
Ecuador:	
Rural development	382
Industrial development	160
Labor advisory services	286
Malaria eradication	250
Assistance to universities	1,000
Vocational education	122
School construction, teacher training, and materials production	215
Public administration advisory service	249
Public safety	290
Cooperative development	267
Town plans	300
Civic action	550
Technical support	429
Subtotal	4,500
Peru:	
Community development	144
Agrarian reform	504
Basic agricultural institutional development	972
Private enterprise develpoment	730
Transportation development	124
Labor development	192
Basic education reform and development	488
Vocational training	170
Training and advisory services in public administration	397
National economic planning	182
Public safety	336
Technical support	461
Subtotal	4,700
Dominican Republic:	
Establishment of agricultural institutions	540
Rural area development	200
Labor administration and manpower development	60
Teacher education	349
Vocational education	162
Government planning and administrative reform	360
Public safety	213
Technical support	116
Subtotal	2,000

New projects in fiscal year 1965 in countries in which aid was suspended in fiscal years 1963-64—Continued

IV. Latin America—Continued	*Request, fiscal year 1965 (thousands)*
Honduras:	
Agriculture cooperative service	100
Rural development	460
Industrial development and training	150
Labor training and education	40
Mobile rural health	170
Educational improvement and development	425
Public administration	120
Public safety	145
Technical support	90
Subtotal	1,700
Panama:	
Agriculture development	250
Private enterprise development	148
Mobile rural health program	161
Manpower development	227
Rural school construction	20
National economic planning	350
Government administration and fiscal reform	162
Public safety	126
Housing credit institutions	70
Technical support	286
Subtotal	1,800
Total, Latin America	14,700

(Discussion off the record.)

Mr. BELL. It seems to me these suspensions were evidence of tight administration, not loose administration.

Mr. PASSMAN. We are not cutting off aid to anybody. We are just holding it up.

TERMINATION OF AID

Mr. BELL. We have cut off economic aid to 17 countries already.

Mr. PASSMAN. Do you have any money for those 17 countries on which you are going to draw checks in the future?

Mr. BELL. Some of them, yes.

Mr. PASSMAN. It is always an aid program to me until the old cow goes dry and you turn her out on the dry grass, and lock the gates so she cannot get back into the barnyard.

Mr. BELL. Fortunately in some of those 17 countries even that definition has been met.

Mr. PASSMAN. Maybe one or two or three?

Mr. BELL. Quite a few, Iceland, Ireland.

Mr. PASSMAN. Iceland, Ireland, Sweden, Switzerland, Morocco, maybe?

Mr. BELL. We will add some more.

I think the important thing is the first step is to stop making commitments and in 17 countries we have stopped making commitments. In 14 more we are about to.

Mr. PASSMAN. As long as you have money that you are disbursing you have an aid program going.

Mr. CONTE. How about Luxembourg?

Mr. BELL. That is ended, Belgium, Luxembourg.

EXPORT-IMPORT BANK LOANS

There is one point I want to make clear on this. When the Export-Import Bank makes a loan today to France or Germany, I do not regard that as aid. That is a commercial transaction on which the United States makes money. It is in support of American exporters. I would not include that.

Mr. PASSMAN. The Export-Import Bank generally makes reasonably sound loans, but how do you know they make money?

Mr. BELL. The Export-Import Bank?

Mr. PASSMAN. Yes.

Mr. BELL. Because their audit and financial statements show it. They pay dividends.

Mr. PASSMAN. The President of that institution agreed with me that we will not really know whether the Export-Import Bank makes or loses money until we finally liquidate it. Off the record.

(Discussion off the record.)

ECONOMIC ASSISTANCE PROJECTS PROPOSED IN 1965

Mr. PASSMAN. What is the total number of economic assistance projects proposed in fiscal year 1965? I think there were more than 2,000 last year.

Mr. BELL. Technical assistance projects, sir?

Mr. PASSMAN. All types.

Mr. BELL. And loans? I don't know. Do we have a figure?

Mr. TENNANT. I would have to provide that.

Mr. PASSMAN. Put that information in the record, then.

(The information supplied follows:)

Total number of grant funded projects proposed in fiscal year 1965 congressional presentation (new and continuing)

1. African region	302
2. Near East-South Asia region	179
3. Far East region	111
4. Latin American region	251
Total	843

The above tabulation shows the total number of grant funded projects into which we propose to put additional funds during fiscal year 1965. In addition, AID will continue to administer a substantial number of projects during fiscal year 1965 which had unliquidated balances at the end of fiscal year 1964 but to which no new money is to be added during fiscal year 1965. Some of these projects will be completed and terminated during fiscal year 1965. It is our estimate that at the end of fiscal year 1965 AID will have approximately 2,000 grant funded projects plus about 300 development loan projects with unliquidated balances.

Mr. PASSMAN. We had projects, subprojects, sub-sub-projects, projects to subprojects. We got into a discussion about it last year. Do you remember?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We want the total number of projects. Can you help us on that request?

Mr. TENNANT. Under the definition of projects; yes, sir.

PROPOSED NEW PROJECTS FOR FISCAL YEAR 1965

Mr. PASSMAN. What is the number of new projects proposed for initiation in fiscal year 1965?

Mr. BELL. We will have to submit that.

Mr. PASSMAN. Do you know how many, Mr. Tennant?

Mr. TENNANT. No. We will have to provide that.

Mr. PASSMAN. What is the fiscal year 1965 cost of these new projects and what is the cost to complete all these projects which are proposed that come under the category of "new"?

Mr. BELL. We will put that in the record.

Mr. PASSMAN. What basis were you going to use for getting this money? You do not have this information with you.

Mr. BELL. The detailed books are before you, Mr. Chairman.

Mr. PASSMAN. We have asked these questions every year. Help us if you can.

Mr. TENNANT. I think we were prepared region by region, sir.

(The information supplied follows:)

Total number of new grant funded projects proposed in fiscal year 1965 congressional presentation, fiscal year 1965 cost and cost to complete

	Number	Fiscal year 1965 cost	Cost to complete
1. Africa region	7	$1,300,000	$2,900,000
2. Near East-South Asia region	4	900,000	3,900,000
3. Far East region	1	2,200,000	(1)
4. Latin American region	10	1,600,000	4,400,000
Total	22	6,000,000	(1)

[1] Not available.

PROJECTS PROPOSED TO BE TERMINATED IN FISCAL YEAR 1964

Mr. PASSMAN. How many projects do you plan to terminate or eliminate from the program by June 30, 1964, and what has the United States spent on these projects up to date, the ones that you will terminate? Can you get that information for us, too?

Mr. TENNANT. Yes, sir.

(The information supplied follows:)

AFRICA

Grant-funded project assistance to be terminated in fiscal year 1964

Country and project	*Cumulative obligations (thousands)*
Total, Africa	$23,469
Tanganyika: Trades and skills training	210
Uganda: Advance Off Process Trng	160
Zanzibar	60
Education extension	35
Training for public service	25
Ethiopia	5,694
Blue Nile River Basin investment	4,456
Civil aviation feasibility	22
Low-cost urban housing	303
Mapping and Geographical Institute	756
Private enterprise Prom	157

AFRICA—Continued

Grant-funded project assistance to be terminated in fiscal year 1964—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
Liberia	$1,336
Malaria preeradication	517
Econ. Res. and Stat	819
Libya	898
Malaria eradication	74
Civil police, public safety	463
Development administration	361
Mali: Higher teacher training college	$15
Morocco: Survey team, Nouasseur	13
Nigeria: National telecommunication survey	1,376
Northern Rhodesia	293
Aided self-help housing	53
Oppenheimer College of Social Services	240
Southern Rhodesia	295
Nyatsime College	7
Community development	288
Somali Republic	394
Mogadiscio water system	347
Broadcasting	47
Sudan	7,608
Rural water development	2,161
Farm machinery training and demonstration	2,191
Highway development training	2,200
Manpower surveys	60
Mass communication media training	996
Tunisia	1,271
Agricultural studies and English	396
Poultry improvement	604
Industrial feasibility studies	137
Industrial fertilizers utilization	44
Technical film library	90
Cameroon: Reconstruction	50
Central African Republic	384
Equipment for agricultural pilot cooperative	12
Audiovisual units	13
Road maintenance improvements	359
Chad: Rural slaughter sheds	135
Congo (Brazzaville): Pointe Noire Technical School	75
Gabon	722
Road equipment maintenance	512
Forestry school	90
Vocational training center	120

AFRICA—Continued

Grant-funded project assistance to be terminated in fiscal year 1964—Continued

Country and project	*Cumulative obligations (thousands)*
Malagasy Republic: Endemic disease control	$185
Rwanda: Feasibility study, Kigali	25
Senegal	638
Poultry extension	120
Soil salinity study	100
Rural extension centers	74
Secondary school	344
Upper Volta: English Language Center	325
Mauritania: Improving health services	95
Regional projects	1,212
Manpower selection technique	557
African regional education training (refugees)	600
OAMCE Headquarters	55

NEAR EAST-SOUTH ASIA

Grant-funded projects for which funding will be terminated in fiscal year 1964

Country and project	
Total, Near East-South Asia	$56,026
Afghanistan: Vocational education (business and home economics)	243
Cyprus:	
Labor training	209
Central Bank	28
Total	237
India:	
Power generation	148
Nuclear engineering	883
Total	1,031
Iran:	
Economy mineral survey	342
Health programing	85
Trans-Iran telecommunication link	978
Total	1,405
Iraq:	
Technical and professional manpower development	2,157
University of Baghdad	575
Total	2,732
Jordan:	
East Jordan map plan	912
Highway maintenance	1,641
Polio immunization	38
Total	2,591
Nepal:	
Technical agriculture training	275
Mineral resources development	793
Ropeway	3,768
Narayan Ferry	85
Nepal-India telecommunications	2,293
Education administration	151
Total	7,365

NEAR EAST-SOUTH ASIA—Continued

Grant-funded project assistance to be terminated in fiscal year 1964—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
Pakistan:	
Pakistan industrial technical assistance	$2,264
Skilled labor training center	1,,132
Public administration training institutions	3,259
Total	6,655
Syria:	
Civil aviation development	1,481
Police training	18
Total	1,499
Turkey:	
Participant language training	1,283
Research, measurement, and statistics in education	263
Total	1,546
United Arab Republic:	
Technical advice to industrial planning organization	931
Egyptian-American rural improvement service	10,471
Total	11,402
CENTO: CENTO regional telecommunications	19,320

FAR EAST

Projects completed or to be completed in fiscal year 1964 and total obligations

Country and project	
Total, Far East	$161,300
Burma	2,006
Expansion of teak production	1,470
Rangoon sewerage	515
General participant training	21
Cambodia	27,855
Natural arts and trades school	1,528
Friendship Highway rehabilitation	5,859
Civil police assistance	3,795
Highway engineering advisory services	1,525
Civil air transportation	588
Urban water	1,198
Village wells	944
Rural health development	614
Institute of technology	2,488
Khmer-American Friendship School	659
Academy training	43
Senior Teacher Education Center	391
Teacher training and agricultural development	1,900
English language laboratory	183
Improvement financial management	444
Industry development services	26
Technical support	5,670
China	28,769
Mineral development	762
Primary system improvement	10,215
Power transmission and distribution	17,195
China Productivity and Trade Center	428
Industrial and agricultural surveys	169

FAR EAST—Continued

Projects completed or to be completed in fiscal year 1964 and total obligations—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
Indonesia	$19,437
Mobrig reequipment	6,330
Djakarta bypass	8,000
Maritime academy	1,724
Training within industry	30
Higher education improvement	1,864
Improvement National Government administration	1,489
Japan	6,776
Agricultural productivity	793
Japan Civil Aviation Bureau	532
Japan Trade Union	1,314
Japan Production Center	3,914
Peaceful use atomic energy	223
Korea	43,716
Fisheries development	4,662
Agriculture resources and technical improvement	146
Agriculture economics	$160
Agricultural extension, research, and technical information	540
Participant training	53
Rehabilitation Yong Wol plant	5,649
Rehabilitation Cons. transportation system	8,332
Medium industrial development	8,199
Participant training, goals II and III	230
Mine development	2,792
Public health education	128
Environ sanitation	479
Improvement teacher training	3,800
Classroom construction	2,233
National police modernization	2,244
Improvement Government fiscal management stat	2,462
Improvement Government stat census administration	5
Improvement administration public finance	362
Participant training, goal I	148
Technical assistance business administration	1,092
Laos	1,663
Vientiane powerplant	814
RLG Air Services	450
Lao Photo Press	399
Philippines	425
Industrial resources	419
Far East regional health	6
Thailand	14,288
Agriculture center for Near East	4
Livestock industry development	760
Mining development	736
Power service and training	1,179
Ground water exploration	2,850
Meteorological survey improvement	634

FAR EAST—Continued

Projects completed or to be completed in fiscal year 1964 and total obligations—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
Korea—Continued	
Educational development Plan. Gen	$2,328
International school	273
Security road program	5,524
Vietnam	15,025
Peaceful uses of atomic energy	150
Instructional materials development	713
Public administration	933
Telecommunications development	7,955
Banking income and tax	142
Improvement of public services	97
Civil police administration	5,035
Regional	1,340
FE regional health (Philippines)	7
SEATO skilled labor (Thailand)	1,333
Total	161,300

LATIN AMERICA

Grant-funded projects to be terminated in fiscal year 1964

Country and project	
Total, Latin America	$41,988
Bolivia:	
Excess surplus property	161
Colonization (IAPSP)	800
Animal disease control	227
Total	1,188
Brazil:	
Fertilizer and insecticide demonstration	140
Air navigation aids and traffic control	204
Social science research and training	526
Total	870
Central America:	
Costa Rica:	
Health facilities development	1,098
University of Costa Rica development	292
Housing and city planning	328
Total	1,718
Guatemala:	
Agricultural diversification	1,478
Vocational training	307
Total	1,785
Honduras: Engineer construction unit	250
Nicaragua: Development health services	459
ROCAP: Mobile rural health	1,579
Chile: Geology	1,650
Colombia:	
Nursing education	341
University education, business administration	624
Total	965

LATIN AMERICA—Continued

Grant-funded projects to be terminated in fiscal year 1964—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
Central America—Continued	
Dominican Republic:[1]	
Livestock and poultry improvement	$51
Establishment of agricultural institute	239
Natural resource conservation and development	131
Private enterprise development	11
Education planning and administration	63
Teacher education	775
Vocational education	237
Adult education	86
Labor administration and manpower development	67
Skilled manpower development center	299
Public safety (165 SA)	435
Government planning and administrative reform	120
Total (165 SA)	2,514
Ecuador:	
Labor advisory service	1,161
Excess property	100
Special development activities	100
Total	1,361
Haiti: Technical support (995 SA)	1,848
Panama:	
Resource survey and cadastre (1,000 SA)	1,094
Rural road development training (791 SA)	1,585
Nursing education	393
Rural health facilities (949 SA)	1,028
Trade and industrial education	1,184
Higher education (20 SA)	905
National school construction (SA)	4,633
Self-help housing (329 SA)	398
Total (7,722 SA)	11,220
Paraguay: Health administration	420
Peru:	
Improvement and expansion of health services	243
Housing and urban development	493
Total	736
Uruguay:	
Professional training of agricultural specialists	507
Crop production and forage	366
Farm mechanization and pilot production center	1,439
Industrial education	331
Total	2,643
Latin America regional:	
Child feeding	2,100
OAS fellowship program	860
Housing construction reporting	180
Total	3,140

[1] Except for caretaking functions carried under technical support, entire program was terminated after a military coup Sept. 25, 1963. Total cost column reflects subsequent deobligations.

A new program is currently being formulated, which may include some of the above projects.

LATIN AMERICA—Continued

Grant-funded projects to be terminated in fiscal year 1964—Continued

Country and project—Continued	*Cumulative obligations (thousands)*
British Guiana:	
Developing agriculture institutions	$535
Industrial development advisory services	51
Roads maintenance and deveolopment	203
Barbice Harbor improvement	1,008
Labor and trade union	55
Pilariasis eradication	128
Health advisory services	370
Vocational education	199
Public administration	61
Community development	31
Total	2,641
Surinam:	
Agriculture project	786
Community development	305
Housing	251
Technical support	1,019
Total	2,361
Trinidad-Tobago and eastern Caribbean:	
Rural development, St. Lucia (112 SA)	312
Engineering and technical services (75 SA)	354
Food production	459
Water supply and vegetable production, Antigua (18 SA)	100
Telecommunications adviser (57 SA)	74
Vocational education, Trinidad (160 CF)	228
Educational development and planning	425
Training grants and consultants	125
Technical support	863
Total (262 SA; 160 CF)	2,940

DEVELOPMENT CREDIT COLLECTIONS

Mr. PASSMAN. Did I make a statement of fact earlier, that any collections in the development credit category go back into a revolving fund, and not into the U.S. Treasury as such?

Mr. BELL. Yes, sir.

PROGRAMS INCLUDED IN FOREIGN AID PROGRAMS

Mr. PASSMAN. We could add an extra section to this bill and move some items out of title I down to title III and make this thing look a lot smaller; could we not?

Mr. BELL. Yes.

Mr. PASSMAN. This committee handles titles I and II. Title II is still foreign aid. You would call bilateral technical cooperation foreign aid; would you not?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Certainly, by the same token, would the Peace Corps not be considered foreign aid, and the U.N. technical aid?

Mr. BELL. I would think so; yes, sir.

Mr. PASSMAN. There are those who say it is not. That is why they want to break this thing into four or five or more titles.

ESTIMATED TOTAL OF UNEXPENDED BALANCES—FISCAL YEAR 1964

Could you provide for the record an estimate of the anticipated unexpended balance in the entire aid program for the year that will close June 30, 1964?

Mr. BELL. Including title II programs?

Mr. PASSMAN. All foreign aid that comes under this committee, titles I and II.

Mr. BELL. We will do what we can, Mr. Chairman.

Mr. PASSMAN. I believe there was an indication earlier it would be some $7 billion, or in that neighborhood?

Mr. TENNANT. It would be in that neighborhood. We do not have the estimate from the other agencies.

Mr. BELL. We will find out what we can.

Mr. PASSMAN. To indicate the extent to which the pipeline is increasing, I think that on June 30, 1960, the comparable figure was $4 billion plus.

(The information supplied follows:)

Estimated unexpended balances as of June 30, 1964, under titles I and II of the pending Foreign Aid and Related Agencies Appropriation Act

	Thousands
Title I—Foreign aid (mutual defense and development programs):	
Military assistance program[1]	[1] $2,087,710
Economic assistance, AID	[2] 3,809,967
Advance acquisition of property	3,284
Investment guaranty program	273,196
Social Progress Trust Fund	370,000
Total, title I	6,544,157
Title II (other):	
Peace Corps	52,041
Ryukyu Islands (administration), Army	3,200
Assistance to refugees in the United States (HEW)	2,075
Migration and refugee assistance (State)	4,743
Investment in inter-American development[3]	200,000
Subscription to the International Development Association[4]	—
Total, title II	262,059
Total, titles I and II	6,806,216

[1] The estimated unexpended balance includes amounts applicable to the credit sales program in addition to the grant aid program.

[2] Reflects proposed transfer of $50,000,000 from economic assistance (contingency fund) to the military assistance program.

[3] The $200,000,000 represents the balance in the U.S. Treasury accounts for callable capital stock as explained on pp. 77–78 of the appendix to the Budget of the U.S. Government.

[4] As of June 30 the unexpended balance in the U.S. Treasury accounts will be zero. The Association reports unexpended funds from all sources. U.S. subscriptions become merged with resources provided to the Association by other member countries and cannot be identified as to source of funds.

ILLEGAL CHANGES IN GOVERNMENTS IN AID RECIPIENT COUNTRIES

Last year you submitted for the record a list of 29 countries which experienced illegal changes in Government for the period 1948–63. Would you submit now a revised list for the record?

Mr. BELL. Yes, sir. I would be glad to.

(The information supplied follows:)

ILLEGAL CHANGES IN GOVERNMENT IN AID RECIPIENT COUNTRIES, 1948–64

During the period from 1948 to 1964, 33 countries which received U.S. foreign assistance during fiscal 1963 experienced "a change of government through an

illegal procedure." These countries, and the year in which such changes were effected are:

1. Argentina (2 in 1955; 1962)
2. Bolivia (1951, 1952)
3. Brazil (1954, 1955, 1964)
4. Burma (1962)
5. Colombia (1953, 1957)
6. Congo—Brazzaville (1963)
7. Costa Rica (2 in 1948)
8. Cuba (1952; 2 in 1959)
9. Dahomey (1963)
10. Dominican Republic (1961; 2 in 1962; 1963)
11. Ecuador (1961, 1963)
12. El Salvador (1948, 1949, 1960, 1961)
13. France (1958)
14. Guatemala (1954; 2 in 1957; 1963)
15. Haiti (1956; 4 in 1957; 1961; 1963)
16. Honduras (1954, 1956, 1963)
17. Iraq (1958; 2 in 1963)
18. Korea (1960, 1961)
19. Nicaragua (1956)
20. Pakistan (1958)
21. Panama (1949, 1951, 1955)
22. Paraguay (2 in 1948; 2 in 1949; 1954)
23. Peru (1948, 1962, 1963)
24. Sudan (1958)
25. Syria (3 in 1949; 1951; 1954; 1961; 1962; 1963)
26. Thailand (1957, 1958)
27. Togo (1963)
28. Turkey (1960)
29. United Arab Republic (1952)
30. Venezuela (1948, 1950, 1958)
31. Vietnam (1963, 1964)
32. Yemen (1962)
33. Zanzibar (1964)

DEVELOPMENT CREDITS APPROVED FOR FISCAL YEAR 1964

Mr. PASSMAN. Page 9 of your statement indicates that you have approved 23 development credits this year totaling $481 million. Will you put a statement on those transactions in the record?

Mr. BELL. The list of them.

Mr. PASSMAN. Yes.

Mr. BELL. Yes, sir.

(The information supplied follows:)

Development loans (other than Alliance for Progress) authorized in fiscal year 1964 (July 1, 1963, through Apr. 22, 1964)

Region loan No.	Country	Description	Amount authorized (in thousands)
Far East: 489-H-022	Korea	Diesel locomotives—II	$11,000
Near East and south Asia:			
306-H-005	Afghanistan	Transport equipment	2,000
386-H-101	India	Roller bearing plant	4,300
386-H-109	do	Sharavathi hydroelectric project	3,100
386-H-103	do	Program loan	225,000
386-H-104	do	Trombay fertilizer and methanal plant	7,800
386-H-111	do	Program loan	50,000
367-H-003	Nepal	NIDC industrial imports	1,000
391-H-078	Pakistan	Sui gas transmission (3d)	2,700
391-H-079	do	Consulting services and water supplies	3,600
391-H-080	do	Program loan	100,000
391-H-084	do	Malaria eradication program (3d)	10,400
391-H-081	do	Karnafuli 3d hydroelectric unit	3,800
391-H-082	do	Siddhirganj thermal plant	8,500
391-H-083	do	Lyallpur power station	18,100
277-H-044	Turkey	Highway equipment and consultants	18,100
277-H-048	do	Program loan	70,000
Total, Near East and south Asia			528,400
Africa:			
679-H-001	Congo Republic	Road maintenance	2,700
669-H-007	Liberia	Monrovia Elementary School	350
688-H-003	Mali	Central Veterinary Laboratory	1,100
620-H-005	Nigeria	Calabar-Skan Road construction Loan	8,600
620-H-006	do	Niger Dam	14,000
620-H-007	do	Part Harcourt School	1,800
685-H-002	Senegal	Regional vocational school	1,300
616-H-008	Tanganyika	Program loan	1,000
616-H-009	do	Electrical equipment	140
616-H-010	do	Equipment, Eulvertin phase I	850
616-H-011	do	Bunda-Nansio Road	1,900
664-H-017	Tunisia	Paper pulp mill construction	800
664-H-019	do	Program loan	10,000
664-H-020	do	Chatt Maria Agricultural School	2,000
664-H-021	do	Electrical equipment	7,400
Total Africa			53,940
Total development loans (other than Alliance for Progress)			593,340

Mr. PASSMAN. Would you provide for the record a list showing the countries, amount of credit and the type of project for these 23 credits, and also acknowledge for the record the 58 additional applications before you at the present time and indicate which of these are credit applications and will be carried over into 1965?

Mr. BELL. We are not sure which of them will be carried over yet.

Mr. PASSMAN. I merely asked the question. If you cannot help us you cannot help us.

Mr. BELL. We will give you the complete list of those that are now before us, the 58.

Mr. PASSMAN. You could not give us some indication as to whether you are going to put them in the wastebasket or whether you might carry them over for consideration in fiscal 1965?

Mr. BELL. We can certainly give you an indication of the likelihood, sir.

(The information supplied follows:)

DEVELOPMENT LENDING (OTHER THAN ALLIANCE FOR PROGRESS, FISCAL YEAR 1964)

AID has more than $460 million of development loan applications (other than the Alliance for Progress) on hand as of April 22, 1964. As of April 22, 1964, $528,400,000 in development loans have been authorized. Fund availabilities for the remainder of fiscal year 1964 approximate $227.6 million. Therefore, the Agency has on hand for consideration in fiscal year 1964, applications totaling more than twice the fund availability for the remainder of the current fiscal year.

Many loan applications will have to be carried forward into 1965. However, based on past experience, it is likely that some of these loans will not be made for policy and other reasons. It is not possible to determine at this time precisely which loans would be completed during the fiscal year 1964.

A list of the loan applications on hand as of April 22, 1964, by region, follows:

Development loan applications on hand Apr. 22, 1964 (other than Alliance for Progress)

	Millions
Far East	$18.9
Korea:	
Electric power transmission and distribution	
Taegu waterworks	
Telecommunications	
Africa	41.36
Ethiopia: Bridging	
Guinea:	
Industrial and vocational school	
Aircraft	
Ivory Coast: Development bank	
Mali: Teacher training (housing)	
Morocco:	
Agricultural equipment	
Nouasseur AFB	
Niger: Niger River Bridge	
Nigeria:	
Nigeria teacher training school	
Gusan water supply	
Ilorin and Maiduguri water	
Tanganyika: University College, phase II	
Tunisia:	
Agricultural equipment	
Highway equipment	
Uganda: Teacher training college	

Development loan applications on hand Apr. 22, 1964 (other than Alliance for Progress)—Continued

	Millions
Near East-south Asia	$401.07–421.07
Afghanistan	
Herat-Islam Qala Road	
Wool scouring plant	
Greece	
Kremasta hydroelectric, II	
India	
Hindustan shovel	
Railways, VI	
TELCO, II	
Consulting services	
Bolani iron ore mine	
Industrial Finance Corp., III	
Modi industries	
Ramgarh coal mine	
National Small Industries Corp., II	
National Coal Development Corp	
Hindustan Motors	
Iran	
Iranian National Airline	
Israel	
Agricultural equipment	
Program loan	
Jordan	
Arab Potash Co	
Pakistan	
Karachi Electric Supply Co	
West Pakistan power distribution	
East Pakistan power transmission lines	
West Pakistan salinity control and reclamation, No. 2–B	
East Pakistan railways	
West Pakistan railways	
West Pakistan Machinery Pool Organization (II)	
East Pakistan roads	
Pakistan Industrial Credit & Investment Corp	
Chittagong port	
Turkey	
Coal washery	
Industrial Development Bank	
Ciceroz hydroelectric	
Railroad control system	
Goodyear Tire	
Aerial mineral survey	
Keban Dam [1]	
Power distribution equipment	
Irrigation and maintenance equipment	
United Arab Republic	
Program loan	
Begasse plant	
Grain storage, phase II	
Total	

[1] Total foreign exchange costs for this project are expected to be about $75,000,000. Other free world aid donor countries may be interested in financing part of the foreign exchange costs.

Mr. PASSMAN. I would not want to be facetious, but how many people do you have opening letters that contain application for some kind of grant under this aid program?

Mr. BELL. These particular applications we are referring to here now——

Mr. PASSMAN. Speaking of the overall. It must be voluminous.

Mr. BELL. No, sir. I do not think so. Most of this work is done in our missions abroad, as you know.

These 58 are specific loan applications which have gone a long way—the engineering work has been done, they have been reviewed and are being reviewed in detail. We do not have very many of those.

ALLIANCE FOR PROGRESS DEVELOPMENT CREDITS

Mr. PASSMAN. In connection with the Alliance for Progress development credits your statement, on page 12, indicates that 30 credits have been authorized to date this year and 60 more are currently under current review.

Mr. BELL. Right.

Mr. PASSMAN. Would you submit a list of the 30 credits under this program similar to the request I just made for the development credit applications?

Mr. BELL. Yes, sir.

(The information follows:)

LOAN APPLICATIONS UNDER CONSIDERATION IN LATIN AMERICA IN FISCAL YEAR 1964

As of April 22, there were 34 loans authorized, totaling $205.5 million.

There are currently 61 applications in process, totaling $333.6 million. These are:

Country	Title	Amount [1]
Argentina	Salesian Schools	
Bolivia	Roads, Routes 1 and 4	
	LAB airplanes	
	Edible oil feed plant	
Brazil	Furnas power	
	TUPI cement	
	EUCATEX hardboard	
	Chavantes/USELPA power	
	Nordisa textile (NE)	
	Highway maintenance equipment (NE)	
	Olin kraft pulp and paper	
	Air navigation	
	Private development bank (IFNASA)	
	Electric power (COPEL)	
	Development Bank of Sta. Catarisia	
	Power, Rio Grande do Sul	
	Highway construction, Goias	
	CEMAT power	
Chile	Rural electrification	
	Prefabricated housing plant	
Colombia	Program loan (2d Tranche)	
	Livestock bank	
	Private investment fund	
	Land appraisal	
	Medellin sewers	
	Housing construction	
Costa Rica	School of Agriculture	
	Wholesale produce market	
Ecuador	School construction	
	Electrification	
	Cooperative bank	
El Salvador	Private investment bank	
	Health centers	
Guatemala	Feasibility studies	
	Private development bank	
	Customs service modernization	
	Deciduous fruit production	
Honduras	Cooperative housing	
	Private investment Bank	
Mexico	Chapinge Agricultural School	
Nicaragua	Cadastral survey	
	Central American University	
	Industrial BANK (INFONAC)	

[1] Classified.

Country	Title	Amount [1]
Panama	Agrarian development	
	Rural electrification	
	Nursing schools and rural health centers	
	Rural water systems	
	Agricultural cooperatives	
	Cadastral survey	
Peru	Altiplano Technical University	
	Ports development	
	Airports	
	National Engineering University	
	Feasibility studies	
	Cooperative housing	
	Community development	
	Water and sewerage systems in 68 communities	
Paraguay	Agricultural Development Bank	
Uruguay	Industrial audit	
Recap	Regional highways	
	Industrial lending	

[1] Classified.

It is likely that some of these applications will not be ready for authorization prior to June 30, 1964. It is also likely that authorization of some of these loans will be delayed for policy reasons.

ALLIANCE FOR PROGRESS

Development loans authorized in fiscal year 1964 (July 1, 1963, through Apr. 22, 1964)

Region loan No.	Country	Descriptio	Amount authorized (in thousands)
510-L-013	Argentina	Technology laboratories	$1,400
511-L-005	Bolivia	Sugar mill	650
511-L-011	do	El Alto Airport	600
511-L-018	do	Assist in financing subloans	2,400
511-L-019	do	Agricultural bank	3,700
512-L-014	Brazil	Electric power system expansion	5,300
512-L-016	do	Emergency electric power	2,400
512-L-020	do	Barbara Cast Pipe Co	1,400
512-L-019	do	Northeast highway equipment	9,000
512-L-015	do	Highway construction	4,000
512-L-018	do	National Steel Co. of Brazil	5,500
512-L-021	do	Malaria eradication program	6,500
513-L-019	Chile	Feasibility study	3,000
513-L-020	do	San Vicente Port	7,000
513-L-021	do	Primary school construction	2,100
513-L-022	do	Development housing bank	8,700
513-L-023	do	Program loan	40,000
514-L-032	Colombia	Financing essential imports	15,000
514-L-035	do	Financial assistance	1,300
515-L-010	Costa Rica	Financing subloans	5,000
515-L-008	do	Metro emergency	1,400
515-L-011	do	Cadastral survey	1,600
518-L-022	Ecuador	Consortium road	13,300
532-L-001	Jamaica	Project assistance	1,500
524-L-007	Nicaragua	Construction of building and facilities	450
525-L-006	Panama	Expansion private industrial enterprises	5,100
523-L-022	Mexico	Housing	20,000
527-L-024	Peru	Hydroelectric project	2,200
527-L-029	do	Agricultural development	6,600
527-L-025	do	Hydroelectric project	2,000
527-L-027	do	Road construction, Tulumayo and Morada	1,900
527-L-028	do	Highway, Pamacocha-Tarapoto sector	12,100
528-L-017	Uruguay	Agriculture improvement loans	2,400
596-L-003	Regional	CABEI Home Loan Bank	10,000
		Total Alliance for Progress	205,500

UNCOMMITTED ALLIANCE CREDIT FUNDS FOR FISCAL YEAR 1964

Mr. PASSMAN. Page 12 of your statement also indicates that you will have a significant amount of Alliance credit funds uncommitted at the end of this year, and I believe we established earlier that it could be substantially more than the $50 million, but is that the best estimate you can give at this time?

Mr. BELL. I have indicated, sir, I believe, any estimate as of today——

Mr. PASSMAN. Is your best estimate?

Mr. BELL. Is very rough. It may well be $50 million carried over.

Mr. PASSMAN. You give this committee some encouragement. You indicated you might amend your estimates and lower the appropriation request.

CONTINGENCY FUND DISBURSEMENTS

Would you supply for the record a table indicating countries which have received funds for commitments from the contingency fund as of this time, indicating the country, the amount, and the purpose?

Mr. BELL. We will do that.

Is that material not already with the committee? Do we not make a quarterly report?

Mr. PASSMAN. If it is, we should like for it to be in this record, nevertheless.

(The information supplied follows:)

Mutual defense and development program uses of the contingency fund, fiscal year 1964

[In thousands of dollars]

Country	Amount programed as of Apr. 21, 1964	Amount obligated as of Mar. 31, 1964	Purpose
Far East:			
Laos	7,325	5,747	Air support costs and subsistence and other commercial consumables.
Thailand	485	100	
Vietnam	4,000		Funds required for procurement of essential commodities for the counterinsurgency program, and for a counterinsurgency project.
Latin America: Panama	3,150	105	
U.N. peacekeeping: Cyprus	424		For contribution to the special fund established by the Secretary General of ths United Nations for support of a U.N. peacekeeping force on Cyprus.
Disaster relief worldwide	2,079	1,173	For the relief of victims of natural disaster and civil strife.
Total	17,463	7,125	

Mr. PASSMAN. If you had some savings, how would you like to make a 50-year loan of those savings to Laos, or Cambodia, or maybe India?

Mr. BELL. Are you talking about my personal savings?

Mr. PASSMAN. Yes.

You would not want to make a loan to Cambodia and accept their local currency, would you?

Mr. BELL. I make various charitable contributions.

Mr. PASSMAN. I do too. Off the record.

(Discussion off the record.)

FISCAL YEAR 1965 ESTIMATE COMPARED TO FISCAL YEAR 1964 APPROPRIATIONS

Mr. PASSMAN. I note, on page 8 of your statement, Mr. Bell, you comment that the Congress only appropriated $2,865 billion for the current fiscal year for economic and military assistance. Do you exclude from your totals the $135 million that the Congress appropriated for the social progress trust fund?

Mr. BELL. Yes. From that total we have.

Mr. PASSMAN. That item, then, according to your computation, should be moved down to title II; is that right?

Mr. BELL. No, sir.

Mr. PASSMAN. Where would we put it?

Mr. BELL. What I have tried to do is provide a fair and accurate comparison.

Mr. PASSMAN. You have no request for that fund this year?

Mr. BELL. That is the point.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Could you give us a valid comparison?

Mr. BELL. Yes; I will be glad to do that.

(Information supplied follows:)

Mutual defense and development programs (fiscal year 1965 appropriation request compared with fiscal year 1964 appropriation)

[In thousands of dollars]

Category	Fiscal year 1964 appropriation	Fiscal year 1965 congressional request
Military assistance	1,000,000	1,000,000
Economic assistance:		
Technical cooperation and development grants	155,000	224,600
American schools and hospitals abroad	14,300	18,000
American hospitals and schools abroad (special foreign currency program)	4,700	
International organizations and programs	116,000	134,400
Supporting assistance	330,000	335,000
Contingency fund	50,000	150,000
Alliance for Progress:		
Development loans	375,000	465,000
Development grants	80,000	85,000
Development loans	687,300	922,200
Surveys of investment opportunities		2,100
Administrative expenses, AID	50,000	52,500
Administrative and other expenses, State	2,700	2,900
Total economic assistance (excluding SPTF)	1,865,000	2,391,700
Total mutual defense and development programs	2,865,000	3,391,700
Social progress trust fund	135,000	
Total (including social progress trust fund)	3,000,000	3,391,700

Mr. PASSMAN. Thank you very much.

We shall now adjourn, however, until 1 p.m., tomorrow.

THURSDAY, APRIL 23, 1964.

STATEMENT IN REGARD TO POSSIBLE ADDITIONAL FUND REQUIREMENTS

Mr. PASSMAN. The committee will come to order.

I believe there has been some indication that in the event this bill should be reduced, for what many may think sufficient reasons, there might be a Presidential request for a supplemental appropriation.

Mr. BELL. The President made a speech, sir, on Monday in New York at a luncheon session of the Associated Press. In that speech, according to the news reports, and I have not personally read the speech yet, he made some reference of the type to which you refer.

Would you like us to put that in the record?

Mr. PASSMAN. No, thank you.

Mr. BELL. I would like to put in the record what the President said precisely if that is all right.

Mr. PASSMAN. It is all right. I believe that a Member of the Senate had some comment on that statement.

(The information follows:)

EXCERPTS FROM PRESIDENT JOHNSON'S ADDRESS TO THE ASSOCIATED PRESS, APRIL 20, 1964

We will continue with the direct economic assistance which had been a vital part of our policy for 20 years.

Last year the Congress reduced foreign aid from a requested $4.5 billion to a total of $3.4 billion. This year I ordered that our request be cut to the absolute minimum consistent with our commitments and our security. That was done.

Every dollar cut from that request will directly diminish the security of the United States. If in spite of this clear need and this clear warning, substantial cuts are made again this year—in either military or economic funds—it will be my solemn duty as President to submit supplemental requests for additional amounts until the necessary funds are appropriated.

In these areas, and in other areas of concern we remain faithful to tested principle and deep conviction while shaping our actions to shifting danger and fresh opportunity.

Mr. BELL. I was up before the Senate Foreign Relations Committee on Tuesday morning and Senator Morse commented on this particular statement which the President had made the day before.

EXPENDITURE LEVEL, FISCAL YEAR 1964

Mr. PASSMAN. Your expenditure level from the pipeline, for the remainder of fiscal 1964 is fairly well established; is it not? I am not talking about the obligations but the expenditures and withdrawals.

Mr. BELL. Yes, sir; I would expect so, against prior obligations.

Mr. PASSMAN. So if the amount of unobligated funds presently estimated should increase, there is a possibility you could ask that the appropriation estimate be reduced below the present $3,391 million.

Mr. BELL. Right.

Mr. PASSMAN. We are talking about two things, the obligation and the expenditures from the pipeline.

Mr. BELL. Yes, sir.

OBLIGATION LEVEL, FISCAL YEAR 1964

Mr. PASSMAN. As the expenditure level has been fairly well established, as accurately as you could give it to us at this time, then the only thing in question is whether or not you will be able to increase the amount of the obligations. I do not see that such a situation, in itself, would necessitate a request for a supplemental appropriation.

You mentioned yesterday the level of obligations for fiscal 1964.

Mr. BELL. That is right.

Mr. PASSMAN. You were thinking in terms of the level of the obligations for fiscal 1965, keeping the two fairly close together. Is that the idea?

Mr. BELL. Yes, sir.

FULFILLMENT OF LEGAL COMMITMENTS

Mr. PASSMAN. Since this thing has gone up and down for 18 years, and if we never appropriated another dime, under the legislation we would have met every legal commitment we have ever made, is that correct? I am not talking about the moral obligations or anything else but purely the legal aspects.

(Discussion held off the record.)

Mr. BELL. With respect to legal obligations in the strict sense, I am sure you are right.

Mr. PASSMAN. Thank you, Mr. Bell.

MORAL COMMITMENTS

Mr. BELL. I would like to add if I might, Mr. Chairman, that we have a number of relationships with other governments, which contain varying degrees of moral or implied commitments.

BURMA

For example, several years ago, as the committee knows very well, President Eisenhower said to the Burmese Government, subject to congressional authorization and appropriation of funds we intend to do the following things.

That statement of President Eisenhower has not yet been fully carried out. It is not a legal obligation in the strict sense. It is a commitment on the part of the U.S. Government.

Mr. PASSMAN. Did the President stipulate under what conditions this would be a commitment, if the Congress appropriated funds?

Mr. BELL. He did—subject to congressional appropriation of funds, we would make available to Burma X million dollars worth of funds.

Mr. PASSMAN. Did he condition it upon Burma's meeting certain requirements?

Mr. BELL. I don't think so.

It seems to me, from what little I know about it, not to be the kind of commitment we would make today, but that was several years ago.

Mr. PASSMAN. It is as loose as anything can be, is it not?

Mr. BELL. It exists, whether it is loose or not. The President did it.

Mr. PASSMAN. Subject to congressional authorization and congressional appropriation?

Mr. BELL. That is right.

Mr. PASSMAN. Even if Burma were alined with Red China——

Mr. BELL. Oh, no. There are circumstances under which we would not——

Mr. PASSMAN. That is what I meant.

Mr. BELL. There are a number of other commitments on the part of the United States, some large and some small.

Mr. PASSMAN. Those commitments are implied, but not strictly legal?

Mr. BELL. Some of them are fairly explicit, but you are right.

DETERMINATION OF FUNDING REQUIREMENTS

Mr. PASSMAN. Could it be that you have arrived at a magic figure by which you must have money to put in this pipeline?

Mr. BELL. On the requirements, as we see them, for fiscal 1965; they have been examined on a country-by-country basis. The results are in the material that is before the committee.

The total program to be funded with new appropriations and other available funds is just about the same as the program we expect to fund in the present fiscal year.

I think that is evidence that the request has been limited.

But it is not, sir, an assertion that there is anything magic about the level of funding in the present fiscal year.

Mr. PASSMAN. Then the Congress should be able to reduce the funds and there really would not be too many feathers flying?

Mr. BELL. No, sir; that is not my conclusion at all.

What I am suggesting is that it is obviously the responsibility of the Congress to examine the elements of next year's program and to review them.

I do not believe the President meant to imply, and certainly I do not mean to imply, that because we are committing in the neighborhood of $2.3 billion, $3.3 with the military this year, it is automatically necessary the next year.

REDUCTION OF FISCAL YEAR 1965 APPROPRIATION BY AMOUNT OF UNOBLIGATED FUNDS

Mr. PASSMAN. Maybe you might come up June 30, or thereabouts, and say, in effect, "We have found now that there will be an additional $200 million in unobligated funds. Therefore, we can make some reduction in the appropriation request."

Mr. BELL. If that were so, yes, sir.

Mr. PASSMAN. That would give you $3,190 million under that program?

Mr. BELL. If there were $200 million available we had not counted on.

Mr. PASSMAN. Say that on June 30 you have $200 million more in unobligated funds than you anticipated. Therefore, you would be willing to accept $3,191 million, which would then give you a total for obligational purposes of $3,591 million.

Mr. BELL. $3.591 billion?

Mr. PASSMAN. You asked for $3.391 billion. You would reduce the $3.391 billion to $3.191 billion if you had the $200 million.

Mr. BELL. Plus the $200 million carryover——

Mr. PASSMAN. That circumstance would give you a total of $3,191 million plus the $200 million, and you would still have $3,391 million; is that correct?

Mr. BELL. Yes.

Mr. PASSMAN. Let me repeat.

You are asking for $3,391 million.

Mr. BELL. Right.

Mr. PASSMAN. You find you have $200 million in unobligated funds on June 30, we shall say.

Mr. BELL. This is the assumption.

Mr. PASSMAN. Then you could operate with new appropriations of $3,191 million.

Mr. BELL. Right.

Mr. PASSMAN. Which would give you a total of $3,391 million.

Mr. BELL. Right.

Mr. PASSMAN. Whereas if you obligated that $200 million you would need, according to your estimates, $3,391 million?

Mr. BELL. Right.

Mr. PASSMAN. With my arithmetic, if you take the $3,391 million of new funds and pick up the $200 million, then you bring it up to $3.591 billion.

Mr. BELL. You are assuming we have obligated the $200 million.

Mr. PASSMAN. I am just showing you the possibilities, whether we shall be out $200 million or save $200 million.

Mr. BELL. Yes, sir, but that is unrealistic, if I may say so.

Mr. PASSMAN. If you obligate it you may be obligating it for the same projects that you would obligate it for in July, if you did not get it in behind the line on June 30. We have had enough experience to know that during June your obligations are extremely heavy.

Mr. BELL. That is not the way the situation seems to me at all, Mr. Chairman.

Mr. PASSMAN. Within a matter of 24 hours you could decide whether you will save $200 million or whether you will keep the request high.

Mr. BELL. I don't think so.

Mr. PASSMAN. Obligating the money is not spending it. You still have it on hand.

Mr. BELL. Mr. Chairman, we are today in a pretty good position to estimate how much unobligated balance we will have.

As the days go by we will be in a better position. By the middle of June we should be in quite a good position.

Mr. PASSMAN. I think I have made the point that within a matter of 24 hours, you could make a decision as to whether to reduce or raise the original figure.

Mr. BELL. No, sir. The thing that determines whether we use the funds or not is whether they are needed.

Whether they are needed in the present fiscal year is decided by the condition in the countries in which we are working, whether the projects come forward, whether the countries do what they are supposed to do, whether they meet the criteria which makes sense in terms of the U.S. interests, and all the rest of it, sir.

If at the end of the year we have unobligated funds obviously they should be made available as an offset against next year's requirements.

Mr. PASSMAN. Say there is a proposal for $200 million that looks good. When you approve these contracts they require the signatures of our country's representatives and the other country's representatives? To put it as an obligation——

Mr. BELL. That is right.

Mr. PASSMAN. The difference as to whether you make the obligation in the last 10 days of June or the first 10 days of July determines whether or not you will hold your new obligational authority to $3.391 billion or whether it is cut to $3,191 million?

Mr. BELL. No, Mr. Chairman. If I may say so it seems to me, and obviously we differ on this point, that is not the way it would happen at all. If we do not require funds in the present fiscal year, and in fact have a significant unobligated balance at the end of this year, clearly the appropriations for next year could be reduced by that amount.

Mr. PASSMAN. Thank you, Mr. Bell. If you wind up with $200 million unobligated on June 30, then that fact would justify reducing the appropriation request by $200 million?

Mr. BELL. If that were the case, exactly.

Mr. PASSMAN. It could well be that you could obligate it during the first 10 days of July or the last 10 days of June.

It could be that you are ready to approve it, but before it can be obligated you must have the signature of, say, the Ambassador of "Randolphville," and he is out of the country. Therefore you do not

have his signature, and you cannot obligate the $200 million. You have to carry that $200 million over as an unobligated item.

Mr. BELL. But, sir, what is reported is not the obligations in that technical sense with respect to the loans but the authorizations.

When the loan has been examined, the project has been reviewed, and the Agency is prepared to go ahead with it, then we authorize the loan and that authorization constitutes a commitment against the obligational authority.

Mr. PASSMAN. Thank you, Mr. Bell. I would be surprised if you should wind up with any unobligated funds other than just about what you have estimated.

I shall quote from our committee report, No. 1040, dated December 14, 1963:

> During the month of June the Agency committed $421,075,000, or approximately 41 percent of the total funds available for development credit loans during the fiscal year. On Thursday, June 28, the Agency committed $126 million and on Friday, June 29, the last normal workday of the fiscal year, the Agency committed $138,975,000, or a total in the last 2 normal working days of the fiscal year, $264,975,000, which would be approximately 25 percent of the entire year's appropriation.

Do you get my point?

Mr. BELL. I didn't think that was a good record, Mr. Chairman. I agree with you on that.

Mr. PASSMAN. It can repeat itself, but we hope not.

Mr. BELL. I am taking steps to be sure it does not.

Mr. PASSMAN. Did any heads roll from that operation?

Mr. BELL. Some ears burned, I can tell you.

What this represents——

Mr. PASSMAN. We know what it represents.

Mr. BELL. There was a bad habit in the Agency that the people did not really complete work on the loans until toward the end of the fiscal year. They all jammed up together.

This year I have insisted that we conduct our business on a more even scale. I had a check handed to me this morning. I asked for the loans authorized through yesterday, April 22, and outside of Latin America the total is $590 million out of a total of $821 million available.

Mr. PASSMAN. Mr. Bell, you know that this is a difficult job for us in trying to reach an understanding.

Mr. BELL. Right.

Mr. PASSMAN. Some of the AID people are a little sensitive if we even imply a point. They seem to think it is on a personal basis, which, of course, it is not.

This program is 18 years old. Along the way we have been told, "It was loose last year, but it will be tight this year."

The next year the witnesses say the same thing.

The record is replete with information of that type.

If you obligate 25 percent of the annual appropriation in the last 2 days, and 41 percent of it in the last 30 days, those facts would indicate to me that the thinking within the Agency is along the lines of, and to paraphrase, "If we carry over these hundreds of millions of dollars of unobligated funds, it could have an effect on the new appropriation so we had better get them obligated."

It would be difficult for me to understand it was just a coincidence that you obligated 25 percent of your total annual appropriation in

the last 2 days of the fiscal year, and 41 percent of it in the last 30 days.

Mr. BELL. The facts as nearly as I could ascertain them were that the Agency had fallen into a bad habit of letting its loan business pile up toward the end of the fiscal year.

Mr. PASSMAN. Did you ascertain for what reason they got into that habit?

Mr. BELL. They didn't get started in the fall.

Mr. PASSMAN. They had not made the so-called loans final and had not reached a conclusion?

Mr. BELL. I think the main reason has been that the process of congressional consideration and appropriation has continued on into the fall in most years and our field missions were not typically informed regarding the funds against which they could operate until late in the year.

Mr. PASSMAN. Were you not operating under a continuing resolution?

Mr. BELL. That is what I said. I said, "You don't have to wait until Congress finishes the bill."

Mr. PASSMAN. You have men charged with the responsibility of giving away billions of dollars who did not know that a continuing resolution gave them the right to obligate and commit funds?

Mr. BELL. They knew it, Mr. Chairman.

Mr. PASSMAN. They had forgotten about it?

Mr. BELL. They had not forgotten about it. The problem is whether their work schedule for the year was based on a relatively even flow of activities and considerations of loan applications. This year, thanks to the result of our concern about this, the flow of loan considerations is moving much more smoothly, and we have today authorized more than 70 percent of the development loan funds available to us outside of Latin America. The Latin American figure is not as high, perhaps about 45 percent.

Mr. PASSMAN. You read our report; did you not?

Mr. BELL. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. BELL. Not only did I read it but I had the same point in my own mind.

Anyway, we are in agreement on this, Mr. Chairman.

Mr. PASSMAN. Thank you. I yield to Mr. Andrews.

FUNDS RETURNED TO THE TREASURY

Mr. ANDREWS. Mr. Bell, can you tell me the amount of the 25 percent of the allocations made in the last 2 days which would have lapsed or gone back to the Treasury——

Mr. BELL. None of it.

Mr. ANDREWS. These are all loan funds?

Mr. BELL. That is right.

Mr. ANDREWS. And it would have been available for the next year's lending program?

Mr. BELL. Yes.

Mr. ANDREWS. Is the same thing true of the 41 percent which was allocated in the last 30 days?

Mr. BELL. Yes, sir. Loan funds are available on a no-year basis.

ECONOMIC AID AND GRANT FUNDS OBLIGATED IN JUNE

Mr. ANDREWS. What about the economic aid and grants? Do you have a breakdown on the percentage of that?

Mr. BELL. Yes, sir. The figure is much better on that. There was not a high percentage in the last month.

I will put it in the record if I may.

Mr. ANDREWS. Do that, please.

(The information requested follows:)

OBLIGATIONS IN ANNUAL ACCOUNTS IN JUNE 1963

During the month of June 1963, $179,550,187 was obligated in annual accounts, representing 16 percent of total obligations for the fiscal year for these accounts.

Mr. ANDREWS. In those cases that money would have gone back into the Treasury?

Mr. BELL. That is right.

STATUTORY LIMITATION ON JUNE OBLIGATIONS

Mr. PASSMAN. There is a limitation in the bill which prevents that obligation. Section 103, except for the appropriation entitled "Development credits" provides that not more than 20 percent of any appropriation item made available by this title shall be obligated and/or reserved during the last month of availability.

Mr. BELL. Right.

Mr. PASSMAN. If you pull up to the end of the year with literally hundreds of millions of dollars unobligated, it makes it very difficult to justify large new appropriations for the following year; does it not?

Mr. BELL. Certainly.

PIPELINE

Mr. PASSMAN. Again, that takes me right back to the pipeline.

Mr. BELL. Mr. Chairman, we keep coming back to this point and I keep wanting to make the record very clear—I have no intention, I do not expect, I would regard it as a violation of my oath of office, to put anything into the pipeline in the expectation of taking it out the next month.

Mr. PASSMAN. I did not say you would take it out, but we certainly have to believe that there has been some laxity in the past.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Anyway, we agree that there is no magic figure which has to be put in the pipeline?

Mr. BELL. Right.

DEVELOPMENT CREDITS COMMITMENT

Mr. PASSMAN. What type of commitment do you have to provide development credits, sometimes referred to as loans, to India, Pakistan, and Turkey during fiscal 1965 and what are the amounts? You are operating under several types of commitments, section 202(b) and others.

CONSORTIUM PLEDGING

Mr. BELL. Mr. Macomber and Mr. Talbot when they come before the committee would have the details at their fingertips. I believe I am correct in replying, sir, that the consortium meetings for India, Pakistan, and Turkey, at the so-called pledging sessions, at which the U.S. formal commitment is made, I believe those have not yet been held. There have been preliminary meetings of all three consortiums. We have been discussing the matter with the World Bank and with the other donor countries who join with us in these consortiums. We have a pretty clear idea of what pledges we expect to make, but I do not believe the pledges themselves have in fact yet been made.

Mr. PASSMAN. Are you awaiting the appropriation?

Mr. BELL. No, sir. I think some of them perhaps will be made in June. The pledges in the consortiums are made subject——

Mr. PASSMAN. Pledges in the consortiums?

Mr. BELL. Yes, they are subject to the appropriation of funds by the Congress.

SUPPORTING ASSISTANCE FOR FISCAL YEAR 1965

Mr. PASSMAN. Mr. Bell, I note your statement, on page 14, that the amount proposed for supporting assistance for fiscal 1965 is reduced from the estimate for the current year in virtually every country.

Mr. BELL. Yes, sir.

Mr. PASSMAN. So far as the four major countries under this program are concerned, Vietnam, Korea, Laos, and Jordan, your 1965 estimate is higher than the fiscal year 1964 program for three of the countries, Jordan being the only exception. Is that correct, sir?

Mr. BELL. Yes, sir, that is right.

INCREASE IN ASSISTANCE FOR LAOS

Mr. PASSMAN. On what basis do you justify funds for Laos?

Mr. BELL. The United States is in Laos, has been in Laos for a number of years.

Mr. PASSMAN. Our money has been there.

Mr. BELL. With an assistance program.

Not a development program.

Mr. PASSMAN. Is that a reason to continue it?

Mr. BELL. The United States has been in Laos with an assistance program for a number of years because it is extremely important to the United States and our own interests whether the North Vietnamese and the Chinese Communists extend their domination over southeast Asia.

The effort has been and continues to be to stop the movement of Communist control which now covers a significant part of Laos but has not taken over the country, and this is plainly, it seems to me, in the U.S. national interest.

Mr. PASSMAN. Did they not have a coup there a few hours ago?

Mr. BELL. They had an attempted coup.

Mr. PASSMAN. Bring us up to date as of this morning.

Mr. BELL. Two generals in the rightwing of the coalition government attempted to take over Vientiane, the capital, and to replace Souvanna Phouma, who has been the Prime Minister of the coalition.

Our Ambassador and the Ambassador to the other Western countries there, plus Assistant Secretary Bill Bundy, who happened to be in the vicinity at the time, have met with Souvanna and a General Phoumi, and along with the heads of the rightwing group, with these dissident generals, with the King of Laos, in an attempt to restore and maintain the coalition government which has seemed to us for the last couple years to be the best agency for sustaining the opposition to increasing Communist control of Laos.

As of today the outcome of this situation is not yet clear.

Mr. PASSMAN. Are these two generals pro-America and anti-Communist?

Mr. BELL. As I understand it, and I do not know them personally but I have heard this discussed yesterday afternoon, one of them is not a particularly impressive or savory character. The other seems to be fairly well motivated.

Mr. PASSMAN. And you are going to give them some money?

Mr. BELL. No. The assistance we are providing is to the Government.

Mr. PASSMAN. Are they heading the coup?

Mr. BELL. No, sir; they are not in charge. They are in process of trying to take over part of Laos. We are in process of trying to help sustain the coalition government, not because we have—not that we approved the individuals in it, not because we liked the coalition government as such, but because the coalition government seems to us to offer the maximum opportunity for prevention of the Communist takeover.

If these rightwing generals were to succeed the probable result would be a breaking out again of the civil war which was going on a couple years ago in which the rightwing forces were losing, and the Communists were steadily gaining. The coalition government has managed to come close to stabilizing the situation over the last couple years.

If the civil war broke out again it is certainly conceivable, perhaps it would be likely, that the Communists would just extend their domination over the whole country. That is not what we want to have happen there, obviously.

Mr. PASSMAN. At one time we were supporting the Laotian kip at two or three times it actual value.

Millions of dollars later we finally succeeded in getting this agreement changed.

Then we found out that a very large percentage of the deliveries of goods shipped to Laos were being diverted to other countries, a good part to Thailand, and never reached Laos. The goods would move out through black markets or anywhere they paid the most for it.

We found that some of the officials, some of whom are still in the saddle, had a monopoly on these imports, and this fact made a lot of millionaires out there.

We found that in many instances they were overpricing, from 100 to 300 percent, our exports to that country, and they were substituting wornout equipment for new equipment.

I wonder if we ever have been reimbursed for this finagling and robbing.

Did we ever get any money back on those claims?

Mr. TENNANT. The claims you discussed with Mr. Janow?
Mr. PASSMAN. Yes.
Mr. TENNANT. I believe representations were made to the Laotian Government——
Mr. PASSMAN. We have not received the money, have we?
Mr. TENNANT. I will check it.

CHANGE IN FORM OF AID TO LAOS

Mr. BELL. I know of one thing that has been done in the last year and a half. We have entirely changed the system under which aid is provided to Laos, so that today the bulk of the general economic assistance going in there is in the form of financing commodity imports, mostly from the United States, and those imports are controlled very carefully. We even have some U.S. customs inspectors out there.

I think the situation is greatly improved over what I gather it was 3 or 4 years ago.

Nevertheless, it is still an extremely difficult country in which to do the kind of impeccable business that you and I would like to see done.

Mr. PASSMAN. I never thought you could depend on crooks to be honest.

If the two generals succeed in taking over the Government of Laos, are we going to drop our support to the new Government or are we going to work out something with them?

Mr. BELL. I think the answer to that, Mr. Chairman, is that we have not faced that yet.

Mr. PASSMAN. You will cross that bridge when you get to it?
Mr. BELL. Yes.

Mr. PASSMAN. We have a reputation for moving in quickly in recognizing new governments. I think it was only a matter of hours before we recognized the new Government of Brazil.

LAOS EARNINGS FROM EXPORTS

Does Laos have certain exports by which they earn dollars, convertible currencies?

Mr. BELL. I understand they do have, but in very small amount.
Mr. PASSMAN. Let us see what amount.
Mr. BELL. Exports are in the neighborhood of a million dollars.

TOTAL AID TO LAOS

Mr. PASSMAN. What has been the amount of our total aid to Laos?
Mr. BELL. Per year?
Mr. PASSMAN. No. Give us the total.
Mr. BELL. The total from 1955 through 1963 was just over ———.
Mr. PASSMAN. ——— dollars?
Mr. BELL. In economic and military aid.
Mr. PASSMAN. I say over ——— dollars?
Mr. BELL. Yes.
Mr. PASSMAN. What is the population of the country?
Mr. BELL. 2½ million.
Mr. PASSMAN. We gave ——— dollars to 2½ million people.

You and I know, Mr. Bell, that if you supply commodities or other aid to a country, that releases to that extent what they earn from their exports for them to use as they see fit. You cannot control whatever they collect from their exports. You may say you take it into account and you reach an agreement, but we are not there actually posting and keeping their books for them. I have always argued if you give to a nation the commodities they would normally buy—and they would buy some of these commodities somewhere if they need them—that releases to them, to that extent, what they earn from their exports to do with just about what they want to do.

Mr. BELL. They do what they agree should be done.

Mr. PASSMAN. You do not keep the books.

Mr. BELL. In this case they do not have any earnings.

Mr. PASSMAN. You do not keep the books, and neither do I. I do know that the record of past dealings is an extremely disturbing one.

Mr. BELL. Mr. Chairman, I do not want to argue that the assistance to Laos in the past, all the money has gone where it was supposed to go, but I would argue that the total cost of our assistance for Laos is well justified in terms of helping to prevent what might very easily have been a complete Communist takeover in southeast Asia.

Mr. PASSMAN. Since it is the policy of our Government to keep on pouring aid to any type of government, I cannot do anything about it, but I do question the soundness of the policy.

Mr. BELL. It is not, sir, our foreign policy to pour money into any type of government. We try to put our funds where they will be useful and effective. Situations are frequently very difficult. Laos is perhaps the most difficult in which we are working at the present time.

AID RELATIONSHIP TO U.S. ECONOMY

Also, I would like to be sure the record indicates that none of us would feel that the expenditures we are making through economic and military assistance today are in any sense a staggering burden on the U.S. economy.

Mr. PASSMAN. The record makes it clear to me that these expenditures are a staggering burden.

Some day there will have to be a day of reckoning. This is an entirely new concept in foreign policy, and I view it as a dismal failure.

STOPPAGE OF AID PROGRAM DUE TO ILLEGAL CHANGES OF GOVERNMENT

Can you tell us the number of governments, other than Cuba, since the inception of this program—I am not talking about Iceland, Sweden, Switzerland, and Ireland—in which we ever completely stopped an aid program for good, simply because of their type of government, a change of government?

Mr. BELL. Fortunately, sir, there have not been any Communist takeovers outside of Cuba.

Mr. PASSMAN. I did not say "Communist."

I am speaking of illegal changes of government. To how many have we said, "We don't like what you have done, so you get no more aid," and then stuck to it?

Mr. BELL. I thought you meant governments which had been taken over, as Cuba's was, by Communists.

Mr. PASSMAN. I said with the exception of Cuba.

PERU COUP

Mr. BELL. I am not sure I understand your question. Are you talking about a case, for example, such as Peru, where 20 months ago there was a coup and a military government took over. Even after recognition we made no major new aid commitments under the Alliance for a solid year, although we continued those loan and technical assistance projects that had already been committed.

Mr. PASSMAN. Did you deobligate the funds and get out, once and for all?

Mr. BELL. No; we did not.

Mr. PASSMAN. That was my question.

Mr. BELL. Why should we have, sir?

Today there is a good government in Peru with which we are working.

Mr. PASSMAN. Tell me one government in which we ever had an aid program where we got out and stayed out completely on account of the type of government they had, other than Cuba.

Mr. BELL. I think probably the reason I find difficulty in responding to this is that it is not in our interest to get out completely if there is a possibility that we can influence events so they will move in the direction we want them to move. That is the whole purpose of the aid program.

Mr. PASSMAN. I was just following up on your statement that you did not support any type of government. Over in Jordan, I think the brother of the King of Jordan and the King of Iraq——

Mr. BELL. Now I understand. Let me respond.

Mr. PASSMAN. Let me finish my statement now.

We thought what happened was a terrible thing. They killed the King or the Prince of Iraq. But I think that within 72 hours we had recognized the new government and were pouring in aid.

Mr. BELL. You are essentially asking, I take it, sir, to what extent do we discriminate among governments.

Mr. PASSMAN. That is not what I said at all. I asked in what nations we had stopped the aid program and never started it back, on account of the way in which a government came into power illegally.

Mr. BELL. Our typical purpose and objective in a situation where a coup takes place is not to get out.

Mr. PASSMAN. I know what the objectives are. I just ask you to name a nation.

Mr. BELL. I think, sir, the interest of the United States is to try to influence events in these countries in directions that serve our interest. When a coup occurs, we have frequently suspended diplomatic relations and suspended the aid program, not because we wanted to end relations with such a country permanently. That would not be in our interest, because we want to influence to get them back in a sensible direction.

Peru is a good case. Honduras, the Dominican Republic. There are many cases. Now Brazil, as you know. For over the entire last year we were unwilling to provide major assistance directly to the Central Government of Brazil.

Mr. PASSMAN. Did we not pour a lot of aid into that Government, though, before we reached that decision?

Mr. BELL. We put a lot into that Government.

For the last year we did not, however, not because we were trying to cut off U.S. communication with Brazil, but because we were trying to influence what happened in Brazil.

Mr. PASSMAN. I would like to know why we did not know more about what we were doing when Goulart came up here and embraced our President and they agreed that everything was hunky dory. But, some billion dollars later we found we did not like this fellow.

AID TO PANAMA DURING DIPLOMATIC BREAK

Panama broke off diplomatic relations with our country, did it not?

Mr. BELL. In January, yes, sir.

Mr. PASSMAN. Were they threatening to sue us for their aid?

Mr. BELL. No, sir.

Mr. PASSMAN. Did they not publicly indicate that they thought it was an affront to them even to think about cutting off aid during the time we did not recognize them diplomatically?

Mr. BELL. There were some in Panama——

Mr. PASSMAN. Mr. Bell, of course, Panama broke off diplomatic relations with the United States. During that time, did not the Government express some dissatisfaction that we would not continue disbursing aid during the period that we did not have diplomatic relations?

Mr. BELL. Somebody in Panama said that.

Mr. PASSMAN. Who said it?

Mr. BELL. I cannot remember, and I will check it for you.

Mr. PASSMAN. Was it a Government official?

Mr. BELL. I just cannot remember, Mr. Chairman. I will check it.

Of course, the fact is, Mr. Chairman, we did stop the aid.

Mr. PASSMAN. They did not like it. They think we are obligated to aid them.

(Additional statement subsequently provided follows:)

PANAMANIAN DISSATISFACTION WITH DISRUPTION OF AID ASSISTANCE DURING DIPLOMATIC BREAK

During January and February, there were a number of articles in the public press in Panama reflecting concern over the deterioration of Panama's economy, objecting to the suspension of assistance activities and, in certain of the more extreme cases, charging that the suspension was designed as a form of economic reprisal. Official comment by the Government of Panama, however, is, according to our present information, somewhat more limited. One news item, otherwise unsubstantiated, reports that Miguel J. Moreno, Jr., at that time Panamanian Ambassador to the Organization of American States, stated that Panama might accuse the United States of economic aggression if Alliance for Progress projects were canceled or postponed. In addition, the Panamanian Government did officially make clear at the time it suspended diplomatic relations that its request for withdrawal of diplomatic personnel did not extend to the personnel of the AID mission. (It might be added, however, that in spite of this state-

ment by the Panamanian Government, AID did withdraw many of its mission personnel, and transferred the remainder into the Canal Zone during the crisis.)

Mr. BELL. May I say on this, Mr. Chairman, I regard it to be our responsibility to administer U.S. funds in the interest of the United States. I do not regard it as my responsibility to administer our funds according to whether the Panamanians or anybody else likes it or does not like it. We cut off the assistance program in Panama when relations were suspended.

Mr. PASSMAN. You suspended the aid; did you not?

Mr. BELL. It stayed cut off. We voluntarily and on our own decision have resumed it because the relations have been resumed. The fact that some Panamanians did not like it is irrelevant.

COUNTRIES INCLUDING U.S. AID AS PART OF THEIR NATIONAL BUDGET

Mr. PASSMAN. To how many governments are we furnishing aid which include our aid as a part of their national budget?

Mr. BELL. I do not know. It would be a lot. It obviously is part of their national budget.

Mr. PASSMAN. Mr. Bell, I only asked you the question. How many nations set out in their budget that foreign aid is a part of the funds to meet their budget, it has become such a fixture?

Mr. BELL. Excuse me, sir——

Mr. PASSMAN. We wish you would put in the record, Mr. Controller, a list of all the nations receiving our aid who fix the foreign aid income as a part of their annual national budget.

Mr. BELL. It is all right with me.

(The information supplied follows:)

COUNTRIES WHICH INCLUDE IN THEIR NATIONAL BUDGETS EXPECTED RECEIPTS FROM U.S. ASSISTANCE

I. Africa:
1. Congo (L)
2. Ethiopia
3. Guinea
4. Libya
5. Morocco
6. Nigeria
7. Tunisia

II. Near East and south Asia:
8. Afghanistan
9. Greece
10. India
11. Iran
12. Jordan
13. Nepal
14. Pakistan
15. Israel
16. Turkey

III. Far East:
17. Burma
18. Korea
19. Indonesia
20. Laos

III. Far East—Continued
21. Philippines
22. Taiwan
23. Thailand
24. Vietnam

IV. Latin America:
25. Argentina
26. Bolivia
27. Brazil
28. Chile
29. Colombia
30. Costa Rica
31. Dominican Republic
32. Ecuador
33. El Salvador
34. Guatemala
35. Nicaragua
36. Panama
37. Paraguay
38. Peru
39. Venezuela

Mr. PASSMAN. I yield to Mr. Andrews.

Mr. BELL. I do not want to prolong the discussion, but I have one other point, if I may, Mr. Andrews.

Mr. PASSMAN. Please proceed.

Mr. BELL. The fact that the aid is not a permanent fixture is made evident, I think, by our identification and putting before this committee 14 countries in which economic aid administered by my Agency is now in the process of coming to an end. We have informed those governments of our attitude. Many of them did not like it, but they have accepted it. We fully expect to carry right through.

Mr. PASSMAN. You did that for fiscal 1965, did you?

Mr. BELL. Some of them will not receive any aid in 1965.

Mr. PASSMAN. You worked it out so some of them would not get aid in fiscal 1965, but they got aid in fiscal 1964.

Mr. BELL. That is right.

REQUESTED INCREASE IN PIPELINE LEVEL DESPITE PROGRAM PHASE-OUTS

Mr. PASSMAN. To go back to this magic figure, why would you have to have as much to put into the pipeline as you take out?

Mr. BELL. The justification for the funds we are asking is not that we are spending that much this year, but that we believe the requirements for next year will be that much.

Mr. PASSMAN. You are cutting nations out but, nevertheless, you want to put into the pipeline as much for fiscal 1965 as you had for fiscal 1964.

Mr. BELL. We would like a little bit more, Mr. Chairman.

Mr. PASSMAN. As you begin to cut them out, your request goes up, according to what is going on here. You are cutting out 14 nations. Does that list include Ireland, Iceland, and Sweden?

Mr. BELL. No, sir; none of them.

They were cut out years ago.

Mr. PASSMAN. You mentioned them in your statement.

Mr. BELL. That is in the 17 that were already discontinued.

Mr. PASSMAN. You did shore up your statement before the committee, if I may put it that way, that you had terminated aid to Iceland, Sweden, and Ireland.

Mr. BELL. We specified that we had terminated aid already in 17 countries, among them those, and 14 more are in process today.

Mr. PASSMAN. But even with all those nations out, you request more money for the pipeline for fiscal 1965 than you put into the pipeline for fiscal 1964; is that right?

Mr. BELL. That is right.

Mr. PASSMAN. Thank you, Mr. Bell.

Mr. Andrews?

MERGER OF AFRICAN NATIONS

Mr. ANDREWS. I may have good news for you. I heard a flash announcement over the radio this morning, and did not get the details, that two of the African countries had joined last night. What about that?

Mr. BELL. Tanganyika and Zanzibar.

Mr. PASSMAN. They did what?

Mr. ANDREWS. They joined or merged, married, or whatever. What would you call that?

Mr. BELL. Merged.

Mr. ANDREWS. Will that cut out one country?

(Off the record.)

Mr. BELL. ———

Mr. ANDREWS. Could that be a precedent for those small, newly emerging nations to get together and merge into one more economic unit?

Mr. BELL. We have been strongly urging four countries—Kenya, Uganda, Tanganyika, and Zanzibar—to create a federation, but thus far Uganda particularly, and to some extent Kenya, have been unwilling to do that. We are delighted to see any move in that direction.

Mr. ANDREWS. In other words, to reduce the number of those countries.

Mr. BELL. Right.

Mr. ANDREWS. But if they form a confederation, that is not a merger, is it? I understood this news flash to indicate that they had merged and where we had two countries we now have one country. What would be the name of that new country?

Mr. BELL. I do not know, sir. I have only the same flash you heard, Mr. Andrews.

Mr. ANDREWS. It will have no effect on this budget?

Mr. BELL. I would not expect it to; no, sir.

Mr. ANDREWS. Do you have money in this budget for each of those countries?

Mr. BELL. (Off the record.)

ZANZIBAR

Mr. ANDREWS. How long has Zanzibar been in existence?

Mr. BELL. As an independent country, only a few months; last October, something like that. We will check it for the record.

(The information follows:)

INDEPENDENCE OF ZANZIBAR

Zanzibar became an independent nation on December 10, 1963.

Mr. BELL. At the moment, Zanzibar is under or has been tending in the direction of falling under fairly leftwing domination. The main benefit from this combination, if it actually takes place, is that the Government of Tanganyika is very strongly a democratic government, oriented toward the West.

PEACE CORPS CONTRIBUTIONS IN TANGANYIKA

Mr. ANDREWS. There are a lot of Peace Corpsmen over there. They have concentrated on Tanganyika, have they not?

Mr. BELL. We have a significant aid program in Tanganyika.

Mr. ANDREWS. Have the Peace Corpsmen done a good job?

Mr. BELL. Yes, they have.

Mr. ANDREWS. What could you put your finger on now to tell us what the Peace Corps has done? Have they made any contribution to the stability of the Government and to influence over the Government in ways of democracy?

Mr. BELL. I would think perhaps our aid program has had more impact in that direction.

Mr. ANDREWS. What is our aid program?

Mr. BELL. The AID program, the economic aid program under this bill. The Peace Corps men who have been in Tanganyika have included, I know, some surveyors for roadwork.

Mr. ANDREWS. Have they built any roads?

Mr. BELL. I believe they have; yes, sir. They have been there for a couple of years.

Mr. ANDREWS. That is one of the Peace Corps pilot projects, is it not?

Mr. BELL. Exactly; right. And I think a good one.

MEMBERSHIP OF MERGED COUNTRIES IN THE UNITED NATIONS

Mr. ANDREWS. Back to this merger, I know Tanganyika was a member of the United Nations. What about Zanzibar?

Mr. BELL. I imagine it is a member. I would have to check it.

(The information follows:)

MEMBERSHIP OF ZANZIBAR IN THE UNITED NATIONS

Zanzibar was admitted to membership in the United Nations on December 17, 1963.

Mr. ANDREWS. If they merge, then you would have one where you had two?

Mr. BELL. Yes, sir; right.

Mr. ANDREWS. That should reduce the total number of members in the United Nations by one.

Mr. BELL. Right.

EFFECTS OF MERGER ON U.S. AID PROGRAM

Mr. ANDREWS. In view of the fact that Zanzibar has merged with one of the beneficiaries of your program, does that mean you are going to have to step up your activity in Tanganyika?

Mr. BELL. The merged country? They might well ask us for additional aid. On the other hand, Mr. Andrews, Zanzibar is a relatively small island, only about 300,000 people. They certainly could not——

Mr. ANDREWS. How far off the coast of Tanganyika?

Mr. BELL. Ten miles, at a guess. It is fairly close. I think it is within eyesight.

Mr. ANDREWS. You said one of them is extremely leftwingish and almost bordering on being radical.

Mr. BELL. That is right.

Mr. ANDREWS. And the other is a democratic government in that part of the world. How are you going to blend their ideologies? Who is going to rule the country? Will there be a power clash?

Mr. BELL. No. What this would represent, if it takes place, as we hope very much it will, is a victory in Zanzibar for the more moderate elements there and the support of them by the Government of Tanganyika. There are already, incidentally, a sizeable number, say 100, members of the Tanganyikan police force over in Zanzibar. They were asked to be brought over to help police the place right at the time of independence, when there was some rioting. The Zanzibar Government included some fairly tough Communist-line types, and they gradually began to exert more and more domination over the Govern-

ment. The head of it, a fellow named Kurume, is supposed to be all right.

What this would represent, if it takes place, is Mr. Kurume asking the Tanganyikans to come in and take over Zanzibar so the Communists will not complete their takeover.

Mr. ANDREWS. The only impact on our program, if any, will be increased aid to the new merged country?

Mr. BELL. That is right. That is obviously not a certainty, but we may get requests for that.

PAYMENT TO ZANZIBAR FOR TRACKING STATION

Mr. RHODES. Mr. Bell, does not Zanzibar get payment from NASA for that tracking station?

Mr. BELL. I thought they did not. I will check the point. Certainly there has been a NASA tracking station on Zanzibar, and the Americans who work and live there obviously have spent some dollars in the local market, which would have put dollars in their economy. I do not remember a payment in the nature of rent or anything like that.

(The information supplied follows:)

NASA PAYMENTS TO ZANZIBAR FOR TRACKING STATION

NASA agreed to pay the Zanzibar Government 3,500 East African shillings ($490) per year for rental of the site of the U.S. tracking station beginning in 1960. No other direct payment to the Zanzibar Government was made.

Mr. PASSMAN. I remember that the Secretary of State (off the record).

Mr. BELL. What he said was that, looking back, (off the record).

Mr. ANDREWS. As I understand it, you are happy over the merger.

Mr. BELL. If it happens, we will be delighted, yes indeed.

Mr. ANDREWS. I heard it over the radio. I just heard the spot announcement that those two countries had merged last night.

Did you hear it?

Mr. CONTE. Yes.

Mr. PASSMAN. If there is a government where the officials are Communist-leaning, do you think the fact that you go in and tempt them with this aid would make them think differently?

Mr. BELL. If we had gone in some time ago?

Mr. PASSMAN. Yes.

Mr. BELL. In the early days, Mr. Chairman, there was a very mixed-up situation——

Mr. PASSMAN. It must be mixed up now, too.

Mr. BELL. The members of the cabinet who were and are Communist-oriented were not nearly so strong and dominant as they became later.

SUPPORT OF GOVERNMENTS WITH COMMUNISTIC LEANINGS

Mr. PASSMAN. You mentioned a moment ago about not giving aid to nations who were leaning toward communism. However, we have supported many governments with these Communist elements, have we not?

Mr. BELL. Each situation obviously has to be looked at separately.

Mr. PASSMAN. I know, but we do support governments where the head of the government and the cabinet lean toward the Communist philosophy, do we not, such as Sukarno and Guinea and Tito in Yugoslavia?

Mr. BELL. The Guinean Government is trying to move away from the Soviet domination. I am sure there are members of the Guinean Government who are themselves quite leftwing.

INDONESIA

Mr. PASSMAN. Some are trying to move away, and some are trying to move back, like Sukarno.

Mr. BELL. There are plenty of things you can say about Sukarno in a derogatory way. I believe it is correct, however, that he is trying and his motivation is to maintain Indonesia as an independent country. He does not want to get under anybody else's domination. That is clear.

We do not think he is conducting himself very sensibly if that is his objective.

Mr. Andrews, the population of Tanganyika is about 10 million, and Zanzibar about 300,000. You can see it would be a relatively small number.

(Off the record.)

ASSISTANCE TO GUINEA

Mr. PASSMAN. What kind of government do they have in Guinea? Is it inclined to be leaning toward the Communists?

Mr. BELL. No, sir, it is inclined to move away from the Communists. We are helping them——

Mr. PASSMAN. Lean?

Mr. BELL. Exactly.

Mr. PASSMAN. What kind of government is there presently?

Mr. BELL. In Guinea, sir, I suppose you would describe it as a nationalist government.

Mr. PASSMAN. A kind of Communist government?

Mr. BELL. No, sir. I do not think so. I would be glad to check the point.

Mr. PASSMAN. We wish you would check it.

Mr. BELL. My impression is that the members of the Guinean Government, certainly Mr. Sekou Touré, are not members of the Communist Party and are not under the control of Moscow or Peiping. They are nationalists. They have strongly felt in the past that they could get help from the Soviet Union, and when they got it they were very much disillusioned. In the last couple of years we have been providing them some economic assistance which has enabled them in effect to make good their escape from the embraces of the Soviet Union.

Mr. PASSMAN. I do want to go to page 199 of the justifications:

American assistance to Guinea has been successful in ———.

That is why I asked the question. This would indicate ———. Do you read it that way?

Mr. BELL. Look at the sentence at the bottom of the previous column.

Mr. PASSMAN. I am looking at what you have blanked out. Anybody can read this other.

A continuing technical program is scheduled * * *.

What are you talking about?

Mr. BELL. Down at the bottom of the previous column.

Mr. PASSMAN. I want to discuss this inked-out part of it.

Mr. BELL. All right.

Mr. PASSMAN. The material that would show it could be a Communist regime is blanked out, is it not?

Mr. BELL. No, sir. That is exactly the reason I pointed to this sentence at the bottom of the previous column, which says flatly that:

Guinea took several additional strides last year along more liberal economic and political lines and away from the U.S.S.R. orientation which characterized her immediate postindependence position.

Mr. PASSMAN. What strides?

Mr. BELL. Guinea reopened trade in the private sector and relaxed some price controls. The new environment was evident also in the cooperation given Harvey Aluminum which signed an important contract for bauxite exploitation with this mineral-rich country last year. American assistance to Guinea has been successful in ———.

Mr. PASSMAN. They were leaning toward the Sino-Soviet, but our aid caused them to lean back the other way?

Mr. BELL. They originally started out and became independent, and they tried to get major support from the Soviet Union. They have now moved away from that for the last 2 or 3 years.

Mr. PASSMAN. If this be true, why do we want to block this out? They know whether or not the alternative is toward the Sino-Soviet oriented countries. Could it be that we really question whether or not they are going to straighten up and fly right? Why should this material be classified?

Mr. BELL. I think you had better ask Mr. Hutchinson or Governor Williams.

Mr. PASSMAN. You are the AID Director. I think I would rather——

Mr. BELL. Mr. Hutchinson is the Assistant Administrator for Africa and Europe.

Mr. PASSMAN. I would rather get their reasons later. Just find out why it is blocked out.

I shall yield to Mr. Rhodes.

PARTICIPATION BY STATE OF CALIFORNIA IN CHILE AID PROGRAM

Mr. RHODES. Mr. Bell, on December 16, 1963, I wrote you a letter concerning participation in aid programs in Chile by the State of California.

Mr. BELL. Yes, sir.

Mr. RHODES. You answered my letter on January 3, 1964, concerning this program. The reason I wrote you is that it appeared that this was an innovation in the aid program. The crux of my inquiry was, No. 1, how far it would go in Chile and, No. 2, whether it was expected that this type of agreement might be made with other States or other countries, and the general plans of the Department in regard to this.

Would you care to elaborate for the record on any new development in this type of arrangement generally, or the Chilean arrangement specifically?

Mr. BELL. We consider the California-Chilean relationship is going well. The State of California has selected as the project supervisor an able person named Preston Silbaugh, who was on the Stanford law faculty at one time and later headed one of the departments of the State government. Perhaps I could put his background in the record.

BACKGROUND ON PRESTON N. SILBAUGH

Prior to his appointment by Gov. Edmund G. Brown of California to the position of director of the Chile-California program, Preston N. Silbaugh had served since October 1961 as administrator of the Business and Commerce Agency of the State of California and as a member of the Governor's cabinet. Mr. Silbaugh also was chairman of the board of investment and commissioner of the savings and loan system. Before entering State service, Mr. Silbaugh taught for a number of years at the Stanford University Law School where he also served as assistant dean and later as associate dean.

He and a team from California were in Chile and have made an initial estimate of how they could usefullly fit into the requirements of the Alliance for Progress in that country.

We and the Chilean Government have agreed on the initial areas in which the State of California will supply technical advice. Members of the first group will arrive down there on May 9, and actually to go to work. The first group will work with the Budget Bureau of the Government of Chile. Technicians will shortly be sent in the fields of water resource development, rural extension, and manpower resources. Those are the initial fields.

Because we expect the State of California to provide this substantial program of technical assistance, we are reducing our own aid mission in Chile. We have cut out some 15 program positions over the last few months. The State of California will supply more effectively and better the kinds of technical advice that were, by and large, supplied by this group of direct-hire people.

Mr. RHODES. California does not pay the expenses of the people?

Mr. BELL. The State is under contract to AID.

Mr. RHODES. What will be the difference in the outlay of Federal funds as a result of this contract? Will there be any savings because of it, or will the amount of the contract equal or exceed the Federal savings?

Mr. BELL. I shall put an analysis in the record. May I say, however, that I do not think we would claim that this kind of arrangement would save us much money. We would expect it to achieve a higher quality of advisers in Chile or anywhere else where this is done, and a more flexible arrangement.

The State of California is acting as the contractor, and we would expect them to respond to task orders and move people in and out, which is easier and more flexible than the system which this Agency has tried to operate; that is, sustaining a substantial work force of technicians when our workload actually fluctuates up and down frequently and rapidly in the countries where we work. The main advantages that I see are in the sense of getting higher quality and of providing a more flexible system of operation.

At the same time, I think it should cost us no more or substantially the same. Comparisons which we have made, which we will put in the record, of the cost of operating through contractors, their salary costs and the other allowances we make, their overhead, in comparison to our own costs, salaries, and associated costs, and our overhead, our field missions, and so on, indicate that we come out about even as nearly as our figures indicate.

Mr. RHODES. You will submit the cost figures for the contract and the offsetting savings?

(The information supplied follows:)

ANALYSIS OF COSTS INVOLVED AND OFFSETTING SAVINGS BY CONTRACTING WITH CALIFORNIA FOR AID SERVICES IN CHILE

Exact comparisons between the cost of the Chile-California program (CCP) and the cost of carrying out the same projects included in this program through direct-hire employees working in the U.S. AID mission in Santiago are difficult to make at this time for several reasons:

(1) The projects which the CCP will implement are not identical to those formerly handled by the mission with direct-hire personnel. Although the California technicians will work in general areas, such as agriculture, in which the mission has had projects in the past, the scope of California activity will be broader, more difficult, and at a higher level than most of the former mission projects staffed by direct-hire employees.

(2) The CCP is now beginning its operations in Chile and there is not sufficient data on actual operating costs to provide an exact figure of what the average man-year cost will be once the program is in full operation.

(3) The CCP where possible will make use of short-term consultants for whom cost figures are not comparable to those of 2-year direct-hire personnel.

In preparing projected fiscal year 1965 budgets for the projects under the Chile-California program, an estimate was made that most staff salaries (excepting secretaries) would fall in the $12,000 to $20,000 range. Salaries of the employees in the 15 direct-hire program positions recently eliminated from the USAID mission in Sanitiago ranged from $9,150 to $18,900. The difference in the two salary ranges can be explained by two basic reasons:

(1) The Chile-California contract employees will have higher qualifications and be at a more senior level than the specialists employed in the past on a direct-hire basis with the mission.

(2) California State salaries are generally on a higher scale than Federal salaries, and the salary scale of private institutions in California is generally significantly higher than both the Federal and the State scales.

Transportation costs and local allowances in Chile for individuals under contract to the Chile-California program will be identical to those of direct-hire employees of the USAID mission of comparable grade.

EXPANSION OF PROGRAM TO OTHER STATES

Mr. BELL. You asked also whether we expected to do this with other States.

Mr. RHODES. Before you go to that, may I ask this question. You have stated that there seems to be some greater flexibility and some greater availability of talent in the State of California than there is in AID. This surprises me. If this is the situation, since we have 50 States, maybe we ought to get each one of them to adopt a country and let them go into the AID contracting business. You could probably reduce your Washington staff and your staff around the world rather considerably.

Mr. BELL. Right. I do not know how far we can take this.

Mr. RHODES. I am a great States rights man. You know that.

Mr. BELL. On your general point, I think there is a great deal to it. In the State and local governments, co-ops, businesses, and universities of this country, there are enormous resources of skill and talent. If we can tap those resources through the contracting arrangement at not exorbitant cost, we should be able to get a higher quality of service than if we try to hire those people away from their various normal careers and build up a staff of technicians permanently on our own payroll. It is not a permanent agency. It does not have very effective personnel authorities available to it. It is very difficult for us to maintain top-ranking technical people on our payroll. Some we have. They are there mainly because they believe in this kind of work. They have found that over the years they get great satisfaction out of trying to help other countries.

We also have technicians on our staff who are not of the first rank in competence. In a contract such as this one with California and others with co-ops, labor unions, and businesses, if we can get people on a contract basis for a span of time sufficient to do the job, I think we can supply higher quality resources, higher quality skills to the job we are trying to do.

STAFFING PLANS

Mr. RHODES. Is California going to use people that it already has in the State government, or will it engage additional people?

Mr. BELL. Both.

Mr. RHODES. In other words, Mr. Silbaugh——

Mr. BELL. Silbaugh is already in the State government.

Mr. RHODES. What about Earl Warren, Jr., who I understand is to be the deputy?

Mr. BELL. He is from Sacramento, the home-base man. He was appointed from outside the State government. The first man to be sent down as an economist is from the Stanford Research Institute, a very good man. I know something about his background.

Mr. RHODES. It would be more usual, however, in a situation like this to make ad hoc contracts, for instance, for research with Stanford Research or with Booz, Allen & Hamilton or somebody like that, rather than to make more generalized contracts, which I assume this to be, with a State.

Mr. BELL. Right; that is the more frequently used procedure.

Mr. RHODES. This is completely new and different, is it not?

Mr. BELL. Yes; I cannot think of another one, although many States are going on their own. I repeat, we regard it as a pilot effort.

Mr. RHODES. It will be interesting to watch it, and I hope you can report to us periodically as to how it is progressing.

Mr. BELL. We shall be glad to.

Mr. RHODES. If you find any way to make the Californians quit stealing Arizona's water, I would appreciate it, too.

Mr. BELL. I thought you won that case.

Mr. RHODES. We did, but we haven't gotten the water yet. It is still flowing down the river.

Mr. BELL. May I add just one point, Mr. Rhodes. We are fully in agreement that it does not do you any good to contract with somebody unless he feels a major responsibility, unless he puts his own effort and energy and commitment into it. I think the Agency has

learned this in the past from contracting with universities and others. Sometimes we got a rather casual job.

It works and can be effective if the university or, in this case, the State government really commit themselves to provide first-class talent and feel that they have and share the responsibility for accomplishing the job to be done.

EARTHQUAKE DISASTER FUNDS FOR ALASKA CONTRASTED TO CHILEAN RELIEF

Mr. PASSMAN. I know there are always reasons attached to one loan which would not be attached to others. Of course, Alaska is a State of the Union, but was the earthquake in Alaska as much a catastrophe as the one in Chile several years ago?

Mr. BELL. I do not know enough about them to comment, sir. The earthquake in Alaska was obviously very severe and serious.

Mr. PASSMAN. I think the one in Alaska was considered one of the worst earthquakes in the Western Hemisphere, one of the worst of all times in Alaska.

Aside from some 15 other spigots of foreign aid, help me recall at the time we implemented the Bogotá Conference for $394 million, with $6 million left over which went to the Organization of American States, did we not also include $100 million for Chile?

Mr. BELL. Yes, sir, for reconstruction.

Mr. PASSMAN. Was it $250 million or $50 million that the Congress considered for Alaska?

Mr. BELL. The first installment which has been voted was about $50 million but, as I understand it, there will be substantially more.

Mr. PASSMAN. But $50 million was the first installment.

Mr. BELL. Incidentally, the Chile case was a loan, not a grant.

Mr. PASSMAN. I am not talking about what it was. We quickly approved extra aid for Chile in the form of a loan of $100 million at the time of that catastrophe.

Mr. BELL. We will put the timetable in.

Mr. PASSMAN. It was $100 million for Chile, and for Alaska it is $50 million.

Mr. BELL. The $50 million, sir, as I understand it, is the first installment, and there is likely to be a good deal more.

Mr. PASSMAN. We gave Chile a quick $100 million, and the country was also eligible to draw out of the other spigots of foreign aid.

Mr. BELL. I do not know, sir. I will put the timetable in the record. I thought the earthquake was perhaps in October of 1961, and the Congress passed the Chilean reconstruction loan in May or June or July of 1962.

Mr. PASSMAN. Is that not quick——

Mr. BELL. In Alaska it happened in 3 or 4 weeks.

Mr. PASSMAN. Let us put into the record the amount of aid given to Chile in the year 1961. What do you have there for the total?

Mr. BELL. $145 million, sir, economic and military.

Mr. PASSMAN. How about 1962?

Mr. BELL. $227 million.

Mr. PASSMAN. So far, for Alaska, we have approved $50 million.

Mr. BELL. Obviously, sir, you have to compare population and a lot of other problems.

Mr. PASSMAN. But this is a real catastrophe. I make that comparison——

Mr. BELL. I would like to say, sir, obviously, representing the executive branch here, I am strongly in favor of aid both to Alaska and now to Chile.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

(The information supplied follows:)

TIMETABLE FOR U.S. ASSISTANCE FOLLOWING CHILEAN EARTHQUAKES OF 1960

The Chilean earthquakes occurred on May 21–22, 1960, and the following U.S. assistance was provided:

A $10 million loan from the Export-Import Bank was authorized on May 27, 1960; a $5 million grant was authorized during June 1960 for relief operations known as Operations Amigos during the immediate postdisaster period; and a $20 million Presidential grant was authorized in June 1960 and formalized with an exchange of notes on October 28, 1960, when the grant became effective.

The $100 million loan for earthquake reconstruction and rehabilitation was authorized by Congress (Public Law 86-735) September 8, 1960, appropriated May 7, 1961, and signed on August 3, 1961. A $30 million advance was released to the Government of Chile on signature of the loan. This advance and all further dollar disbursements are related on a reimbursement basis (after liquidation of $20 million of the advance) to escudo expenditures made by the Government of Chile after January 1, 1961, on reconstruction projects jointly agreed with the USAID mission in Chile. On April 2, 1962, project agreements totaling $100 million had been signed. As of March 31, 1964, $89.537 million had been disbursed.

Mr. PASSMAN. If Alaska had not gained statehood, would it have been eligible for aid under the Foreign Assistance Act?

Mr. BELL. No. The Foreign Assistance Act is for countries other than the United States.

Mr. PASSMAN. I believe we do extend certain concessions to our territories or colonies not extended to States. Is that not the history of our country?

Mr. BELL. Yes, sir, I believe in some cases.

PUERTO RICO

Mr. PASSMAN. I think maybe Puerto Rico——

Mr. BELL. Of course, Puerto Rico is——

Mr. PASSMAN. It is very poor, of course.

Mr. BELL. It has a uniquely juridical status. It is a commonwealth. It is not exactly a territory. The people are U.S. citizens, but they are neither State nor territory. They do have a special tax situation which is very favorable to them.

NATIONS IN WHICH U.S. AID IS CONCLUDED OR IN PHASEOUT

Mr. PASSMAN. Today you are talking about 14 or 17 nations, which is it, to which you are concluding aid?

Mr. BELL. Seventeen have been concluded.

Mr. PASSMAN. Including Sweden, Ireland, and Iceland?

Mr. BELL. Yes; and France and Britain and Germany and Italy.

Mr. PASSMAN. You would have had few in number if you had not included some of those countries.

Mr. BELL. You have taught us to be complete, sir.

Mr. PASSMAN. With reference to the 14 countries, we have unliquidated funds to the credit of these nations that will be disbursed?

Mr. BELL. Yes.

Mr. PASSMAN. Under the pending legislation, even though at this time you do not foresee the possibility of this happening, if there should be a Presidential determination or a decision by you, you could supplement the amount that is in that kitty to be disbursed later; could you not?

Mr. BELL. We could, yes.

Mr. PASSMAN. When I said you are requesting funds for these 14, it is at a greatly reduced rate?

Mr. BELL. That is right; some of them none for new commitments.

Mr. PASSMAN. But the kitty is still there?

Mr. BELL. Yes; I suspect in all of them there are unliquidated obligations.

KOREAN PURCHASE OF CANADIAN WHEAT CONTRARY TO ANNOUNCED POLICY

Mr. PASSMAN. On page 5 of the justification book I note the statement:

> In Korea, Laos, and the Congo major fiscal, budgetary, administrative reforms were carried out in 1963 to conserve scarce foreign exchange and assure that it was spent only for essential imports.

Now, Mr. Bell, if I recall correctly, it seems to me that I read in the press last year that Korea, despite our Public Law 480 surplus agricultural commodities program, spent some of its foreign exchange to purchase wheat from Canada or some other country. Are you familiar with the matter?

Mr. BELL. I recall something like that. I will have to supplement it for the record, if I may.

Mr. PASSMAN. Do any of your supporting witnesses recall the incident? If not, please supply the information.

(The information supplied follows:)

KOREAN PURCHASE OF WHEAT FROM CANADA DESPITE OUR PUBLIC LAW 480 PROGRAM

On September 9, 1963, the Korean Government signed a contract with Japanese firms to provide Korea with $6,339,000 worth of wheat and barley. The source of the grain by dollar value was as follows: Canada, $4,594,000; Australia, $930,000; United States, $815,000. Payment was to be $600,000 in cash and the remainder rice from the 1963 fall crop.

The Korean Government was apparently moved to make this purchase by (*a*) a desire to insure that its people were fed, (*b*) the need to hold down high domestic food prices with additional availabilities of grain just before the rice harvest, and (*c*) a desire to act independently.

An exchange of letters made when the most recent Public Law 480, title I agreement was signed in March 1964 provides that, to the extent prices are competitive, any purchases of grain made with Korean foreign exchange during 1964 will be from the United States.

In April 1964 the Korean Government signed contracts for the purchase of 110,000 M/T of barley to supplement grain provided under Pubilc Law 480. All of this barley was purchased from the United States.

Mr. PASSMAN. To which countries are you referring specifically here? I note on page 19 of the justifications reference to the Inter-American Committee for the Alliance for Progress, which was established at the 1960 São Paulo meeting. What are the duties and functions of this Committee and how much power will it have to allocate resources among the Alliance for Progress countries?

Mr. BELL. All of the members of the OAS are members of this Committee, through six representatives of the Latin American Governments and one from the United States.

The duties and functions of this Committee are to review the progress and performance of the Latin American countries under their development program and to consider what their requirements for external assistance from various sources, including the United States, may be. The Committee has no power to allocate funds. No funds are made available to the Committee.

Mr. PASSMAN. They make recommendations?

Mr. BELL. They can recommend.

Mr. PASSMAN. It is an evaluation committee, something new?

Mr. BELL. That is it, basically.

Mr. PASSMAN. To whom will they report?

Mr. BELL. The Inter-American Economic and Social Council of the OAS.

Mr. PASSMAN. Who is Chairman of the Committee?

Mr. BELL. Carlos Sanz de Santa Maria, who was until recently Finance Minister of Colombia, is Chairman of CIAP.

Mr. PASSMAN. Will they report also to Mr. Mann?

Mr. BELL. They do not report to Mr. Mann. They are an international committee. The U.S. relationship with the Committee will be under Mr. Mann's responsibility.

Mr PASSMAN. Is this to supplement the work of the several windows in the Inter-American Bank?

Mr. BELL. Not directly.

Mr. PASSMAN. It has no connection with it?

Mr. BELL. Only in the sense that the Bank is concerned with financing Latin American development and thus serves as a technical arm of CIAP.

Mr. PASSMAN. Where is Mr. Moscoso, who used to be with the Agency?

Mr. BELL. He is the American representative on this Committee, and to the Inter-American Economic and Social Council of the OAS. He is also a special adviser to Mr. Mann.

Mr. PASSMAN. This was not created just to make room for an old faithful?

Mr. BELL. No, sir. This Committee was created in October of 1963 at São Paulo.

Mr. PASSMAN. That was just a few months ago.

Mr. BELL. It was before Mr. Mann was appointed.

Mr. PASSMAN. Mr. Moscoso resigned later?

Mr. BELL. Yes, sir.

Mr. PASSMAN. The Committee was created prior to President Kennedy's death?

Mr. BELL. Yes, sir; the Committee was created in October.

The Committee had not actually been established by the time President Kennedy died.

Mr. PASSMAN. Mr. Moscoso was still head of AID in Latin America?

Mr. BELL. Yes.

Mr. PASSMAN. Subsequent to President Kennedy's death, they established this Committee?

Mr. BELL. The Committee was created by act of the São Paulo meeting of the Inter-American Economic and Social Council of the OAS in October.

Mr. PASSMAN. But it had not been manned?

Mr. BELL. Exactly. The Chairman and members were elected in January. Mr. Moscoso is the first U.S. representative.

Mr. PASSMAN. It was not created to take care of an old faithful?

Mr. BELL. No, sir.

Mr. PASSMAN. What is the compensation of the members of the Committee?

Mr. BELL. I will have to put it in the record, sir. I do not know.

Mr. PASSMAN. Would you put that information in and all related expense allowances?

Mr. BELL. Yes, sir; be glad to.

Mr. PASSMAN. Maybe a copy of the budget would be useful, too.

(The information supplied follows:)

INTER-AMERICAN COMMITTEE FOR THE ALLIANCE FOR PROGRESS (CIAP)

Dr. Carlos Sanz Santa-Maria, Chairman of CIAP receives a salary of $22,000. The other six members of the Committee are entitled to $4,000 a year honorarium in lieu of per diem and living expenses, but continue to draw regular salaries from their respective governments. The U.S. representative has announced that he will not accept the $4,000 honorarium.

The tentative budget for the Committee, including the salary of the Chairman and the honoraria referred to, is projected at about $300,000 but has not been definitely decided as yet. It will be included in the regular budget of the Pan American Union beginning July 1, 1964.

ADDITIONAL LOANS FOR PAKISTAN, TURKEY, AND INDIA

Mr. PASSMAN. On page 44 of the justifications, I note that your current fiscal 1964 program for the Near East and south Asia is estimated to be $709,800,000, with a footnote which reads as follows:

Depending upon the availability of funds, additional loans may be made to Pakistan, Turkey, and India.

Mr. BELL. Yes.

Mr. PASSMAN. Since your present program includes ——— for India—fantastic—; ——— for Pakistan—also fantastic—and ——— for Turkey, why are we contemplating any more additional loans to these three countries in fiscal 1964?

Mr. BELL. Because it is quite likely, sir, that they will submit projects which are valuable and appropriate projects. These are, as you know, countries in which we are concentrating our assistance because they are extremely important to the United States, and they are conducting themselves sensibly, mobilizing their own resources, and so on.

Consequently, they qualify for major help from us. We would like to provide them additional loans if the projects come along which indicate that the money would be well spent.

Mr. PASSMAN. Personally, I think you have given them more out of 1964 funds already than they are entitled to receive. When you commence thinking about ———, that is a lot of money.

Mr. BELL. It is a lot of money, but their problems are also large.

Mr. PASSMAN. They will continue to be large, long after Mr. Bell and Mr. Passman, both, are 6 feet under.

There will be projects you can find in India, for instance, that would require hundreds of millions of dollars, years and years and years hence.

Mr. BELL. Mr. Chairman, India is a very large country.

Mr. PASSMAN. I know that it is.

Mr. BELL. It is about 450 to 500 million people. They start with an extremely low standard of living per capita, perhaps $75 a year per person. The expectation, however, is not that the United States will go on indefinitely providing substantial sums to India.

What we are trying to do is help the Indians get on their own feet, meaning that they have a sufficient rate of saving and investment and a sufficiently strong balance of payments so that they can progressively meet the needs of their own people, achieve a steady rise in their own standard of living, without any help from us or from anybody else.

The development plans and the program they have underway to achieve that objective are reviewed regularly, not only by us—by the World Bank, by other donor countries. We are all satisfied that the policies that are being followed by the Indian Government in the economic field make sense. They are good. They can be improved, but they are good policies. They are such as to make good uses of their own resources and of any resources we make available to them.

Therefore, the progress in India toward a condition of self-sustaining economic progress is real. Conditions in India are a great deal better today than they were 5 or 10 years ago. They will be better if we continue to assist them, they will be a great deal better 5 or 10 years from now.

Mr. PASSMAN. Is this matter our responsibility?

Mr. BELL. I do not argue it is our responsibility. I argue it is in the interest of the United States.

Mr. PASSMAN. Certainly, or you would not hold this job.

Mr. Natcher?

SITUATION IN BRAZIL

Mr. NATCHER. Has the situation changed in Brazil in the last 2 days to the extent you are no longer concerned about programs in the future?

Mr. BELL. No, sir; we are very hopeful about the situation in Brazil. The Cabinet appointments that have been made by the new President are excellent. The men who are now Cabinet Ministers in Brazil—Minister of Finance, Planning, Agriculture, Labor—are all very good men. But we are waiting to see what program they put together, what policies they adopt. They have some very difficult circumstances to overcome.

There has been a terrific rate of inflation the last year. It will take very tough action for them to bring the situation under control. As and when they come forward with a specific program of action and start on it, then we will be prepared to help them. But we are not going to act just because there are now better men in the Government than they had before. They have laid a good basis, and we hope they will follow on with the kind of program that is called for. I think the odds are very good that they will. They understand what the problem is.

You may have noticed that in the first speech of the new President he said that they face very severe economic problems, and that he intends to meet them. He said they do not intend to replace what was tending toward a leftwing dictatorship with a rightwing reactionary government. Now they are going to move on a middle-of-the-road course, following through on reforms where they are warranted, so that the statements of the President are fine. But, I repeat, we are waiting to see positive and direct and necessary action. If it is forthcoming, we would be prepared to change our policy of the last year.

SITUATION IN OTHER LATIN AMERICAN COUNTRIES

Mr. NATCHER. Has the situation changed generally in Latin America from the time you appeared before our committee last year?

Mr. BELL. This situation in Brazil is a big change for the better. We expect it to be a big change for the better.

In Venezuela over the past year there has been a major victory for the democratic freedom of the hemisphere in the successful accomplishment of that election in December. They had a successful election in spite of the fact that the extreme leftwing groups had been conducting terrorist campaigns in the streets of Caracas, and otherwise trying to disrupt the election. Ninety-one percent, as I remember, of the voters in Venezuela went to the polls, completely repudiated the leftwing group, and the new President took office peacefully. This is the first time in Venezuelan history that a popularly elected President ever completed his term of office and handed on the Government to his popularly elected successor. This is a great achievement. It does not mean all problems are ended, but it is a great step forward.

Chile and Colombia have been conducting good economic programs. Peru has come back since I was here a year ago and has had a successful election. A civilian government has been restored. There was a military junta in charge a year ago. This Government was elected on a reform program consistent with the Alliance for Progress program and has come in with a mandate to move toward the ideas and ideals of the Alliance.

The economic situation in ——— has substantially improved. The economic situation in ——— has not significantly improved, although there are encouraging signs.

CENTRAL AMERICA

In Central America, the movement toward integration has continued to accelerate. The scope of Central American Bank operations has been expanded. The universities of Central America are work-

ing together, making common plans for specialization in graduate education of one kind or another.

I would say that, in addition to these points about the individual countries, we can see considerable movement in the field of taxation, quite a few of the Latin-American countries, 10 or a dozen, a substantial number, are now using Internal Revenue Service agents as advisers to improve their tax administration, and tax revenues are rising accordingly. They are collecting more of the taxes they should be collecting.

The prices of Latin American products, coffee particularly, have risen somewhat over the last year, which eases their foreign exchange problem.

SUBVERSIVE ELEMENTS

At the same time, on the negative side, Castro has not, in any sense, diminished his effort to train subversives and to get them into these various countries.

Mr. NATCHER. What about the countries that are permitting these people to come in and occupy a portion of their country. Do you find that there are any agreements to the effect that these people can go into the countries?

Mr. BELL. I am not sure I follow you.

Mr. NATCHER. Cubans that are in some of these South American countries at the present time.

Mr. BELL. Most of the people who are conducting these subversive activities in Latin American countries are not Cubans, as such, but they are leftwingers from those countries—Brazilians, Bolivians—who have been to Cuba for training and then go back into their own country.

Mr. NATCHER. You do not have any information to the effect there are Cubans that go back with them?

Mr. BELL. There are some Cubans, but I think not a large number. (Off the record.)

Mr. BELL. I would say, Mr. Natcher, that in general, my judgment about Latin America is that on the overall basis there has been a substantial and significant series of improvements over the last year.

On the other hand, nobody would argue that we are home free. The problems there are still significant. The Alliance for Progress was conceived of as a 10-year program. This is the third year now. We certainly have a great deal to do. They have a great deal to do if we are to help them get established on a solid basis so that they can make continuing economic and social progress without extraordinary help from us.

Mr. NATCHER. Thank you, Mr. Chairman.

INCREASE IN U.S. PUBLIC DEBT

Mr. PASSMAN. I want to note that our public debt on April 15, 1964, that part which is subject to limitation, amounted to $308,859,576,507.92, as compared to $303,221,481,449.86 at the same period on April 15, 1963. So, the public debt is up over $5.5 billion in 1 year.

I should also like to note the fact that as of April 15, 1963, covering the first 9½ months of the fiscal year, the Government had withdrawn

from the Treasury $94,840,825,491.81. However, on April 15, 1964, covering the first 9½ months of this fiscal year, there had been withdrawn from the Treasury $99,679,144,586.32. So, the withdrawals from the U.S. Treasury to meet Government obligations or commitments is almost $5 billion higher this year, to date, than in the preceding year.

Mr. Conte?

INDIA SILVER CREDIT

Mr. CONTE. Mr. Bell, on your oversea loans and grants I notice in a footnote on India that there is $29.2 million of lend-lease silver credits, fiscal year 1946. What is the status of that at the present time?

Mr. BELL. I will have to check that for the record, if I may, Mr. Conte.

Mr. CONTE. It may seem like an odd question, but the reason is we have a shortage of silver right now in this country. If we can get it back, it would be a good time to get it back.

(The information supplied follows:)

The $29.2 million of lend-lease silver credits was fully repaid by the Government of India to the U.S. Treasury by June 30, 1958.

AID LOAN OPERATIONS

Mr. CONTE. Is the way AID operates in lending programs similar to other international banks or banks in this country? We discussed this quite a bit last year.

Mr. BELL. Yes, sir. I checked this point several times. Our procedures on loans are essentially the same as those of the Export-Import Bank and the World Bank and the Inter-American Development Bank, and, indeed, of private U.S. banks that operate internationally. We operate on the basis of very careful review of the project or program that we are asked to finance. We have thorough technical, engineering, financial, and economic analysis of the proposition that is put to us. Each loan is reviewed carefully within the agency and by an advisory committee which includes representatives of the Treasury Department and the Export-Import Bank and State Department as well as ourselves.

So that I think the standards for review, which are, of course, laid out in the act, are followed scrupulously. The method by which we review applications coming before us is essentially the same as those of the other international lending agencies. This was the purpose of the question, sir?

U.S. AID LEVELS BY COUNTRY GROUP CATEGORIES

Mr. CONTE. Yes. I notice in your statement you emphasize concentration on a certain group of countries. You have described U.S. program aid in transitional countries. Could you explain something about your aid to other countries, country groups?

TRANSITIONAL COUNTRIES MARKED FOR PHASEOUT

Mr. BELL. Yes.. We laid this out on a table on page 13 of our presentation book. The salient points, I think, are first of all, that of the 76 countries to which we expect to provide some assistance, which

are listed in our book for the next fiscal year, some 14 are in the transitional conffidition which we have already talked about.

Mr. CONTE. That is the group of countries that you eventually will phase out?

Mr. BELL. Yes, sir; they are now approaching the time when they will no longer need soft loans or grants under the economic AID program from the United States. In some of them we expect our aid will be ending very quickly. The total amount of resources from the 1965 aid program that we are expecting will go to these countries is only 2 percent of the total. So that illustrates the transition is already far advanced.

Mr. CONTE. That 14 makes up 2 percent of the total 100 percent of aid?

Mr. BELL. Yes, sir; that is right.

Mr. CONTE. Group 2, major programs?

Mr. BELL. Yes.

Mr. CONTE. Eighty-eight percent?

HEAVY AID CONCENTRATION COUNTRIES

Mr. BELL. Eighty-eight percent of our proposed assistance goes to only 25 countries. It is a very heavy degree of concentration. Those countries break down into 3 subgroups. First is the seven countries where 50 percent of our aid is expected to go, which are the countries with good self-help records and good growth prospects—Chile, Colombia, India, Nigeria, Pakistan, Tunisia, and Turkey.

Mr. CONTE. This will not be classified?

QUALIFIED DEVELOPMENT SUPPORT COUNTRIES

Mr. BELL. I understand. We do not have to classify that.

There are an additional 11 countries where 17 percent of the assistance is expected to go, which we refer to as qualified development support programs. These are countries, mostly Latin American countries, where the long run prospects are good but where the self-help records are erratic. These are the countries, including Brazil; for example, which I was just discussing with Mr. Natcher. If these countries actually undertake effective self-help programs, we could be called upon for larger assistance, and we would be prepared to consider that, even if it meant coming back and asking for some supplemental funds.

But we have included funds in these programs on a hardheaded and realistic basis. In our 1965 proposal we tried to make a fairly hardheaded and realistic estimate of what these countries are actually likely to do for themselves and the aid that will be called for under those conditions.

SUPPORTING ASSISTANCE COUNTRIES

The third group in the 25 is the seven countries which are essentially those where we are operating in a difficult security situation—Vietnam, Laos, Korea, countries of that type. These are the remaining countries where supporting assistance is used heavily. About 21 percent of our total assistance in 1965 is expected to go to these

countries. These are cases where we are really at the present time simply trying to sustain security and stability, although they are achieving some progress in the development sense. We would like to see these countries move from this grouping into a development category. A country like Korea has begun to make that shift.

Mr. CONTE. Thailand should make that shift, should it not?

Mr. BELL. Yes, Thailand can make that shift, Korea can make that shift, Bolivia can make that shift. Even Jordan has begun to make it. If we were preparing a list like this with the situation 10 years ago, you would have had a much larger number of countries in this category. It would have included Greece, Taiwan, other countries which in the intervening period have moved out of this kind of situation through a development process and are now reaching the end of the road, end of the need for economic aid.

So that these seven countries are cases in which we are putting quite a lot of money and in which at the moment the security situation predominates. We hope that as soon as possible it will be possible to move them on to a developmental basis.

LIMITED PROGRAM COUNTRIES

The remaining countries, some 37, of which 27 are in Africa, where only 10 percent of our resources are proposed to go, these are limited programs. We have limited objectives in those countries. We are putting in relatively small amounts of money for several reasons. It may be that one of the European countries is providing the bulk of the assistance as in the ex-French colonies in Africa. Or it may be that we are not able to work strongly with the central government of the country, but we are trying to achieve limited progress perhaps through a technical assistance project or two which may influence the situation so that in the future it can be better.

This table illustrates, I think quite clearly, the strong degree of concentration which is achieved in the 1965 program as we put it forward. It illustrates the fact that we have reached the transitional stage for a sizable number of countries. It illustrates that in quite a few countries we are operating deliberately only a limited scale effort for limited objectives.

CRITERIA FOR DETERMINING AID LEVEL

Mr. CONTE. What criteria do you use to determine what kind and amount of aid you will provide for these countries?

Mr. BELL. Each of these programs results from a process of analysis and judgment which starts essentially focusing around three questions: 1. What is the U.S. interest in this country? What are we there for? What do we want to achieve? No. 2. What is the country doing for itself? What are they prepared to undertake? What self-help measures, what mobilization of their own resources, how much are they prepared to put their own energies into their own problems? No. 3. What resources are available to this country from others, from other bilateral donor countries or from the international financial institutions, et cetera?

Those three questions pretty well epitomize what we ask. The conclusions we reach give us a basic strategy of aid toward a country,

which is put down on paper in an annual assessment of what we ought to be doing in a country and specifically what the various projects might be that we should be helpful in.

The annual country assistance strategy statement is reviewed, is prepared in our field missions and reviewed carefully in Washington.

Incidentally, it is reviewed in connection with the Defense Department, Agriculture Department, Treasury Department, and State Department as well as ourselves. So that our approach to each country is very carefully calculated, and it is in this kind of process that we decide that some countries have reached the transitional stage and others are worthy of major support from us, and in others we have only limited objectives and should not do very much.

I think this process has been improved in quality in the last 2 or 3 years. I think the basis for deciding what the U.S. assistance program ought to be in a given country today rests on a far sounder footing than it ever has in the past and that we should be making better decisions and achieving better results than we have always done in the past.

By saying that I do not mean to be derogatory about people who have been responsible for this program in the past. We simply have learned more and we are putting the best ideas we know of today to work in trying to ascertain and carry out the most sensible programs we can devise.

UNLIQUIDATED COMMITMENTS

Mr. CONTE. Mr. Bell, we talked yesterday about this pipeline. If I recall correctly, it is over $10 billion.

Mr. BELL. My definition of pipeline is the unliquidated commitments.

Mr. CONTE. Unliquidated commitments?

Mr. BELL. Right. As of June 30 last year, they amounted to about $6.3 billion. I do not have the precise figure. Later on there was an appropriation of another $3 billion. As of June 30, there were unobligated balances carried forward. Those three items together—unliquidated commitments, unobligated balances carried forward, and the new appropriations, mean that during this year there will be totally available for expenditure about $10 billion, of which about $6.3 billion was as of June 30, 1963, committed to specific loan or grant obligations. The precise figure is $6,267 million.

Mr. CONTE. Could you give me a breakdown on that $6 billion figure?

Mr. BELL. The unliquidated commitments on June 30, 1963, were economic $3,973 million, and military, $2,396 million; making a total of $6,369 million.

As of next June 30, we expect that the pipeline will be somewhat reduced as a result of expenditures during the present year being larger than commitments during the present year.

DEVELOPMENT LOANS OR CREDITS

Mr. CONTE. The record is replete with the question of whether they are development loans or development credits. Mr. Dillon did say development credits, I agree with the chairman. I looked up credits

and I find Webster says that credit is something entrusted to another, it is a loan. Actually, we are talking about the same thing.

Mr. BELL. I do not personally want to argue the semantics of it. I think you can call it either.

Mr. CONTE. That is exactly it, semantics.

Mr. BELL. You can call them credits or loans. The facts about them on which we are all in agreement, I am sure, are that we are providing dollars or goods financed by dollars under an arrangement which requires that the dollars be paid back to us on a given maturity and that interest be paid until the principal is repaid.

Mr. CONTE. I understand, but I looked it up in Webster. Webster says that credit is something entrusted to another; loan. I do not see that there is too much difference no matter what you call it. I do not want to open up a whole area of debate. I thought it would be interesting to get that in.

Mr. PASSMAN. We cannot ignore what people have testified to in the past. This is from page 235, part 2, of our fiscal 1963 hearings:

Mr. HAMILTON. You mean because all of the money is coming home with much greater assurance. You discounted immediately 55 or 60 percent. It is more than half grant to start with if you figure in the cost of the money.

Mr. RHODES. Yes.

Mr. CONTE. I do not disagree with that.

Mr. PASSMAN. These things are soft. They are actually about 60 percent grants from the very day you disburse the money, according to testimony of previous directors.

REAPPROPRIATION OF UNOBLIGATED FUNDS

It has been the custom of this committee ever since I have been chairman, with minor exceptions, if any, to reappropriate all unobligated funds. As of June 30, 1963, as given to me by AID, you had in the pipeline $7,044,714,611 under title I, $496,855,020 under title II. You received a new appropriation under title I in the amount of $3 billion. You had a new appropriation under title II in the amount of $264,023,137. For title I only the carryover in the pipeline and the new appropriation, amounted to $10,044,714,611. If you include both titles I and II, old money and new money, then the availability amounted to $10,805,592,768.

Mr. CONTE. I think that is what he testified.

Mr. PASSMAN. I wanted to be sure because you used a $6 billion figure.

Mr. BELL. I said the unliquidated commitments as of June 30, 1963, were less than $7 billion. There were also at that time unobligated authorizations which carried forward and then, as you said, there were added new appropriations. The total came to about $10 billion.

Mr. PASSMAN. It is $10,496,855,020, and to me $496,855,000 is a lot of money.

Mr. BELL. It is to me, sir.

Mr. PASSMAN. Let us round out maybe a few million, but do not round out any half billion dollars.

Mr. BELL. I think the only difference between you and me on this point is it seems to me useful to restrict the use of the word pipeline to the unliquidated commitments because that has come to have a fairly

clear meaning in governmental practice over the years. I do not in the slightest mean one should not keep clearly before ourselves at all times the amount of unobligated balances and the amount of new money. It is quite correct that all that is available for expenditure in a given year. This is the only point.

Mr. PASSMAN. In my letters and compilations I say available for obligation and/or expenditure, as the case may be.

Mr. BELL. I guess my point essentially is that I think it is useful to distinguish between the obligated and unobligated.

Mr. PASSMAN. When I get up these statements I show "unexpended," and the new funds in each category are shown.

I don't mix titles I and II.

Off the record.

(Discussion held off the record.)

COMPILATION OF FINANCIAL DATA ON FOREIGN AID

Mr. PASSMAN. This is as good a recapitulation sheet as I can get up. It is all shown and it comes out to a penny. It is not my purpose to confuse it but to simplify it.

Off the record.

(Discussion held off the record.)

Mr. BELL. I don't differ with the accuracy of the figures, Mr. Chairman. I think it contributes to clarity.

Mr. PASSMAN. This is what makes it clear. I worked and worked on this and I am very meticulous about this sheet. I never intend to convey an erroneous impression with these figures. I cannot afford to get on thin ice.

Take this compilation and see if you have recommendations for improvement.

Mr. BELL. I think it would help the understandability of this if there were some way, keeping the neat and simple format which I agree is needed, to show carryover obligations from which expenditures have to be made and the funds available in the current year for obligation. That really reflects what has been done under the program in the past and the availability for obligation in the present year.

I think this would provide a more meaningful and a clearer impression of what was the case as of June 30, 1963, and what is the case for 1964.

Mr. PASSMAN. Simplicity is what makes this tabulation valuable, but we might put a footnote indicating the amount that is unobligated.

Mr. BELL. Yes, some phrase.

Mr. PASSMAN. But, in my opinion, the only way I can protect you and not be accused of misleading my colleagues is to publish it this way.

Mr. BELL. I would like to try writing a footnote for you, Mr. Chairman.

Mr. PASSMAN. I welcome your suggestions.

Mr. BELL. Let us look it over.

Mr. PASSMAN. Please do.

Mr. BELL. I would be glad to.

Mr. PASSMAN. I want it on one page.

EXCESSIVE PROGRAM FLEXIBILITY THROUGH "DEOBLIGATION" OF CARRYOVER FUNDS

Let us read now from page 9 of our report of last year.

Mr. BELL. Of what, sir?

Mr. PASSMAN. Our committee report. I shall quote:

Theoretically these unexpended funds represent firm obligations for goods and services on order but not yet delivered; consequently, such funds should not be available for the purchase of additional goods and services.

However, experience has shown that both programs—economic and military assistance—have been able to deobligate or dereserve funds in a magnitude that allows substantially more flexibility than what the committee deems advisable. Such deobligations or dereservations then become available for the purchase of additional goods or services and a substantial portion of them have been used to initiate new projects that never have been presented or justified to the Congress. The following table indicates the amount of funds that have been deobligated in the economic assistance program and dereserved or deobligated in the military assistance program.

We shall insert at this point in the record everything from the top of the page through the bottom of the second table.

(The information referred to follows:)

UNEXPENDED BALANCES

Last year in its Report No. 2410, the committee expressed its concern with the increasing pipeline of unexpended funds in the foreign aid program. The table below indicates the amount of unexpended funds on hand at the end of the fiscal year:

Fiscal year	Amount of funds in pipeline
1960	$4, 830, 600, 000
1961	5, 975, 400, 000
1962	6, 889, 186, 000
1963	7, 044, 715, 000
1964 (projection)	7, 678, 233, 000

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Fiscal year	Economic assistance deobligations	Military assistance dereservations and/or deobligations	Total deobligations
1958	$144, 078, 000	$206, 000, 000	$350, 078, 000
1959	153, 260, 000	222, 900, 000	376, 160, 000
1960	160, 970, 000	208, 300, 000	369, 270, 000
1961	[1] 69, 532, 000	120, 600, 000	190, 132, 000
1962	93, 211, 000	240, 700, 000	333, 911, 000
1963	83, 019, 000	250, 000, 000	333, 019, 000

[1] Authority to deobligate and reobligate funds rescinded for the economic assistance program only.

Mr. PASSMAN. Off the record.
(Discussion held off the record.)
Mr. PASSMAN. Thank you, Mr. Bell.
Mr. BELL. I thank you, Mr. Chairman.

MONDAY, APRIL 27, 1964.

AFRICA

WITNESSES

HON. G. MENNEN WILLIAMS, ASSISTANT SECRETARY FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE
EDMUND C. HUTCHINSON, ASSISTANT ADMINISTRATOR FOR AFRICA BUREAU, AID
WILLIAM KLING, ECONOMIC ADVISER, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE
JOHN R. MOSSLER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, AFRICA BUREAU, AID
EDWARD F. TENNANT, CONTROLLER, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
COL. CHARLES HEFFNER, U.S. AIR FORCE, NEAR EAST, SOUTH ASIA, AND AFRICA REGION, OASD (ISA)
CHARLES FLINNER, DEPUTY CONTROLLER, AID
DAVID BRITT, STAFF COORDINATOR, AID
MISS KATHERINE CLARK, CONGRESSIONAL LIAISON STAFF, AID

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon the Honorable G. Mennen Williams, Assistant Secretary of State for African Affairs, and Mr. Edmund C. Hutchinson, Assistant Administrator for Africa Bureau, and supporting witnesses.

We shall hear first from Governor Williams.

STATEMENT BY HON. G. MENNEN WILLIAMS

Mr. WILLIAMS. I have a statement here, Mr. Chairman. I do not know whether you would like to have me read it.

Mr. PASSMAN. It is customary in this subcommittee for statements to be read, sir.

Mr. WILLIAMS. I will be very happy to read it.

Mr. Chairman and members of the committee, once again I appreciate the opportunity to discuss with you the U.S. program of economic assistance to Africa.

Each year I am impressed by your interest and concern. Each year I have wondered, how can I get across my profound conviction (1) that AID programs advance the cause of world peace and help to preserve the essential interests of the United States and all of the free world, (2) that the African nations need help, (3) that while the nations of Africa are low in the scale of economic development, they are making real progress, and (4) that U.S. aid is adapted to Africa's needs and as such has achieved measurable success in helping the African people.

AID AND THE U.S. INTEREST

Africa needs the help of all free and developed nations. We have a vital interest in helping meet Africa's aspirations. Economic and social despair result in instability which can upset the stability of the rest of the free world. Africans, like people in every State of our Union, want self-government and the preservation of their independence, freedom, and dignity. They hope for a decent living standard for themselves and especially for their children.

Africans know they have a long, hard road ahead, and they need hope for a reasonable rate of progress. When hope for such progress disappears, instability results.

The recent political strains in Africa are in large part a concomitant of the monumental struggle against poverty and leave little room for a passive and complacent U.S. assistance policy. The need for economic assistance has become more compelling than ever. Note that the Communist offensive in Africa has not ignored the possibilities.

Our help and the help of other developed nations are urgently required if newly won independence is to be preserved and is to be made meaningful for the African people and if Africa's resources and policies are to be associated with the future of the free world. I should note that the rest of the free world provides twice the level of U.S. aid to Africa. We do not wish to see any part of Africa in turmoil or lost to communism. Such a development would undermine the mutual interests of both the American and African people. U.S. assistance has contributed and should continue to contribute to the growth of a free and stable continent.

AFRICA NEEDS HELP

The peoples of Africa need assistance in developing the skills necessary to run their factories and farms, to develop progressive social and political institutions and to fight the enervating effects of disease, malnutrition, and stagnation. As I have noted, their aspirations are to progress and to pull themselves out of the stagnation of the past. A future of hope and progress where living standards are rising is their expectation.

A few statistics illustrate Africa's need.

The average per capita income throughout Africa is only about 30 cents per day and is as low as 14 cents in some countries.

There are more than 17,000 people per doctor in Africa, or 25 times the ratio in this country. Infant mortality in tropical Africa runs as high as 260 per 1,000 live births or 10 times our rate.

Only some 15 percent of Africans are literate, and only 40 percent of African school-age children are now attending primary school. Similarly, the number of Africans with substantial experience in enterprise, management, and government is small. Most of their experience has covered a span of only several years.

In industrial productivity per capita in developed nations is 24 times the level in Africa. The average African farmer has a productive efficiency estimated at only about 4 percent of the North American farmer.

At the same time that agricultural productivity is so low, nutritional deficiencies prevail in many areas. For example, animal protein consumption is about one-tenth the U.S. level in many countries. In Nigeria a clinical physician observed:

> Taken as a whole, we have found that the villagers of the cocoa area in the western region have seldom enough calories, except just after the harvest. They also never have enough protein, so that the vast majority are in a permanent state of protein imbalance leading to a greater or lesser degree in the different villages to loss of vitality and energy or frank apathy in the adults and kwashiorkor in the children. (There were 300 cases of kwashiorkor who came to the Wesley Guild Hospital at Ilesha in 1 year.) The children of these villages were shown to be up to 7½ inches shorter than the children of the well-to-do African professional classes at Ibadan.
>
> (Kwashiorkor is a protein deficiency disease characterized by Oedema, mental symptoms, and swelling and can result in death.)

AFRICAN PROGRESS

Thus, the need is great. However, real progress is being made through the hard work of the Africans themselves assisted by private foreign investment and the technical and capital aid of the free world. Some statistics will illustrate that Africa is capable of making progress. (These statistics are not cited to indicate that this progress resulted directly from our aid but rather to show that the continent has the capability for economic and social development.)

In Liberia, gross national product rose by an average of 5.3 percent annually between 1957 and 1961, in Ethiopia by 4.8 percent, in the Sudan by 4.5 percent, and in Nigeria by 3.8 percent.

In agriculture, the chief economic pursuit in Africa, Nigeria showed a 23-percent increase of production in 1961 over 1952–54.

For all of Africa, exports rose by 42 percent between 1952 and 1961. Similarly, Africa's important cocoa crop increased by 66 percent between 1948–52 and 1962, and coffee production by 200 percent. Rubber output more than tripled in Nigeria and the Congo (Léopoldville), and increased substantially in Liberia.

In petroleum production, Nigeria's output rose from 352,000 metric tons in 1958 to 3,300,000 tons in 1962, and Libya's output went from nothing in 1960 to 9,250,000 tons in 1962 with vast increases in the offing. In Guinea, alumina production rose from none at all in 1959 to 463,000 metric tons in 1961.

Electric power production is another measure of progress. Liberia's output rose from 75 million kilowatt hours in 1959 to 190 million in 1962, Ethiopia from 89 million to 151 million, and Libya from 86 million to 115 million kilowatt hours. In Nigeria, 660 million kilowatt hours were generated in 1962—eight times the 86 million kilowatt hours generated in 1947.

As Africans continue their efforts and receive cooperative assistance from the developed nations, impressive progress will continue to be shown.

CONTRIBUTION OF U.S. AID

The fruitful contribution of American aid to African development is already evident in the relatively few years in which our programs have been operating in most countries.

In Tunisia, as an example, a visit to the Ariana Vocational School would show you a highly competent American teacher guiding a

group of young men in the mechanical arts—in lathe operations, in repair of motor vehicles and similar skills—young men who are beginning to provide essential know-how now lacking in the Tunisian economy.

In Ethiopia, the Oklahoma State University team working under contract with AID is spurring agricultural advance. At Debre Zeit and Alemaya, the university has guided the establishment of an experiment station, an agricultural school and an extension service and Ethiopian farmers are beginning to see the benefits of improved agriculture. One of the most successful projects has been the introduction of new varieties of wheat, developed at the experiment station. These wheat strains, adapted to Ethiopian conditions, produce substantially higher yields than indigenous seed. Through the new extension service, new seed has been distributed to farmers in many parts of the country in association with extension advice on crop practices. You can visit the countryside a short distance from Addis Ababa and see the many fields sown to these new wheat varieties.

At Beni Messous hospital in Algeria, indigent patients desperately in need of medical care line up each day outside the hospital's clinic. There they are treated by rotating teams of American doctors provided by a joint AID and Care Medico project. Trachoma, cataracts, orthopedic ailments, and tuberculosis among other illnesses have been healed or retarded by these teams. The Algerian people will not forget this help. I know this is true because I saw it myself.

In Guinea, a small pilot oilseed processing factory has been built with U.S. assistance. It is the prototype for a series of similar factories throughout the country. These plants will process palm kernels which abound in nature but which have not been harvested until now because of a lack of know-how and organization. As a result, Guinea which has meager foreign exchange reserves will be less dependent on imports of oil.

PROJECTS IN NIGERIA

Now I would like to put a magnifying glass on several projects—and look at them in depth in Nigeria a country where we have our largest U.S. aid program.

In Nigeria, university teams from Michigan, New York, Ohio, Pennsylvania, Indiana, Massachusetts, Kansas, Wisconsin, and California are helping to develop universities, teacher training and secondary schools. At Nsukka in eastern Nigeria, Michigan State University under contract with AID has helped the University of Nigeria, the first "land grant" college in Africa, to emerge from an empty savannah in 1960 into a campus with more than 40 buildings. This is one of five new universities in the country, there being none before 1948.

U.S. assistance for the university began in 1960, when educators from Michigan State University joined a corps of Nigerians and British to plan construction of the school, to select a faculty, to develop a curriculum and to create the rules and policies of the institution. Nigeria itself will invest $20 million in the university. Classes began in October 1960 with an enrollment of 200 students and 13 members of the academic staff.

By 1964, enrollment had risen to over 1,800 and the first graduating class last June totaled 100. Last year there were 152 faculty members, of whom 22 were AID-Michigan State University educators; 5 other members will join the team this year to bring it to 27.

The university is emphasizing agriculture, engineering, and economic development and also has a program of university extension work. There are five faculties—science, technology and research, arts, social studies, and medicine—and additional faculties are planned. The underlying theme of the university's program is the creation and development of an institution of higher learning that is specifically suited to the traditions, needs, and interests of the people of Nigeria. Dr. George M. Johnson, of Howard University, chief of party for Michigan State University, has been serving as vice chancellor of the university.

In this university, a facility for Nigerians has been built which makes it possible for them to take their places in fields formerly dominated by Europeans. As its graduates enter the life of Nigeria, they will have an important effect on the economy and social structure of the country and Nigeria's development will be accelerated.

Nigerian progress is also predictable in the light of the rising number of Nigerian children in primary schools which increased fourfold between 1948 and 1962. Such a development is not unique to Nigeria. The same trend may be shown in other African countries. For example, in Ethiopia, a major effort to improve education is underway to overcome the 95 percent illiteracy. Twenty percent of the Ethiopian budget is allocated to education. Thus, the number of primary school children tripled from 81,000 in 1952 to 271,000 in 1962; technical and teacher training schools rose sevenfold from 1952 to 1960. Haile Selassie I University, which is assisted by AID, recorded an enrollment of 2,000 students within a few years of its establishment a relatively short time ago.

In another field of major AID assistance, agriculture, an outstanding success has been the Abakaliki Poultry Center program in Nigeria. There, in a few years, Charles L. Davis, a Negro American poultry specialist from Mississippi, is bringing about a major advance in the region's economy. Better known in Nigeria as "Chicken Davis," he went to Abakaliki early in this decade with only some 3,000 day-old chicks and two 7,000-egg electric incubators. But he took with him a lot of American know-how and a warm outgoing personality which has endeared him to thousands of Nigerians with whom he lives and works.

As a result of his work, the Abakaliki Poultry Center has produced more than 200,000 day-old chicks and now hatches 3,000 chicks per week for sale to farmers. In 1960, there was only one commercial poultry firm in the eastern region; today, there are 64 new farms started with the assistance of the center; and three of these have purchased their own incubators and are producing chicks for sale. During the past 3 years, more than 650 farmers and extension workers have been trained in all aspects of poultry production at the poultry center.

There are now 25 buildings in Abakaliki including laying and brooder houses, demonstration buildings, a school, a processing plant, and an incubation and egg storage building. Mr. Davis has developed designs for low-cost poultry buildings and equipment made of local

materials—scrap lumber, mud, thatch, and bamboo—so that village families can produce and sell eggs and meat.

Before this program, adequately sized fresh eggs had to be imported into Nigeria and sold for about $1.25 a dozen. Today, fresh domestic eggs are readily available at about $0.75. In any country this would be a remarkable achievement; in Nigeria it is particularly important because of the shortage of protein.

"Chicken Davis'" success has been a success for free initiative and enterprise, for the health and welfare of the eastern Nigerian people and for the know-how and service of American technical assistance.

Another important project in Nigeria is the large dam on the Niger River on which construction is due to begin in the near future. This multipurpose dam will change the way of life of people in a large area of west Africa. Not only will electric power for industry and home use be generated, but agricultural production will benefit from flood control and irrigation projects. A fishing industry will be developed on the 500 square mile lake behind the dam, and there will be greatly increased navigability on the Niger River.

The project is an impressive demonstration of the mobilization of local and foreign resources. More than $100 million in loans from the World Bank, the United States, United Kingdom, and other European nations will be added to the approximately equal sum provided from local Nigerian resources.

Turning to another country, I want to tell you about the rural area development program in the Gbarnga District of Liberia, where a dedicated group of Liberians and Americans have made an indelible impact on Liberia's upcountry way of life.

PROJECTS IN LIBERIA

Last July, I returned to Liberia for a visit to Gbarnga, following my earlier visit in 1961. The progress in the 2 years was remarkable. Forward strides have been made in local government administration and also in Liberian unity. I saw a new dynamism and a determination of the Liberians to help themselves. The tribal Liberians and the coastal Liberians, who are largely descendants of resettled American freedmen, are now working together in a more dynamic union than at any time in Liberia's history. Local institutions of government and development are being created and will be a unifying force in the country.

An American AID team played an important role in this development. In just 2 years this Liberian-American venture has resulted in a modern village market, the construction of several important farm-to-market roads, the construction of 20 new country schools, the creation of rural youth groups, and the development of paddy-rice techniques to replace upland rice-growing methods which will produce two or three rice crops per year rather than one. Also built were an 18-bed hospital, an adult education program, a network of fresh-water fish ponds, and an agricultural experimental station. The first outlines of an agricultural cooperative program are also taking shape.

By using the techniques and skilled personnel trained in the Gbarnga District project, Liberia is now extending the fruits of that pilot operation to other areas of the country. The Gbarnga project is an example of U.S. participation in a program that can point the way to immense benefits for the entire country and its people.

PROJECTS IN TUNISIA

Our AID program also is making an important contribution to progress in Tunisia. While this program is diversified along the lines of Tunisia's needs, a substantial effort is aimed at improving agriculture, the country's primary occupation.

The work of an American horticultural specialist, Nasser Lateef, in Tunisia is illustrative of aid in operation. Mr. Lateef's fluent Arabic and his agricultural training at the University of Tennessee have won him wide acceptance among Tunisians. Under his direction, an AID project to improve vegetable and other horticultural production has made an impact on the Tunisian economy that will long be remembered.

To take just one example—when the project started in 1959, Tunisia was importing 3,000 tons of tomato paste a year. Today, Tunisia satisfies all its domestic requirements and exports as much as it imported.

Five years ago, there was only one Tunisian Government nursery, barely capable of supplying tomato stock to plant 30 acres and crop yields were low. The Horticultural Service of the Tunisian Department of Agriculture had only one technician and two assistants. More than $2 million of vegetables were imported each year.

Today, eight nurseries produce 25 million disease-resistant seedlings and distribute them at token prices to farmers. Eighteen pilot demonstration stations are growing vegetables by scientific methods and training farmers in modern techniques through the Horticultural Service. Vegetable output has risen from some 260,000 tons in 1958 to more than 400,000 tons. Imports of horticultural products have dropped from some $14.4 million annually in 1959 to about $1.2 million today.

Much of the credit for this program must go to Nasser Lateef and his colleagues who have helped develop a bright promise for Tunisia's economy and for its people.

These are examples of how U.S. economic assistance is improving the lives of the peoples of Africa. In this improvement lies the answer to the probings of communism. The education, the skills, the health, the electricity, the food, the transport, and the institutions that our aid and the aid of other developed countries make possible, are the ingredients of economic and social progress. On such progress the people of Africa can rest their hope for the future.

CONCLUSION

U.S. assistance is a chief means whereby we can help build strong and independent nations. Such nations can themselves make a contribution to stability and peace in the world. They have the self-resistant qualities for resisting subversion. Without such strength in the free world, Moscow and Peiping would see their goals more clearly in sight. For in the current ferment within Africa lies fertile ground for Communist penetration and manipulation. We cannot stand idly by and lose the initiative to communism.

Aside from the threat of Communist penetration, we live in a world where all men depend to some extent on their fellow men. In this

sense, Africa's future is bound with our future. As the Clay Committee declared last year: "The need for development assistance and an U.S. interest in providing it would continue even if the cold war and all our outstanding political differences with the Communists were to be resolved tomorrow."

The Congress has taken a hard look at the AID program and so have we. We have closely examined our policy in Africa to determine whether the U.S. interest is being furthered and we have examined each program in depth to be sure that aid expenditures could be justified to the American taxpayer. This examination has reaffirmed my conviction that our AID effort in Africa must be sustained. It is in the mutual interests of the United States and the African nations for us to continue to provide economic assistance as our contribution to political and economic progress in the world.

Mr. PASSMAN. Thank you very much, Governor Williams, for your statement.

Mr. WILLIAMS. Thank you, sir.

OBSERVATIONS ON WORLD PROBLEMS

Mr. PASSMAN. Governor, I know that with your many years of experience in public life, you have had to observe closely the turmoil in the world.

Do you remember any other period in your lifetime, the wars excepted, when there has been so much turmoil and dissatisfaction at this time?

Mr. WILLIAMS. Since you have made exceptions of the war periods——

Mr. PASSMAN. I am speaking of peacetime periods.

Mr. WILLIAMS. I am merely pointing out this takes out a pretty large number of years. I would say——

Mr. PASSMAN. In your lifetime, and I am speaking about peacetime turmoil.

Mr. WILLIAMS. I think that the number of war years, not necessarily in which we participated——

Mr. PASSMAN. Do you know of any time when there was more world turmoil than at this time?

Mr. WILLIAMS. I think it would be difficult to find the time when there was much more turmoil. I think some of our turmoil today may not be deep seated, but in any event, there is a great deal of turmoil and some of it is deep seated.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

ARTICLE FROM HARPER'S WEEKLY

Mr. PASSMAN. Here is something I read. It is entitled "Today," and I quote:

> It is a gloomy moment in history. Not for many years—not in the lifetime of most men who read this—has there ever been so much grave and deep apprehension. Never has the future seemed so incalculable as at this time.
>
> In our own country there is universal commercial prostration and panic, and thousands of our poorest fellow citizens are turned out without employment, and without the prospect of it.

JUL 1964
MANHATTAN, KANSAS

In France the political caldron seethes and bubbles with uncertainty. Russia hangs as usual, like a cloud, dark and silent upon the horizon of Europe. While all the energies, resources, and influences of the British Empire are sorely tried, and are yet to be tried more sorely, in keeping with the disturbed relations in China.

It is a solemn moment, and no man can feel an indifference—which happily, no man pretends to feel—in the issue of events.

Of our own troubles (in the U.S.A.) no man can see the end. They are, fortunately, as yet mainly commercial. And if we are only to lose money, and by painful poverty to be taught wisdom—the wisdom of honor, of faith, of sympathy and of charity—no man need seriously to despair.

And yet the very haste to be rich, which is the occasion of this widespread calamity, has also tended to destroy the moral forces with which we are to resist and subdue the calamity.

The article I just read is from Harper's Weekly, volume I, page 642, of the issue dated October 10, 1857, 107 years ago.

So, it seems, just about the same kind of conditions exist today that existed then.

It is something that we should think about.

With reference to your region, these new, emerging nations, it is certain that it is going to be a very long time before they will get what we would like for them to have immediately. When I read your statement, it causes me considerable concern, especially when I think about the so-called war on poverty here in our own country.

Here is this great advanced Nation conducting an all-out war on poverty, so you can just imagine what the job is going to be in the next 100 years in the countries of your region.

I shall never forget this statement—if you should confiscate all the wealth in America, you still would not have sufficient funds to do all the things labeled "desirable."

Mr. WILLIAMS. If I may interject on that last statement, I agree fully with that. I have used that many times myself. You just cannot disperse the capital around. You have to encourage the self-help of other people so they can produce for themselves. You have to encourage education. This is the only way. So I agree fully with that principle.

I do think, sir, that while the situation is a very difficult one, there are some lights.

PROGRESS IN AFRICA

I think in Africa, while we see many problems ahead for a long period, as you indicate, I think there have been some steps forward.

For example, on page 4 of my statement I have tried to indicate there has been some increase in the gross national product.

Mr. PASSMAN. That is what worries me. You use the word "some."

Mr. WILLIAMS. I have given you some figures. It is not completely general. I would not want to mislead you by saying it is "substantial." While I think it is "considerable," the best thing is to look at the actual figures. You can make up your own mind as I know you will.

I think there has been some progress. It is not all black and bleak.

Mr. PASSMAN. We hope so, Governor.

NEED FOR REALISTIC ATTITUDE

But I am wondering whether or not we are realistic about this thing.

Have we ever given any thought to just letting Russia dissipate some of its wealth?

I just do not believe we can continue at the rate we are going.

I do not believe we are going to be able to continue without running the price of our commodities up to a point that they are just about double the price of commodities in other parts of the world.

FOREIGN AID LOAN PROGRAM

Now, I want to read from page 232 of our hearings in 1963, with reference to the so-called loan program of AID:

Mr. HAMILTON. * * * you discount immediately 55 or 60 percent. It is more than half grant to start with if you figure in the cost of the money.

Do you see these transactions as development credits and not really loans, as we think in terms of loans?

I say they are development credits, just as Secretary Dillon does. There is an annual handling charge of three-fourths of 1 percent, and I think the legislation was amended last year so that after 10 years it goes to 2 percent.

There would be a lot of rain falling and water under the bridge in 10 years.

What is your thinking on this matter?

Mr. WILLIAMS. Mr. Chairman, I am not a specialist in these affairs. My opinion in these things has been that they are loans. I would call them soft loans.

I think that coming to 2 percent, as you have indicated, this has tightened them up and as they move into this——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Would you want that in the record? That may never happen.

TERMS OF DEVELOPMENT LOANS

Mr. WILLIAMS. If I may, at your suggestion, correct the record, it is three-quarters for the first 10 years.

Mr. PASSMAN. Service charge?

Mr. WILLIAMS. Yes; after that, 2 percent.

Mr. PASSMAN. After the first 10 years, 2 percent?

Mr. WILLIAMS. Yes, sir; that is what I thought I was saying.

In any event, the record should stand that way.

I would call these loans, but soft loans. I think it does make a difference to the recipient. They do consider it differently and I think that we would, too. I would not call them grants.

If I may, I would like to go back——

Mr. PASSMAN. Do you think the words "development credits" would fit? That is Mr. Dillon's definition.

Mr. WILLIAMS. I would prefer to have an economist answer that question.

RUSSIAN AID

May I say a few words about Russian aid?

Mr. PASSMAN. Yes.

Mr. WILLIAMS. I think it is important to distinguish between Russian credits that may be granted, on what might appear to be a wholly businesslike basis, and Russian grants which are tied up with technicians going in, as well as other people, which would provide for the possibility of subversion. I think our attitude might be affected in the individual case as to which of these two categories we think they may fall into. For better or for worse, we do have one example where we did not try to outbid the Russians, and that is in Somalia.

There we looked over the situation and we tried to assess what we thought was a reasonable program as to military aid. When the country felt they should exceed that, we and our allies decided we were not able to fulfill that program.

So, as I said, for good or ill, the Russians did go in.

NEED FOR UNITED STATES TO KEEP PRICES OF PRODUCTS COMPETITIVE ON WORLD MARKETS

Now, if I may just go back still one step further, I think your idea about unit production, which you have frequently discussed, and again I am not an economist——

Mr. PASSMAN. You were the chief executive of a great State tussling with the problems of that State for about 10 years.

Mr. WILLIAMS. Twelve years.

Let me say this: I think the point you have frequently raised about the Japanese is a very interesting one.

We had some trouble in our State when it came to fishing tackle which is a field the Japanese have gone into. The Bronson Co. was involved in this and they faced this head on when union and management got together. I am proud to say they have been able to outsell the Japanese.

The problem of unit production is one which I think is an important one and we should all look at it. I do not think the Americans need necessarily turn tail when competition comes.

Mr. PASSMAN. I have not suggested anything of that nature, Governor.

Mr. WILLIAMS. I am sure you have not.

Mr. PASSMAN. But, our prices in many fields are so high we are no longer competitive in world markets.

We have this high gross national product, but the dollar figure goes up faster than the unit production increases.

Mr. WILLIAMS. The only point I wanted to make was that there are some items where we can continue under heavy competition to be competitive.

Mr. PASSMAN. There are many of them, but we have been outfoxed.

IMPORTANCE OF IDENTIFYING AID AS BEING FROM UNITED STATES

Mr. Secretary, we have had witnesses, or at least one, in a comparable position to yours, who a number of years ago stated before this subcommittee that we were not interested in letting people know

where the aid came from. He said that we were only interested in helping people.

What is our position in that respect today?

Mr. WILLIAMS. I think our position is multiple.

I think we want them to know that we are helping them.

I think, in the long run, our peace is going to be dependent upon these countries preserving their own independence.

What we can do in the way of aid to maintain their own independence and nonalinement is going to be important.

Mr. PASSMAN. You do not ask us to give the aid and Russia to get the credit?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. If we do not let the people know where this came from, and for what reasons, then could Russia not take the credit?

Mr. WILLIAMS. She might. In any event, I agree we should let them know we are providing the aid.

Mr. PASSMAN. I am glad you feel that way.

AID TO AFRICA FROM WESTERN EUROPEAN NATIONS

On page 2 of your statement, you say.

"* * * I should note that the rest of the Free World provides twice the level of U.S. aid to Africa."

A man's first responsibility is to his own household, is it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Then your neighbor would come next?

Are not these African nations, or most of them, former colonies or possessions of European nations?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. These European nations have strong trade and other ties with their former colonies?

Mr. WILLIAMS. Yes, they have had.

Mr. PASSMAN. It is only natural the European nations would assist many of these countries in Africa, because they have very strong ties and strong holdings. They have a direct, selfish interest.

Now, to quote from your statement, on page 7:

AID PROJECTS IN NIGERIA

Now, I would like to put a magnifying glass on several projects—and look at them in depth in Nigeria, a country where we have our largest U.S. aid program.

Do you mean the benefit has been so little in Nigeria that you have to put a magnifying glass on it to find it?

Mr. WILLIAMS. No. I just meant to take a particular look at Nigeria.

ACCOMPLISHMENTS OF CHARLES L. DAVIS IN NIGERIA

Mr. PASSMAN. On page 9 of your statement, you say:

* * * In a few years, Charles L. Davis, a Negro-American poultry specialist from Mississippi, is bringing about a major advance in the region's economy

Do you want to leave the word "Negro" in that comment?

Mr. WILLIAMS. It is all right.

I think many Americans are interested in the fact that Negroes may have a special vocation in Africa.

Mr. PASSMAN. He is not in the Peace Corps, is he?

Mr. WILLIAMS. No; in the AID program. I might say there are other Negro-Americans in AID who have rendered very unusual service.

Mr. PASSMAN. Not in the chicken business?

Mr. WILLIAMS. No; but there may be.

Mr. PASSMAN. It says here:

Better known in Nigeria as Chicken Davis, he went to Abakaliki early in this decade with only some 3,000 day-old chicks and two 7,000-egg electric incubators. But he took with him a lot of American know-how and a warm, outgoing personality which has endeared him to thousands of Nigerians with whom he lives and works.

He is what you would call one of our technical aid experts?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Does he supervise or do some of the work himself?

Mr. WILLIAMS. He does some of the work himself.

Mr. PASSMAN. But he is employed mainly as a supervisor, or instructor to impart knowledge, and see that they do the work properly?

Mr. WILLIAMS. That is correct. I would just like to say I think he is like our American Extension Service people. He not only can teach but he can perform himself.

Mr. PASSMAN. He would be considered a technical aid expert in the field of poultry?

Mr. WILLIAMS. That is correct.

Here is an illustrated brochure on this activity.

(Brochure left with committee.)

QUESTION OF MANNER OF GIVING TECHNICAL ASSISTANCE

Mr. WILLIAMS. I think one of the interesting things here is that this man has taught these people how to use their own local materials, scrap and the like, in order to get the job done.

Mr. PASSMAN. I have always supported our technical assistance program.

Would it not be better to have one good instructor who knows his subject and could impart this knowledge to many people and to work with them, than it would be to have two or three doing the work and letting them see them do it? Which would be the best program, to send people who do the work and let these other people observe them, or send a good instructor to impart this knowledge to these people and let them do it themselves?

Mr. WILLIAMS. That is Solomon's question, I think.

Mr. PASSMAN. You have seven technical assistance programs and some of them operate differently.

Mr. WILLIAMS. It is a hard question.

Mr. PASSMAN. What is hard about it?

Mr. WILLIAMS. I think any good teacher has to show it himself, and he has got to illustrate what it is he is trying to show them. If this man could not move eggs around in the incubator and do things of this kind——

Mr. PASSMAN. I just want to be sure he has imparted the knowledge to these people on how to raise chickens. That is, the man imparts the knowledge and makes sure these people are properly instructed as to how to do the job.

Then, you have another type of program, and they say it is the same as technical assistance, but these people there do the work. If it is an outhouse, they build it. I always thought if they did the work and built it, that was not as valuable as letting the other people build it under the supervisor's instructions. Do we agree on that matter?

Mr. WILLIAMS. Yes; but I think there are other areas where for the time being we have to provide certain skills because they do not have them in sufficient abundance.

Mr. PASSMAN. Which method would you prefer to use? Would you have the technicians do the work and let the other people observe them or would you prefer to let these people do it themselves, under supervision, after being taught?

Mr. WILLIAMS. I think you would have to examine each case separately. For example, you might take 10 people and put 9 of them at instructing and then 1 carrying out the work until the people who were receiving instructions were able to take over.

Mr. PASSMAN. That may be all right but you have to have about seven different technical aid operations, and I happen to know they duplicate each other.

Mr. Natcher?

Mr. NATCHER. Thank you, Mr. Chairman. I have no questions at this time.

FOREIGN AID AND U.S. FOREIGN POLICY

Mr. PASSMAN. As we think of foreign aid, as such, on the scale it is being carried out now, that is a recent concept in U.S. foreign policy, is it not?

Mr. WILLIAMS. As it is presently constituted, it is.

Mr. PASSMAN. As it is presently constituted, it is a new concept in U.S. foreign policy?

Mr. WILLIAMS. I think that Secretary Rusk from time to time pointed out in the past there have been loans and assistance even to our country.

Mr. PASSMAN. I think we possibly could get enough out of that to get one good vacation. I must try to go back sometime to that agreement we had, maybe, with France.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That is about the weakest justification for foreign aid I have ever heard. One of these days I am going to take time and get your economist, Mr. Kling, to find out under what conditions we got a relatively few dollars from France and what interest we paid and what else was involved.

Our foreign aid program is a new concept in foreign policy, and we all know that it is.

I do not know of any top echelon person in government who has been abroad since I have been chairman of this subcommittee, who did not tie aid into just about every statement they have issued.

Do you know of any statement dealing with policy which was not tied in with aid before it got through?

Mr. WILLIAMS. I suppose there are some, but I agree with you that aid is a very important thing in the opinion of all who see the problems abroad.

Mr. PASSMAN. When you try giving away some of our wealth to just about every foreign policy statement where there is an unresolved question, do these people actually feel about us as we think they do or are they pretending so as to get their fists on hundreds of millions of dollars of our wealth that we can no longer well afford to give away?

Deficit financing, if it is not halted, is going to bring the roof down on us one of these days.

EFFECTS OF U.S. EDUCATIONAL AID ON AFRICAN LITERACY RATES

Governor, you mentioned something about the desirability of education. I certainly agree with you that it is vitally important, but you have to have a little commonsense to go along with it to work it out successfully, do you not?

Mr. WILLIAMS. I fully agree with you. I think our educational program should be tailored to actual conditions.

In other words, I think one of the big problems we have is the middle level skills. We have got to train mechanics and artisans as well as university people.

Mr. PASSMAN. Did you state, in general terms, that education is the most important thing for Africa?

Mr. WILLIAMS. It is certainly one of the most important things; yes, sir. I think by and large about 30 percent of our aid money goes in the direction of supplying education.

U.S. AID AND ETHIOPIAN LITERACY

Mr. PASSMAN. In Ethiopia, you stated there is a major effort to improve education to overcome 95 percent illiteracy. I think we have spent there recently $9.6 million to raise the literacy rate by 2 percent.

How long did it take to raise it 2 percent?

Mr. HUTCHINSON. I do not know where the figures are coming from.

Mr. PASSMAN. They are authentic.

This is from page 897, part 3 of our hearings for fiscal 1964.

For Ethiopia, U.S. assistance to education, direct dollar assistance, and U.S.-owned local currency accumulated through June 30, 1963, came to $9,633,000, exclusive of specialized educational programs in agriculture and public health.

The next insertion there mentions Ethiopia's literacy rate and, beginning with the mutual security program in 1948, it was estimated at 2 percent.

The literacy rate was estimated last year at 4 percent, and that is where I was getting the information.

When did the aid program start in Ethiopia, 1949?

Mr. MOSSLER. 1949.

Mr. PASSMAN. That is 14 years.

Could we get a chart, if it is available, to show the literacy rate each year from the time we started the aid program up to 1962?

Mr. HUTCHINSON. The point is most of our educational effort in Africa is directed at the secondary education rather than at the literacy rate.

The figure you quoted for education in Ethiopia is all education, exclusive of that in agriculture and public health. We would have some considerable part of that $9 million which would be for non-literacy education. You could not attribute the entire $9.6 million to it.

Mr. PASSMAN. I did not prepare the Governor's statement. I did not put in those insertions. I am trying to ascertain what progress we have made from the time we started the aid program. I am not interested in winning any arguments.

Mr. HUTCHINSON. I am not arguing with you, sir.

Mr. WILLIAMS. We will try to get you a meaningful chart of that kind, sir.

Mr. PASSMAN. If you will, we shall be very grateful.

Now we will take in all African governments. If you can get this information for one country, you can get it for all of them.

Mr. HUTCHINSON. The literacy rate, yes.

(The information supplied to the committee follows:)

Available statistics do not enable AID to indicate changes in African literacy rates from the time of inception of U.S. assistance. Statistics on illiteracy are obtained mainly from population censuses or surveys and many African countries have never undertaken a census. It is therefore not possible to show trends in the literacy rated for these countries.

Mr. PASSMAN. Would you allocate money to a country unless there were dependable statistics that some improvement was being made?

Mr. HUTCHINSON. We certainly do take into account the statistics that are available, but this is one of the big problems in the aid program.

Mr. PASSMAN. Would you make any allocation at all if they cannot give you any kind of report? Would you want somewhere from which to start?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Give us what you have from where you started.

Mr. WILLIAMS. I assume when you said you would like us to prepare a chart to show what advantages and benefits have been derived from our input into education, that we can show results other than literacy, because a lot of this is secondary education that we have expended the money on and these people had to be literate to be there.

Mr. PASSMAN. Certainly, secondary education would have a direct bearing on your literacy rate. Is not all education tied in?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. Where do you start judging?

Mr. WILLIAMS. I would point out that if all you were trying to do is change the literacy rate, you would put your impact at some place other than secondary education.

Mr. PASSMAN. What did you mean by your statement? You said that the same trend may be shown in other African countries; for example, in Ethiopia a major effort to improve education is underway to overcome the 95 percent illiteracy.

You made a general statement, and I asked a question about it. Do you think I am being fair in doing so?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Give us what you have on the subject, please.

(The information supplied follows:)

EDUCATION PROGRAM IN ETHIOPIA

Since the inception of the U.S. foreign assistance program in Ethiopia (1952) major strides have been made in meeting the country's educational needs. The main thrust of this effort has been the expansion of secondary school output to relieve the storage of trained manpower in virtually every technical skill. Since 1952 three times as many students are enrolled in primary schools; seven times as many in secondary schools; and a tenfold enrollment increase has taken place in higher education institutions. However, the needs continue to be great since in 1962 there were only 1,100 secondary school graduates in a country of 20 million people.

The AID program is directly aimed at increasing the quality and capacity of Ethiopia's school system. AID technicians have been serving as advisers to the Ministry of Education in an effort to establish a rational program expanding the nationwide network of schools. Textbooks and classroom equipment have been supplied by AID to Ethiopian-financed school buildings. Two hundred Ethiopians have been trained in the United States to take positions as teachers. At Haile Selassie University, a college of education has been established under an AID contract with the University of Utah; this indigenous institution will now train the bulk of Ethiopia's secondary-school teachers and supervisors.

Less than one-third of the cumulative expenditures for education have been for elementary education. The bulk of the funds have been for the expansion of the secondary school system, higher education, and assistance to the Ministry of Education. The effort to increase secondary school output has been augmented by over 300 Peace Corps volunteers serving as secondary-school teachers.

In addition eleven hundred Ethiopians have been trained at the AID supported agricultural college and public health college.

Mr. PASSMAN. I yield now to Mr. Natcher.

U.S. INTERESTS IN AFRICA

Mr. NATCHER. Governor, what do you mean in the statement you make to the committee when you say that we have a vital interest in helping meet Africa's aspirations? I wonder if you would amplify that statement just a little for the committee, please.

Mr. WILLIAMS. Yes, sir. The United States is interested in the stability of these countries in Africa because instability in one part of the world today is quickly related to other parts. Insofar as we can help them achieve their aspirations for a better standard of living, and so on, this tends to keep them stable, makes them a stronger country, and able to preserve their own independence. This we feel is in our interest.

Mr. NATCHER. Governor, as I understand it, in the United Nations Organization today the underdeveloped countries are in the majority. I believe you would agree.

Mr. WILLIAMS. Numerically, yes, sir.

POSITION OF AFRICAN NATIONS IN THE U.N.

Mr. NATCHER. In our relations with other countries in the United Nations Organization how do we find the countries in Africa in the United Nations Organization dealing generally? Are they on our side or against us, Governor?

Mr. WILLIAMS. Generally I think they are on our side.

Mr. NATCHER. On major matters that are of great concern to the world today you believe that, in your opinion, the underdeveloped countries, generally follow our philosophy in the United Nations Organization?

Mr. WILLIAMS. The majority of the countries, for example, the majority of the countries in Africa voted with us on the question of Chinese Communist representation. They do not always vote with us, but I think the majority of times the majority of them have on issues of vital concern to us.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you.

How many nations are in your area now?

Mr. WILLIAMS. There were 33 independent countries including Egypt and including Zanzibar. It may be down to 34 now.

EFFECT OF CESSATION OF AID TO AFRICAN NATIONS

Mr. PASSMAN. We have a very substantial aid program in some of the African nations. We have some of these section 202(b) commitments going into hundreds of millions of dollars.

If they are against us on a lot of things in the U.N., for example, with this going on, if the old till should be cleaned out and we had to stop our aid, I wonder if they would be any less friendly than they are today. Since we are giving away our wealth to a lot of nations, we might as well discuss what their position might be if we were no longer able to give these hundreds of millions, Do you think they would be just as friendly and vote with us just as often in the U.N., Governor?

Mr. WILLIAMS. I do not mean to imply that we can buy votes in the United Nations.

Mr. NATCHER. Would the Chairman yield?

Mr. PASSMAN. Yes.

RELUCTANCE OF EUROPEAN COUNTRIES TO HELP IMPROVE U.S. BALANCE-OF-PAYMENTS DEFICIT

Mr. NATCHER. Governor, one of the main reasons I asked the question concerning the United Nations Organization was due to the fact that several years ago I recall when President Eisenhower sent Mr. Dillon and Secretary Anderson abroad to see if we could not receive a little help insofar as our balance-of-payments situation was concerned, we had these gentlemen before our committee, not only the subcommittee but before the full Committee on Appropriations. They spent several hours with us. Governor, they informed our committee unequivocally that they received no assistance at all.

You will recall the facts, Mr. Chairman. They went to London, Paris, West Germany. They received no assistance anywhere along the line. They received smiles and assurances that consideration would be given to our plight at that time. That concerned me no end, and I say to you frankly that that was a serious situation, as much as we had done for these countries, when our balance-of-payments situation had reached the critical stage, and our President sent these two

men abroad to see if we could not receive some help, to have them come back and report to our full Committee on Appropriations and to our Subcommittee on Foreign Operations that they simply smiled at them and said, "We will think about it."

Governor, in substance that is what happened. I think you know that to be true.

I am just wondering now in the process of trying to aid and assist African countries if in the end we will receive the same treatment. That is, if we need help. That was the main reason for asking that question.

Mr. WILLIAMS. I think your statement is correct. I think a little later, however, in the last year or so, the Europeans have given us some assistance on the balance of payments by prepayments, and so on.

RESPONSE OF AFRICAN COUNTRIES TO FOREIGN AID

Let me turn to Africa because I think you have a very legitimate question. I think the problem of trying to define this is a difficult one because you cannot say whether they are acting because you gave them that particular help or whether this was in their own self-interest or whether it was both. I think generally it is in the latter instance, that it is in both their interest and from gratitude.

I think the problem is that in order for them to sort of continue the kind of friendship that they would like and not have to be subjected to influence from the other side, that a certain modicum of assistance, either in the form of aid or private investment, is necessary to permit these modern leaders to operate in the sort of free-world side of the ledger.

I think the aid we have given has been successful in that. I think when you try and pin it down to individual instances, although you can find some, it gets to be embarrassing because no country wants to appear before the world as having done a particular thing because they had gotten a quid pro quo in terms of aid. I think you create more of a general condition which permits them to retain the friendship they would ordinarily have rather than to actually get a specific quid pro quo.

So the very searching question of the chairman as to whether if we had not given them any aid, whether they would have given us the same assistance, that is a good one. I think the answer is that in some instances, politically speaking, those countries would have been forced to turn elsewhere for assistance. As a consequence, they would not have been politically as predisposed to helping us as they would if we had been able to help.

Mr. PASSMAN. Where would they turn? Would they go back to their mother country, if they happened to be a former possession of the United Kingdom or France?

Mr. WILLIAMS. I think they have already in most instances turned to them. Probably they have gotten as much as they have been able to. The question would be whether they would turn to some of the Communist bloc countries.

Mr. PASSMAN. You are being completely fair, Governor.

As long as the money is going out, we shall occasionally get a vote from them; if the money should be stopped, then in all probability they would turn the other way.

Are their convictions in the pocketbook?

We have been told by previous witnesses that we would never, under any circumstances, under any conditions, be forced into the position of having to compromise principle by the fact that Russia would, or would not, give aid.

Mr. WILLIAMS. I think President Kennedy made the statement—I think it is accurate—I quoted from the Clay report that we would have to do these things even if there were not any Communist bloc.

Mr. PASSMAN. The record is there. You gave it to us straight. A distinguished former Secretary of State came before us and said we were not in competition with Russia and the Communist countries. I did not make the record.

Mr. WILLIAMS. I think I made two statements that are not incompatible. One is that we are interested in helping these countries build their own economies so that they can stand on their own feet and choose their own particular form of government, which we believe, if they have the choice, would be one which would put them into the free world. That is one interest we have.

The other I say, you ask me if they did not get any help from us, would it make any difference in their loyalty to us?

Mr. PASSMAN. That is the question.

Mr. WILLIAMS. I think the political realities of the day would be such that they would probably have to look elsewhere for help and, having gotten help elsewhere, that this would affect the judgments they make just as it does in political life here in America.

Mr. PASSMAN. You made it clear in diplomatic language. In plain language it seems to be that we are just keeping them bribed until such time as we find out what it is all about.

Mr. WILLIAMS. There are two points. We would do this even if there were no Russians.

Mr. PASSMAN. What if the money runs out?

Here is what our late President said:

> I do not think we can afford in this country to raise the standard of living of all the people all over the globe who might be subject to the lure of communism because of a low standard of living.

That is exactly what he said.

Mr. NATCHER. Who said that?

Mr. PASSMAN. The late President Kennedy, when he was a Member of the House. Some of President Johnson's previous statements have been just as strong.

EXCERPT FROM PRESIDENT'S TASK FORCE REPORT ON U.S. BALANCE-OF-PAYMENTS DEFICIT

This statement came out at 12 o'clock today, April 27, I believe. On page 1, introduction, second paragraph, it says:

> Significantly our balance-of-payments deficit does not arise because of any general inability to compete in international markets. Indeed, we have had a larger export surplus of commercial goods and services. However, this surplus, which includes current returns from U.S. foreign investments, has not been large enough to offset our Government's expenditures abroad for defense, for economic aid, together with our outflow of new private capital.

This statement was from the President's task force.

It states a fact which I recognized long ago.

Is it all right to ask your economist, Mr. Kling, a question?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. You are going to be here with Mr. Hutchinson during the hearings?

Mr. KLING. Yes, sir, I will be here.

EFFECT OF FOREIGN CURRENCY LOANS TO THE UNITED STATES FROM THE INTERNATIONAL MONETARY FUND

Mr. PASSMAN. We go into the International Monetary Fund and borrow foreign curriencies, say lira, pounds, francs. We spend those currencies abroad rather than our dollars. That lessens the impact on our balance-of-payments deficit, does it not, to the same extent that we borrow those foreign currencies?

Mr. KLING. I am not sure I understand your question, sir.

Mr. PASSMAN. Ordinarily we spend dollars abroad. But, if we go into the International Monetary Fund and borrow currencies of the countries where we have large expenditures, that would lessen the impact on our balance-of-payments problem; is that correct?

Mr. KLING. Yes, sir.

Mr. PASSMAN. We have done that recently, I believe, made a loan from the International Monetary Fund?

Mr. KLING. I believe so; yes, sir.

Mr. PASSMAN. The balance-of-payments deficit would be lowered by the same amount of the foreign currencies we borrowed from the International Monetary Fund?

Mr. KLING. Yes, sir. It helps finance our balance of payments.

Mr. PASSMAN. Thank you.

Governor, it is always a pleasure to have you before this committee. We appreciate your forthrightness.

Mr. WILLIAMS. Thank you very much.

I want to again say it is both a pleasure and instructive to be here. I enjoyed the opportunity, sir.

Mr. PASSMAN. It is a pleasure to have you here.

Our next witness will be Mr. Edmond C. Hutchinson, Assistant Administrator, Bureau for Africa, Agency for International Development.

We are very pleased to have you before the committee, Mr. Hutchinson. If you have a statement to make, we shall be pleased to hear from you.

GENERAL STATEMENT OF ASSISTANT ADMINISTRATOR

Mr. HUTCHINSON. Mr. Chairman and members of the committee, it is a pleasure to appear before you again to discuss the U.S. aid program in Africa.

In previous appearances, I have discussed our goals in Africa and the policies we have adopted to achieve them. Our programs continue to be aimed at helping the developing African countries to achieve effective self-government, the social and economic growth that will meet the needs and aspirations of their peoples, and the internal political stability that is a necessary basis for such social and economic growth. The ability of these countries to determine their

own destinies without undue reliance upon and domination by foreign powers is basic to our foreign policy. In greater or lesser part, depending upon the country, our assistance program is basic to achieving this objective. Every President and every Congress since 1945 have agreed that foreign aid is one of the primary instruments of our foreign policy. Most recently, President Johnson, in his state of the Union message, said, "I rededicate this Government to the reinforcement of our program of mutual assistance in Asia and Africa."

While U.S. interests and objectives in Africa are quite broad, the role of U.S. assistance is limited in most of Africa and varies significantly from country to country, reflecting (1) the importance to the United States of accelerating development in the country or particular U.S. interests; (2) the ability of the country to use aid effectively; (3) the ability of the United States to provide the types of aid required; and (4) the availability of other free world aid. The last factor is particularly significant in Africa.

ECONOMIC ASSISTANCE TO AFRICA FROM WESTERN EUROPEAN NATIONS

The free world shares U.S. interests in Africa. In the field of economic assistance, the Western European nations have continued to carry primary responsibility in Africa. Although U.S. aid commitments have grown, our aid is less than half that of other free world donors. More than a half century of colonial experience has created a corps of administrators and technical specialists in the Western European nations who are familiar with many aspects of African problems.

I would like to interpolate here that we mention this not to be passing bouquets to the European nations as to the amount of aid they are giving, but only to show that we are still very much the minor aid provider in this part of the world.

Mr. PASSMAN. How many European nations are involved?

Mr. HUTCHINSON. Practically all of them to some degree or another. The major ones, of course, are the United Kingdom, France, and Germany.

Mr. PASSMAN. Most of these countries have strong alliances with their former possessions, they have trade agreements.

Mr. HUTCHINSON. We agree entirely with your point, sir. The major burden ought to be carried by the Europeans. It is a question of fact. We do not include trade benefits.

Mr. PASSMAN. I shall not interrupt you further.

Mr. HUTCHINSON. During the last 5 years, annual obligations to Africa from free world countries other than the United States increased from $906 million in fiscal year 1959 to $1.1 billion in 1963. In fiscal year 1963, France and the United Kingdom accounted for over $725 million or close to two-thirds of that year's total. The European Economic Community continued to provide over $100 million in grants as in prior years. United Nations grants and loans from the World Bank family—International Bank for Reconstruction and Development, International Finance Corporation, and International Development Association—totaled $87 million in fiscal year 1963. Current estimates indicate that total obligations in fiscal year 1964 will be at about the same level as in 1963. Approximately 62 percent

of total other free world obligations in Africa in 1963 were on a grant basis.

The needs for capital and technical assistance in Africa are large. The fact that much assistance is being made available to Africa by other nations does not mean that the United States should not contribute in Africa. It does mean that in most African countries U.S. aid is not intended to provide broad support but rather to finance selected projects for which other funds are not forthcoming or which have special relevance to U.S. objectives.

DISTRIBUTION OF U.S. AID IN AFRICA

Thus, U.S. development assistance to Africa is concentrated in selected countries. Seventy-five percent of the fiscal year 1965 request is anticipated for seven countries. Over half of the proposed program is concentrated in four countries: Nigeria, Tunisia, Sudan, and Liberia.

In contrast with these few countries in Africa where U.S. aid is concentrated, the United States conducts limited programs in some 15 countries which are receiving very substantial aid and trade benefits from their former metropoles—Belgium and France—and the European Economic Community. Our assistance in these countries usually consists of specific technical cooperation projects and occasional development loans for sound capital projects for which other financing is not available. In several, the Peace Corps also conducts programs. Only $13 million is proposed for this group of countries.

In several other African countries, the level and nature of U.S. aid reflect strategic objectives. In the Congo, the United States provides considerable aid to restore security and stability. Supporting assistance is also requested for Morocco and Guinea.

The primary need in most African countries, of course, is for additional skilled manpower. Accordingly, some $43 million, about 52 percent of our technical cooperation request, is for all fields of education. Our aid has enabled a number of African countries to expand their educational institutions to train personnel necessary to replace expatriate officials or to prepare teachers for primary, secondary, and higher educational institutions. For example, in Nigeria, Michigan State University has worked closely with local officials in the organization, administration, and operation of the University of Nigeria—an institution which, although it only opened its doors in 1960, now has an enrollment of over 1,800.

While carrying out our assistance program to Africa, the United States is urging other free world countries to increase their assistance efforts. More is being provided on more favorable terms. A recent illustration of this effort is the Niger Dam project in Nigeria.

NIGER DAM PROJECT

The Niger Dam is a $200 million project which will enventually provide 960,000 kilowatts of electricity and will also make the lower reaches of the Niger River navigable through most of the year. The construction of the dam is the most ambitious project under the Nigerian development plan. Last spring the project was presented to the consultative group on Nigeria. With the support of the group, the

Nigerians requested bids from all free world sources on the prime civil works contract and on major equipment contracts. The lowest civil works bid was submitted by an Italian group. The bid contained an estimated $24 million of U.S. procurement. The Italians were informed that the United States would finance 50 percent of the U.S. procurement under an Italian contract, but only if the Italians were to provide long-term financing for Italian procurement. The Italians have now agreed to provide $25.2 million at 6 percent interest and carrying a 25-year maturity with a 5-year grace period. These are the most favorable loan terms yet provided by Italy anywhere in the world.

FISCAL YEAR 1965 PROGRAM

During fiscal year 1965 we propose to continue our current program and managerial policies, refining our techniques by requiring more self-help, emphasizing wherever appropriate cash contributions by the recipient countries and loans instead of grants, or, as the chairman would say, credits instead of grants.

The total program request for economic assistance to Africa amounts to $219 million, $105 million development loans, $83 million in technical cooperation, and $31 million in supporting assistance. An additional $5 million is included in the appropriation for contributions to international organizations to continue the presence of essential United Nations personnel in the Congo. The program proposed for Africa represents less than 10 percent of the total requested for economic assistance programs for fiscal year 1965.

The fiscal year 1965 program, although representing an increase of about $17 million more than anticipated for fiscal year 1964 programs, is smaller than the actual level of obligations in the past 3 years. It amounts to $42 million less than the amount obligated for African programs in fiscal year 1963, and $96 million under the fiscal year 1962 level.

DEVELOPMENT LOAN AND GRANT OBLIGATIONS

To give you a further feel for that, I would like to make a comparison here of the appropriation categories in terms of actual obligations and of this year's request.

In 1961 our development lending obligation was $53 million. In 1962 it was $86 million. In 1963 it was $98 million. We are anticipating or estimating $76 million in 1964, and the request is $105 million in fiscal year 1965.

Development grant technical cooperation obligations were $21 million in 1961, $105 million in 1962, $84 million in 1963, $78 million in 1964, and we are requesting $83 million in 1965.

The supporting assistance category has fallen very sharply over these years. Obligations were $190 million in 1961, $124 million in 1962, $79 million in 1963, about $48 million anticipated in 1964, and only $31 million being requested for 1965.

You can see that this fluctuation in the levels of the development loan and development grant requests is continuing rather than having any sharp upturn to it and that the supporting assistance request has gone down very sharply over the years in question.

DISTRIBUTION OF DEVELOPMENT ASSISTANCE

Almost 40 percent of the development assistance request is concentrated in two countries—Nigeria and Tunisia. More than 48 percent of the total program request is for development loans or credits in keeping with the general effort of financing all significant construction and capital equipment on a loan basis. This compares with a 27 percent loan component in fiscal year 1962 and a 38 percent loan component anticipated in fiscal year 1964.

The grant program is almost exclusively directed to technical cooperation activities. Less than 15 percent of the request for Africa next year is for supporting assistance—it is planned in only the Congo, Morocco, and Guinea. Our request shows a very sharp decline in this category of assistance.

As has been the case in recent years, assistance will continue to be directed in large part of activities in the fields of education and agriculture in an effort to assist the African countries in their attempt to remove the major roadblocks inhibiting African economic growth.

While most of the proposed assistance must be implemented on a bilateral basis, increasing emphasis is being given to providing technical cooperation on a regional basis. This approach should encourage African nations to get the most from their scarce resources through joint or multicountry approaches to common economic and social problems. Existing African organizations and institutions are utilized where possible. For example, the United States is funding scholarships in African institutions of higher learning for students of other African countries.

MANAGEMENT IMPROVEMENT

The fiscal year 1965 program reflects both new and continued management and administrative improvements. AID direct-hire staff is being reduced in many African countries during fiscal year 1964. We plan in fiscal year 1965, on an experimental basis, to eliminate direct-hire and administrative personnel from African countries with small programs and to service these programs by dispatching personnel from Washington or neighboring missions. To the greatest extent possible, projects will be implemented through contracts with other agencies and private institutions.

We have felt that our overhead for these politically important yet quantitatively small programs could be reduced, and this arrangement will permit the elimination of the desk officer layer in Washington as well as the direct supervisory personnel in the field. More importantly, we believe communications and operations will be greatly speeded up by allowing delegations of authority to this centralized mission which were impracticable for extremely small missions without technical expertise. Smoother and more efficient implementation of these programs is our goal, and a hoped-for byproduct will be a significant reduction in overhead.

There are now 16 African posts where housekeeping and administrative services for all U.S. agencies are combined. This arrangement eliminates duplication and competition for local facilities and skills. The consolidated USIA-State Department AID supply center in

Nigeria, which services the neighboring countries of West Africa, will achieve economies.

As a result of these measures, overseas direct-hire administrative personnel in Africa decreased from 313 at the end of August 1962 to 279 at the end of fiscal year 1963 and are expected to decrease appreciably more by the close of fiscal year 1965.

CONCLUSION

Africa, probably more than any other area of the world is in a revolutionary state of change. The process of nation building is fraught with problems—political, social, and economic. The course of events in Africa is difficult to predict. However, I believe that U.S. assistance, appropriately used in conjunction with that of other donors, can have a constructive influence in determining the course that this change will take.

Mr. PASSMAN. Thank you very much, sir.

As we think of ages of nations, compared to most of the European nations we are a young nation ourselves, are we not?

Mr. HUTCHINSON. Yes, indeed, sir.

Mr. PASSMAN. I think we are 175 years old. I believe we adopted the Constitution in 1789; is that correct?

Mr. HUTCHINSON. I believe that is correct.

Mr. PASSMAN. We are new, and we are chomping at the bit. And it seems to me that we are trying to burn ourselves out rapidly.

U.S. EFFORTS TO ELICIT ECONOMIC ASSISTANCE TO AFRICA FROM WESTERN EUROPE

The European nations are usually highly industrialized and have for a long time had the know-how of manufacturing; is that not correct?

Mr. HUTCHINSON. This is true, especially of the Western European countries.

Mr. PASSMAN. I am speaking of the Western European nations. They also have some of the greatest bankers the world has ever produced. Would you agree with me, Mr. Kling, that the Western European nations have some of the greatest bankers and economists that the world ever produced?

Mr. KLING. Yes, sir; they have in the field of economics more or less set the pattern for the rest of the world in terms of theory and application of theory.

Mr. PASSMAN. Yet here we are, a young nation, sending our people abroad—I quote from Mr. Hutchinson's statement, on page 6:

> While carrying out our assistance program to Africa, the United States of America is urging other free world countries to increase their assistance efforts. More is being provided on more favorable terms.

Have we reached the point that we assume it is our responsibility to tell other people what to do, when to do it, where to do it, how much to do?

Mr. HUTCHINSON. We have certainly reached the point in the stage of world affairs in which our position is such that we must tell others the way we see the world situation, what we think our responsibilities

are, and we must also say the way in which we think others' responsibilities are related to it. Other countries do the same thing.

Mr. PASSMAN. Those people, with thriving civilizations and culture long before we gained our freedom from Great Britain, with their great industrialists and economists, set the pace and we followed, did they not?

Mr. KLING. The pattern.

Mr. PASSMAN. While they are plenty capable of making up their own minds as to what they want to give away, we are having to urge them.

EUROPEAN REQUESTS FOR U.S. ASSISTANCE TO AFRICAN AREA

Do they ever come over here urging us to give and advising to whom we should give it?

Mr. HUTCHINSON. There are occasions on which it happens.

Mr. PASSMAN. Could you cite countries which came over here to urge us to increase our assistance efforts?

Mr. HUTCHINSON. I could cite both the Germans and the Belgians and the specific case of Rwanda and Burundi.

I am talking about the Belgians and Germans coming and urging us to increase our assistance along with them to these two countries.

Mr. PASSMAN. What did they want us to give?

Mr. HUTCHINSON. They have not asked for specific figures. They have asked for us to participate with them.

Mr. PASSMAN. Was it because we were not giving them aid?

Mr. HUTCHINSON. We have not been giving them aid.

Mr. PASSMAN. Have they asked us to increase our aid to India and Pakistan? How about Nigeria?

Mr. HUTCHINSON. They have been——

Mr. PASSMAN. Could you give us copies of the letters specifically asking for the aid?

Mr. HUTCHINSON. This usually does not take the form of letters. It is usually in discussions.

Mr. PASSMAN. You say, on page 6:

> While carrying out our assistance program in Africa, the United States is urging other free world countries to increase their assistance efforts.

Mr. HUTCHINSON. I stand by the statement.

Mr. PASSMAN. If they are urging us and we are urging them, then it is a question of each urging the other.

FOREIGN AID AS A "PRIMARY INSTRUMENT OF U.S. FOREIGN POLICY"

It appears that we are urging other people. We go to France and we set up housekeeping over there with this consortium. It looks to me as if about 99.9 percent of the money is coming from our side and it worries me, especially when I look at the front page of your statement.

> Every President and every Congress since 1945 have agreed that foreign aid is one of the primary instruments of our foreign policy.

That is just about our foreign policy, giving away our wealth.

It seems that we do not have any foreign policy other than the checkbook.

Mr. HUTCHINSON. I think we do have to recognize, as I have said here, that foreign aid is one of the primary elements in our foreign policy.

PROCUREMENT UNDER ITALIAN CONTRACT FOR NIGER DAM PROJECT

Mr. PASSMAN. You say the Italians were informed that the United States would finance 50 percent of the procurement under an Italian contract. Where would they purchase the commodities under this procurement program?

Mr. HUTCHINSON. We will finance only half. The financing of the remainder of the U.S. procurement will have to come from other sources.

Mr. PASSMAN. The Italian contract would be for Nigeria, would it not?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. We are going to finance 50 percent of the procurement under that contract.

Mr. HUTCHINSON. Which is done in the United States. The total contract is about $100 million.

Mr. PASSMAN. Are we dealing with commodities, or technicians and personnel and payrolls and travel?

Mr. HUTCHINSON. We are dealing with commodities in this particular case. There might be one or two U.S. technicians associated with it, but it is primarily commodities. It would be mostly earth-moving equipment.

INCREASE IN AID PROGRAM IN AFRICA

Mr. PASSMAN. I think that in 1959 the European countries gave and/or made loans of $906 million in Africa. It went up to a total of $1.1 billion in 1963 and we gave, if you look at your records here, in 1959 alone, $191.9 million.

In fiscal year 1963, we gave $531.5 million, so we increased ours about 2½ times during that period and they increased theirs by about $206 million during the same period.

Mr. HUTCHINSON. There is no question our aid has risen very sharply.

Mr. PASSMAN. If we look at the grand total here, we get up to more than $2 billion; that is through fiscal year 1963, $2,499,600,000.

I think all types of our aid to India alone has now exceeded over $5 billion.

Mr. HUTCHINSON. I can only testify as to what is happening in the African countries.

Mr. PASSMAN. Do you include Egypt among the African countries?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Thank you very much, gentlemen. We shall adjourn until 1 p.m. tomorrow.

TUESDAY, APRIL 28, 1964.

Mr. PASSMAN. The committee will come to order.

We shall continue today consideration of the aid program for the African region.

FISCAL YEAR 1964 PROGRAM FOR AFRICA

Mr. Hutchinson, do you consider you have a reasonably satisfactory program in your region for fiscal 1964?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. The original foreign aid budget request for fiscal 1964 amounted—using round figures—to $4,980 million, or thereabouts. Subsequently, the President sent a message to Congress adjusting that estimate downward to $4.5 billion. At a later date, the Congress authorized $3.6 billion, again using round figures, and at a still later date the Congress appropriated $3 billion.

We scaled almost $2 billion off, from nearly $5 billion to $3 billion.

Could you tell us the amount of money requested for your area in the original budget that came down early last year?

Mr. HUTCHINSON. $333.5 million.

Mr. PASSMAN. Under the final allocation, you were given $201.7 million; is that correct?

Mr. HUTCHINSON. $202 million; right.

Mr. PASSMAN. Which was a reduction of what sum below the amount originally requested?

Mr. HUTCHINSON. $130 million.

Mr. PASSMAN. Let us have this accurately, $131.7 million; and with that money you have a reasonably satisfactory program going.

FISCAL YEAR 1965 REQUEST FOR AFRICA

For fiscal 1965, you have requested $218.9 million?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Are we still operating on the same basis as in previous years, in that these programs are illustrative?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I appreciate your frankness in restating that in previous years these programs have been illustrative.

ESTIMATED DEOBLIGATIONS IN FISCAL YEAR 1964

How much money will you deobligate in fiscal 1964? We understand all of these are your best estimates as of this time.

Mr. HUTCHINSON. Yes, sir.

Mr. MOSSLER. Our estimate will be about $4 million.

Mr. PASSMAN. Out of grant aid?

Mr. MOSSLER. Out of the supporting assistance and development grant aid.

Mr. PASSMAN. Supporting assistance is grant aid, is it not?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. Not always.

Mr. PASSMAN. As we think of it, it is grant aid?

Occasionally, on some of these things, there will be some type of small loans?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. We think of it as appropriated in the form of grant aid and most of it is used that way?

Mr. MOSSLER. That is right.

REOBLIGATION OF DEOBLIGATED FUNDS

Mr. PASSMAN. Do you anticipate you will reobligate the entire amount of the funds deobligated?

Mr. HUTCHINSON. Not in our region, we do not expect so. The $76 million we are talking about for development grants is the total program we anticipate. We do not anticipate that our total will go above the $201.3 million.

Mr. PASSMAN. I thought you had the deobligated funds included in that program and that is why I asked the question.

Mr. MOSSLER. We have a small amount of $600,000——

Mr. PASSMAN. The remainder will go back into the general fund and may be used to fund projects anywhere there is a need?

Mr. MOSSLER. It could be used——

Mr. PASSMAN. I would prefer to say "where there is a desire."

DEOBLIGATION OF "DEVELOPMENT LOAN" FUNDS

Under the development credit disguised grant aid phase of the program, you have a different procedure in obligating and deobligating that requires a longer period, does it not, to ascertain whether or not you obligated in excess of the completed costs? You cannot document that as completely at this time as you can the grant aid part, can you?

Mr. HUTCHINSON. No, sir; not for most of the projects.

Mr. PASSMAN. Do you have any amount that is going to be deobligated out of the development credit category of the program?

Mr. HUTCHINSON. There are two loans which have been authorized but not signed, on which the authorization may be canceled.

Mr. PASSMAN. That is under the development credit category?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Can you tell us the amount of those two credits?

Mr. HUTCHINSON. There is $2.5 million to Congo-Brazzaville and there is an electrification loan authorization on which I have just written a letter early this week. I guess it was on Monday, and in that letter, I suggested that that authorization be canceled. I forget the exact amount. It is something in excess of $2 million; $2.4 million.

AID MISSIONS IN AFRICA

Mr. PASSMAN. How many AID missions do you have in your area at this time?

Mr. HUTCHINSON. I hesitate because I have a definition problem of what we call an AID mission.

Mr. PASSMAN. Use the same defiinition that you have used in previous years.

Mr. HUTCHINSON. We have programs in 33 countries and that is the way we would define them.

Mr. PASSMAN. Programs in 33 countries, but what of where a man is domiciled at an embassy or in the vicinity and he opens shop to do business?

Mr. HUTCHINSON. We have what we call delegated posts where the ambassador is responsible for the program with an AID affairs officer.

Mr. PASSMAN. He is responsible in all countries, is he not? The ambassador is the President's representative?

Mr. HUTCHINSON. Yes, sir. He is also AID mission director in addition at that post, so we do not have an AID mission director in——

Mr. PASSMAN. What we want to know is the number of places where we have what we refer to as an AID mission, with a room or a building or an office, headed by some individual with personnel under him. I believe they are commonly referred to as USOM's.

Mr. HUTCHINSON. Sixteen. We do not have a USOM in the 16 countries I just mentioned.

I said 33——

Mr. PASSMAN. That is where you have an ambassador and some type——

Mr. HUTCHINSON. No, sir; that is the total number of countries.

Mr. PASSMAN. You have eight missions in the terms I am thinking of?

Mr. HUTCHINSON. In three countries we do not have any people stationed at all. We have 16 countries where we have these kinds of posts I am talking about here, which are not traditional AID missions.

Mr. PASSMAN. You have a total of 33 in 3 categories and in 3 countries, you just have programs?

Mr. HUTCHINSON. Right.

Mr. PASSMAN. Then you have 16 countries where you have programs? Then you have 14 countries where you have AID missions as such, as we understand what an AID mission is?

Mr. HUTCHINSON. That is correct.

MISSIONS PLANNED FOR FISCAL YEAR 1965

Mr. PASSMAN. Could you tell us the corresponding number of similar missions you will have in fiscal year 1965 in the 3, 16, and 14 countries?

Mr. HUTCHINSON. We are planning during fiscal 1965 in the 16 posts, which I just mentioned to you, to attempt to go to a plan of operation in which we do not have full-fledged AID missions. This is going to be progressive. It is going to be experimental and will be done over the year. I cannot tell you how it will work out, but it is our plan that by the end of fiscal 1965, we will not have AID missions located at any of these 16 countries, so the 3 would go to 19. I do not want to testify that this will, in fact, be accomplished but this is our goal. We will have to see how it works. We are going to start with three or four which are already on the boards, to see how it goes, and then move progressively.

Mr. PASSMAN. You cannot tell us at this time?

Mr. HUTCHINSON. I cannot explicitly tell you but it is going to be less significantly than at the present time.

Mr. PASSMAN. We hope so.

ESTIMATED AID PERSONNEL IN THE AFRICAN REGION AS OF JUNE 30, 1964

What is the total number of personnel you anticipate will be on the AID rolls for your region as of June 30, 1964?

Mr. HUTCHINSON. Mr. Chairman, when I answer that question, I would like to go back, if I might, just a second to the question you asked me earlier.

Did you say the end of 1964 or 1965?

Mr. PASSMAN. 1964.

Mr. HUTCHINSON. This is direct-hire program funded and administrative, 1,066.

Mr. PASSMAN. How about contract personnel?

Mr. HUTCHINSON. Contract personnel should be included in these sheets—952.

Mr. PASSMAN. How about foreign nationals?

Mr. HUTCHINSON. Foreign nationals, I am not sure we have that here. It is estimated at 1,000 on June 30, 1964.

Mr. PASSMAN. Do you have any records on participants who may be coming over from your region who draw some kind of a monthly subsistence while they are in this country?

Mr. HUTCHINSON. We anticipate, as of—again you are thinking of June 30?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. 3,429.

Mr. PASSMAN. We now have the figure up to 6,447.

Any other categories?

Mr. HUTCHINSON. I do not understand the addition of participants to employees.

Mr. PASSMAN. They are getting a monthly check, or some kind of subsistence payment while they are over here in training. I am not talking about flour, potatoes, wheat, or palatial yachts for them. I am talking about the number of people in AID who get a check.

Mr. HUTCHINSON. I see. Technical assistance is by and large a provision of personnel or the training of personnel——

Mr. PASSMAN. I know.

Mr. HUTCHINSON. There will be a very large——

Mr. PASSMAN. Do you have any personnel who may be getting a monthly check that we do not have listed under these categories in the hearing thus far?

In the spread found in the hearings, I think there are many different categories where personnel are shown and I am just trying to——

Mr. HUTCHINSON. I do not think of any.

Mr. PASSMAN. Presently I am dealing with economic aid.

Mr. HUTCHINSON. I would not have anything for the military.

Mr. PASSMAN. I am going to get into that, because all of the military assistance is under the Secretary of State, and not the Secretary of Defense.

Mr. HUTCHINSON. I do think we have to reiterate the point, Mr. Chairman, we think participants are quite different.

Mr. PASSMAN. Regardless of what you think, I am trying to get in the record how many people are drawing Uncle Sam's checks every month.

Mr. HUTCHINSON. Participants are, in no sense, employees of the United States.

Mr. PASSMAN. They are given transportation and subsistence payments while they are over here for training.

PERSONNEL IN THE AFRICAN PROGRAM

I am dealing with personnel. We want the same type of information in the record as to all of the military personnel who are a part of this program for the African region.

Mr. HUTCHINSON. I will get that for the record.

(The information supplied follows:)

Africa personnel, as of Mar. 31, 1964 [1]

	U.S. nationals	Foreign nationals	Total
Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds and trust funds):			
Economic	1,003	1,475	2,478
Military	220	59	279
Subtotal	1,223	1,534	2,757
Persons participating in program other than direct hire (includes contractor employees and man-year equivalent of reimbursable supporting services):			
Economic	635	241	876
Military	16	35	51
Subtotal	651	276	927
Grand total	1,874	1,810	3,684
Foreign participants programed for fiscal year 1964: [2]			
Economic	----------	3,429	----------
Military	----------	580	----------
Total	----------	4,009	----------

[1] Data as of Mar. 31, 1964, for economic programs and estimated as of June 30, 1964, for military programs.
[2] Participants and trainees are not on the payroll. AID and MAP financing usually includes per diem, tuition, and travel costs if necessary, but not salary.

Africa personnel, fiscal year 1965

	U.S. nationals	Foreign nationals	Total
Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds and trust funds):			
Economic	887	1,319	2,206
Military	211	59	270
Subtotal	1,098	1,378	2,476
Persons participating in program other than direct hire (includes contractor employees and man-year equivalent of reimbursable supporting services):			
Economic	1,307	262	1,569
Military	17	38	55
Subtotal	1,324	300	1,624
Grand total	2,422	1,678	4,100
Foreign participants programed for fiscal year 1965:			
Economic	----------	2,348	----------
Military	----------	558	----------
Total	----------	2,906	----------

Participants and trainees are not on the payroll. AID and MAP financing usually includes per diem, tuition, and travel costs if necessary, but not salary.

Mr. PASSMAN. What do you show at this point?

Mr. HUTCHINSON. I have it shown here worldwide.

Colonel GALL. In the African area, we have a total of 266 people, including local civilians. This is our officers and enlisted men.

Mr. PASSMAN. In how many countries?

Colonel GALL. Eight countries.

Mr. PASSMAN. Would you like to supplement that figure with any additional information which you may have as to personnel in Washington, or elsewhere, who would be directly chargeable to the African region.

Colonel GALL. I will have to get that. I do not have it here.

(The information requested is included on p. 234.)

Mr. PASSMAN. I am trying to establish the amount of money that actually goes for commodities as such and the amount that goes for other items, whether it be airplane travel, salaries, or something else.

Mr. HUTCHINSON. I can understand that well, Mr. Chairman. I just want to say that, as you were saying yesterday, the provision of people to teach people is a very significant part of the AID program.

And the technical assistance aspect in the same way. The training of people as participants is likewise a very significant and substantive aspect of the technical assistance program. I just want the record to so show.

Mr. PASSMAN. This technical assistance program has been going on for 18 years. I have been looking at it that long and I agree with you that basically it is good.

Could you give us the same type of information dealing with what you anticipate will be your fiscal year 1965 complement, by categories?

Mr. HUTCHINSON. Yes, we can do that. Now?

Mr. PASSMAN. Put it in the record, please.

Mr. HUTCHINSON. All right.

(The information requested is included on p. 234.)

NEW PROJECTS IN FISCAL YEAR 1964

Mr. PASSMAN. Mr. Hutchinson, how many new projects are you initiating in your region during fiscal 1964?

Mr. HUTCHINSON. 357 projects, sir, we funded in fiscal year 1964.

Mr. PASSMAN. How many of those projects are new?

Mr. HUTCHINSON. Mr. Mossler tells me that that is wrong. He says it was 356.

Mr. PASSMAN. Is that prime projects?

Mr. MOSSLER. These are development grant projects.

Mr. PASSMAN. Do you also have subprojects?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Maybe in "Randolphville," you would have a building going on station 9, and you would have one 80 miles away at station 11, and both would be under one project?

Mr. HUTCHINSON. There will be some of that in there.

Mr. PASSMAN. Could you break out that along the way and tell us how many projects? When you get to projects, you are dealing with an individual item; are you not?

Mr. HUTCHINSON. Sir, we have attempted to make this an individual item insofar as we have been able.

Mr. PASSMAN. You said you would have instances like "Randolphville" where you would have station 9 and then 80 miles——

Mr. HUTCHINSON. We may have a project which is in, let us say, agricultural extension, and we may have extension agents located in one location and in another, but it is still one project.

I could not break them out.

Mr. PASSMAN. Would it be a different project? A project is something you refer to individually; is it not?

Mr. HUTCHINSON. This is the way we have obligated it, by projects.

Mr. PASSMAN. That is exactly the question I asked. Then the question I asked following that one was that if you are referring to a prime project which includes subprojects, you may have, say, a school building project which may encompass four or five communities where you would have separate buildings and that would not be a part of, maybe, this one project?

Mr. HUTCHINSON. I do not think there are any of that sort.

NEW PROJECTS NOT PREVIOUSLY JUSTIFIED TO CONGRESS

Mr. PASSMAN. Can you tell us how many of the 356 projects you have funded or contemplate funding in fiscal 1964 that you did not justify to the committee on an illustrative basis last year?

Mr. HUTCHINSON. Twenty-six, sir.

Mr. PASSMAN. Could you provide to us a list of the 26 projects?

Mr. HUTCHINSON. All right, sir. I have it right here.

Mr. PASSMAN. Let us have the list.

(The information follows:)

PROJECTS FOR WHICH FUNDS WERE OBLIGATED IN FISCAL YEAR 1964 NOT PREVIOUSLY IN CONGRESSIONAL PRESENTATIONS

The following projects for which funds were obligated in fiscal year 1964 were agreed upon with African governments and initiated after the fiscal year 1964 congressional presentation.

[Thousands]

Country	Project	Estimated fiscal year 1964 obligations	Estimated cost to completion
Chad	Public works and training equipment	100	210
Congo:			
Brazzaville	Pointe Noire Technical School	75	75
Léopoldville	Specialized secondary training	215	452
	Technical services	185	409
Ethopia	Water resources, Finchaa River	15	1,818
Guinea	Highway improvement	339	1,250
Nigeria	Book publishing	265	265
Northern Rhodesia	Key personnel in Africanization program	95	295
Nyasaland	Mass communications	10	75
Rwanda	Feasibility study, Kigali telephone system	25	25
Senegal	Rice and livestock improvement	50	65
	Poultry extension	120	120
	Soil salinity study	100	100
	Secondary schools	207	207
Sudan	Teacher training	260	370
	Supply managment	127	154
Tanganyika	Trades and skills training	210	210
	Radiovisual education	50	400
Tunisia	Maintenance, agricultural equipment	141	179
Uganda	Secondary school expansion	110	560
	Advanced office procedures training	160	160
Upper Volta	Improved telecommunications	20	1,018
	Human resources development	9	87
	English language center	6	135
Zanzibar	Education extension	35	35
African regional	ECA Economic Development Institute	60	440
	OAMCE headquarters	55	55
Total		3,044	9,169

Mr. HUTCHINSON. We have other copies, but whether we are going to have the data to answer your questions is something else.

Mr. PASSMAN. Then we will get into that matter later.

COST OF NEW PROJECTS NOT PREVIOUSLY JUSTIFIED

What amount do you propose to obligate out of fiscal 1964 funds for these 26 projects that had not been justified to the committee even on an illustrative basis?

Mr. HUTCHINSON. $3,044,000.

Mr. PASSMAN. Could we project the cost to completion and could you give us that amount?

Mr. HUTCHINSON. $9,169,000.

Mr. PASSMAN. The cost in fiscal 1964 funds would be 30 to 32 percent of the total cost?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. That kind of firms up the saying that "from little acorns big trees grow"?

Mr. HUTCHINSON. There is no question in the "Development grant" appropriation that the beginning of a project in one fiscal year carries with it costs in subsequent fiscal years.

PROJECTS PLANNED FOR INITIATION IN FISCAL YEAR 1965

Mr. PASSMAN. How many projects will you have in fiscal 1965 that you did not have in fiscal year 1964?

Mr. HUTCHINSON. There are seven of them.

Mr. PASSMAN. We would also like to have a list of those projects inserted in the record.

Mr. HUTCHINSON. Glad to.

(The information supplied follows:)

NEW PROJECTS IN FISCAL YEAR 1965

The following new projects are planned for initiation in fiscal year 1965:

[In thousands]

Country and project	Amount	Estimated cost to completion
Uganda:		
Industrial training center	$245	$585
Kyambogo Teacher Training College	270	500
Sudan: Institute of Agriculture	299	979
Gabon:		
Regional farms	120	120
Technical training	50	50
Ivory Coast: Development of National College of Agriculture	150	250
Africa regional: OCCGE regional health training (OCCGE)	180	280
Total (7 projects)	1,314	2,864

Mr. HUTCHINSON. This is at a total cost of $1.3 million.

Mr. PASSMAN. We also want the same type of information for fiscal 1964.

Mr. HUTCHINSON. All right.

COMMODITY ASSISTANCE IN FISCAL YEAR 1965

Mr. PASSMAN. I note you propose to furnish $31 million worth of supporting assistance commodities in fiscal 1965; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What countries will receive this type of assistance?

Mr. HUTCHINSON. Morocco, Congo, and Guinea.

Mr. PASSMAN. Could you indicate the division?

Mr. HUTCHINSON. ———in the Congo; ——— in Morocco, and the remainder for Guinea, ———. That is Congo-Léopoldville.

AMOUNT OF ASSISTANCE TO THE CONGO

Mr. PASSMAN. The Congo is getting something out of just about every one of these 16 spigots.

Mr. HUTCHINSON. I think we ought to point out in that connection the amount of assistance to the Congo is going down progressively.

Mr. PASSMAN. Going down in your bill.

Mr. HUTCHINSON. It has been going down also, if you consider the amount of military assistance that was provided during the really severely unsettled, shall we say, situation.

Mr. PASSMAN. Is the Congo where $100 million was transferred? And I think there was also something like $18 million as a supplemental item on the foreign aid last year?

Mr. HUTCHINSON. How was the military item funded back there?

Colonel GALL. The military assistance program.

Mr. HUTCHINSON. The military assistance program.

Mr. PASSMAN. It went to the United Nations and was fed out.

Mr. HUTCHINSON. We have shown you in our books the contributions to the United Nations Organizations all the way through.

Mr. PASSMAN. Let us take the Congo, because you had ——— and then this $31 million of supporting assistance which is grant aid.

Mr. HUTCHINSON. This $5 million of contributions to the United Nations for technical assistance in the Congo has been——

Mr. PASSMAN. Get a copy of the foreign aid bill of last year. I believe there was a supplemental item tacked on that bill. I believe it was for international organizations, conferences, contributions, $18,374,000.

Mr. HUTCHINSON. Look at page 184 of your book.

It shows the total assistance to the Congo in 1961 from AID predecessor agencies, $67.3 million. The $18 million you are talking about is shown in these figures on a comparative transfer basis in order to give comparability. It shows $67 million in 1962; $37 million in 1963; and it will be down to about $17 or $18 million, about $22.5 million, in 1964; and ——— in 1965.

Mr. PASSMAN. I wish you would have a look at the bill.

Mr. HUTCHINSON. There is about $25 million of Public Law 480.

Mr. PASSMAN. What we want to find out is what they had in another appropriation for international organizations, because this is part of it.

Mr. HUTCHINSON. We will check, sir.

Mr. PASSMAN. That is all we want you to do.

Mr. HUTCHINSON. The only one I am aware of——

Mr. PASSMAN. Just let us know what it is.

Mr. HUTCHINSON. We will check.

(The information supplied follows:)

APPROPRIATIONS PROVIDED IN BILLS FOR OTHER AGENCIES FOR INTERNATIONAL ORGANIZATIONS

An amount of $18,374,000 was included in the fiscal year 1964 Foreign Aid and Related Agencies Appropriation Act under the heading Department of State, International organizations and conferences, contributions to international organizations. This was a supplemental request by the Department of State to cover additional assessments by the United Nations for peace-keeping operations. The total supplemental request consisted of $3,037,000 for the U.N. force in the Middle East and $15,337,000 for the U.N. force in the Congo. The U.N. force in the Congo, now scheduled to be withdrawn by June 30, 1964 was extended 6 months past its former scheduled departure date.

PUBLIC LAW 480 PROGRAM FOR FISCAL YEAR 1964

Mr. PASSMAN. We shall deal presently with Public Law 480.

You know what is available in your area under that program for fiscal 1964?

Mr. HUTCHINSON. Under title I, $74.5 million; $54,185,000, in title II; $36 million in title III.

Mr. PASSMAN. Give us the total.

Mr. HUTCHINSON. $164,685,000.

Mr. PASSMAN. If you will, insert in the record the amount under each title.

(The information supplied follows:)

Estimated magnitude of Public Law 480 program for Africa, fiscal year 1964

Title I	$74,500,000
Title II	[1] 54,185,000
Title III	[1] 36,000,000
Title IV	4,500,000
Total	169,185,000

[1] Export market value.

Mr. PASSMAN. How much of this aid will get immediate U.S. dollars?

Mr. HUTCHINSON. Immediate U.S. cash dollars?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. None of it.

Mr. PASSMAN. That is good enough.

COUNTRIES RECEIVING DEVELOPMENT "LOANS"

How many countries in the African area have received development credits to date?

Mr. HUTCHINSON. I would have to count them. It will not take me very long. I have a report on the total that has been received by them to date, but I do not have the report that would list every loan.

I could run through the book and count them.

Mr. PASSMAN. I asked for the number of countries. Let me say 17. Does that agree with your records?

Mr. HUTCHINSON. Seventeen, sir.

Mr. PASSMAN. If you will, supply for the record the name of the country, the type of project, and the amount of each individual credit for grant, and give us the grand total.

Mr. HUTCHINSON. We will be glad to do it.
(The information supplied follows:)

DEVELOPMENT LOANS IN AFRICA

The following development loans have been extended to African countries:

Country	Project	Amount of loan (thousands)
Cameroon	Transcameroonian railroad	$9,200
Ethiopia	SAIDE textile mill	500
	Development Bank of Ethiopia	2,000
	Forest development	21
	Airport development	20,250
	Jet aviation facilities	3,100
	Highway maintenance	3,600
	3d highway program	4,000
Ghana	Volta River project	27,000
	Volta aluminum	55,000
Guinea	Diesel electric generators and related equipment	2,400
Ivory Coast	Highway equipment	1,700
Kenya	Nairobi water supply	2,200
Liberia	Sawmill	190
	National medical center	5,300
	Mount Coffee hydroelectric	24,300
	Monrovia Junior-Senior High School	1,700
	Telecommunications	150
Libya	Tripoli power	5,000
Republic of Mali	Higher Teachers Training College and Pedagogic Institute.	2,100
	Central veterinary laboratory	1,100
Morocco	Triffa irrigation	23,000
Niger	Niger Development Bank	500
Nigeria	Apapa warehouse	664
	Railway track relay	2,997
	Ibadan water supply	12,100
	Calabar-Ikom road	8,600
Somali Republic	Development Bank	2,000
	Chisimaio port and municipal facilities	3,600
Sudan	Textile mill	10,000
	Industrial Bank of Sudan	2,000
	Khartoum north sewerage system	3,800
Tanganyika	Mwanza-Musoma trunk road	1,898
	Dar-es-Salaam water supply	2,200
	Regional urban water supplies	1,300
	University college	800
	Teacher training college	800
	Community development training	250
	Agricultural college	1,250
	Program loan	1,000
	Equipment loan—electrical	300
Tunisia	National railroad	2,750
	Pulp factory	7,050
	Oued Nebana Dam	18,000
	El Aouina International Airport	5,100
	National Agricultural Bank	5,000
	Industrial bank	5,000
	Nonproject	10,000
	Government loan	2,400
	(Sfax water supply, $600.) (Tunis water supply, $800.) (El Haouaria irrigation, $1,000.)	
	Nonproject	15,000
	University of Tunis	1,800
	Agricultural equipment	6,500
Uganda	Uganda Development Corp	2,000
	Secondary school expansion	2,400

STATUS OF LOANS TO GUINEA AND KENYA

Mr. PASSMAN. I note, on page 3 of the justifications, that you have approved two development credits through fiscal 1963, one for Guinea in the amount of $2.4 million, the other for Kenya in the amount of $2.2 million. The table indicates that neither of these loans has been obligated to date. Is that correct?

Mr. HUTCHINSON. That is right, sir. The $2.4 million in the case of Guinea is the one I mentioned earlier that I had just this week written a letter to cancel.

Mr. PASSMAN. How about the one to Kenya?

Mr. HUTCHINSON. That is the first loan we have made to Kenya. We have been having difficulty explaining the procedures and requirements for U.S. procurement to the Kenyans. In fact, there was a delegation just in this week trying to get those problems settled. This is the reason this one has moved slowly.

Mr. PASSMAN. Is this not a clear case of haste on our part?

Mr. HUTCHINSON. No, sir; it is not. We would have had this difficulty in any case of the first loan in these areas where they are not used to our procedures.

Mr. PASSMAN. You were carrying it as an obligation?

Mr. HUTCHINSON. Carrying it as an authorization.

Mr. PASSMAN. It was charged against your allocation?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. It is reserved or obligated and you reduce the unobligated funds by this amount when the obligation is entered into?

Mr. HUTCHINSON. For practical purposes, you are correct.

METHOD OF REPORTING UNOBLIGATED FUNDS

Mr. PASSMAN. If I had called to ask the Controller to please provide me with the amount of unobligated funds as of this date, he would not have included these two items, would he?

Mr. HUTCHINSON. Sir, when you say the Comptroller and the unobligated balance, are you talking about the reports which Ed Tennant furnishes you or in the technical sense?

Mr. PASSMAN. I am merely asking the question, if I called and asked for the amount of unobligated funds to the credit of Africa as of this date, he would give me a figure.

Mr. HUTCHINSON. He would probably do what I do and give you two figures.

Mr. PASSMAN. He does not filibuster me.

Mr. HUTCHINSON. I am not filibustering you. I want to be sure I am giving you a straight answer.

In the absolute technical sense of obligation, this figure would not be shown as obligated. But in the figures as they are submitted to you which show commitments, obligations, and authorizations, with the balance left as funds available for commitment, this figure would be included.

Mr. PASSMAN. Not one time that I recall since I have been chairman of this subcommittee have I had any letter from the Controller with the unobligated funds on such a basis as you indicate.

What I am trying to find out is whether you debit this account by pencil note or any other way, when you indicate the total amount you have on hand that is just as free as a wild turkey.

Mr. HUTCHINSON. This amount is deducted from the amounts which are just as free as a wild turkey.

Mr. PASSMAN. Thank you.

What kind of business operation would we have if we should hold up projects of this type until there is a higher degree of certainty that the true obligation and expenditure will be made?

Mr. HUTCHINSON. We would have considerable difficulty, sir, because it is only when you get down to the fundamentals of the negotiations of the loan agreement that you are able to work out the kinds of problems which have held up the signature of this loan agreement. You cannot get down and work out the loan agreement in advance until you know that you are going to make the loan. When we know we are going to make the loan, we have to charge it against, in the loose sense of the word, our availabilities.

Mr. PASSMAN. Are all your operations on the same basis as this?

Mr. HUTCHINSON. All our operations are on the same basis, but this does not mean it takes as long in all cases to get loan agreements signed.

Mr. PASSMAN. All your obligations are subject to being deobligated?

Mr. HUTCHINSON. Sir, you are again getting me in the position where I have to get technical again.

Mr. PASSMAN. We want the facts. This is either the exception or it is not the exception.

Mr. HUTCHINSON. It is not the exception procedurally. It has taken longer in this case than it is normal for us to take to get the loan agreement actually negotiated and signed.

Mr. PASSMAN. I am speaking of the degree of uncertainty as to whether it will ever be finalized and disbursements made.

Mr. HUTCHINSON. This one is no more uncertain than any of the others in that respect.

DEOBLIGATION OF GUINEA LOAN

Mr. PASSMAN. Are you deobligating both these propects?

Mr. HUTCHINSON. No. sir; just the Guinea project.

Mr. PASSMAN. You will deobligate the entire amount?

Mr. HUTCHINSON. The entire amount insofar as the Guinea project is concerned.

ALGERIA

FISCAL YEAR 1965 ALLOCATIONS

Mr. PASSMAN. Dealing with Algeria, what do you estimate that you will allocate to that country in fiscal 1965?

Mr. HUTCHINSON. $2 million, sir.

Mr. PASSMAN. How does this compare with the sum for fiscal 1964?

Mr. HUTCHINSON. It is about $450,000 higher than our present estimate for 1964.

Mr. PASSMAN. Insert in the record what the allocation covers.

Mr. HUTCHINSON. Shall I do it now or put it in the record?

Mr. PASSMAN. Put it in the record, please.

Mr. HUTCHINSON. All right, sir.

(The information supplied follows:)

FISCAL YEAR 1965 PROJECT ASSISTANCE FOR ALGERIA

The net $450,000 increase scheduled next year for project assistance in Algeria over fiscal year 1964 is due primarily to the increased requirements within the commodity component for the rural rehabilitation projects. During fiscal years 1963 and 1964 about $900,000 was required to equip 60,000 workers on projects in rural areas. With the expansion of this project to 100,000 workers, approxi-

mately $500,000 more will be required for additional tools and light equipment, as well as some heavier and more costly equipment such as tractors and derricks as activities at some of the work sites enter into a second phase.

Mr. PASSMAN. I believe that Ben Bella is in Moscow this week, is he not?

Mr. KLING. Yes, sir; that is right.

Mr. PASSMAN. Have you been over to Algeria lately?

Mr. KLING. I was there about 6 months ago.

Mr. PASSMAN. A lot of things can take place in 6 months.

Mr. HUTCHINSON. I should point out, sir, these projects are almost exclusively in the field of work projects for the unemployed, reforestation, and so forth.

Mr. PASSMAN. Something like President Johnson's war on poverty in this country?

Mr. HUTCHINSON. Perhaps in part.

UNITED STATES AND FRENCH AID TO ALGERIA

Mr. PASSMAN. Algeria is a former possession of France, is it not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I should think there are very strong trade ties between France and Algeria.

Mr. HUTCHINSON. Yes, sir; and a very large amount of French assistance.

Mr. PASSMAN. I should think that France, in order to protect her commercial and, you might say, selfish interests, would extend substantial credits, maybe some technical assistance to Algeria. Would that not be the normal thing to expect?

Mr. HUTCHINSON. That is right, and France is doing that.

Mr. PASSMAN. Why do we not let France finance them altogether?

Mr. HUTCHINSON. This is the reason our program is so small. French assistance is $154 million to date in 1964 in Algeria. But we do feel some necessity for having the possibility of a U.S. influence in Algeria. This is why we are using fundamentally this work program.

Mr. PASSMAN. We feel that way, too, about a hundred other nations, whether Communist or semi-Communist or friendly or unfriendly or neutral.

Mr. HUTCHINSON. I wanted you to understand the fundamental policy.

Mr. KLING. We do have a great interest in Algeria.

We would certainly not wish to see the Algerians won over to a philosophy that is alien to the free world.

We have considerable interest in Algeria including our oil companies, with their investments in the Sahara. We would certainly not wish to see the Algerians depend entirely for the diversification of their aid by going to the bloc.

Mr. PASSMAN. It looks like France is going to be in for about $200 million in loans, maybe, to protect her selfish and commercial interests; is that not correct?

Mr. KLING. ———.

Mr. HUTCHINSON. These are fundamentally grants, but your figures are correct.

Mr. KLING. The French are providing a major part of assistance to Algeria, but the Algerians are very conscious of their desire to be independent. They have a long history of dependence on France, and they wish to diversify their forms of outside aid. Our contribution is very helpful in that regard.

Mr. PASSMAN. France is putting up 99 percent and we are putting up 1 percent in this case; is that right?

Mr. KLING. That is about it.

Mr. PASSMAN. They have their selfish and commercial interests there.

With reference to the oil companies, are they not able to take care of their own interests around the world?

Mr. KLING. Yes, sir.

AMERICAN OIL INVESTMENTS IN ALGERIA

Mr. PASSMAN. What is the investment of the American oil companies in Algeria?

Mr. HUTCHINSON. I do not have the figure here, sir, but they are participating on a joint basis with the European oil companies, particularly the French, in Algeria.

Mr. PASSMAN. It would appear that total exports of petroleum from Algeria in 1962 would be about $770 million; is that correct?

Mr. KLING. From Algeria?

Mr. PASSMAN. Yes.

Mr. KLING. I would not have thought it was quite that high.

Mr. HUTCHINSON. That is the total, sir.

Mr. PASSMAN. Main exports were petroleum. Total exports in 1962 appear to be $770 million.

Mr. HUTCHINSON. But not petroleum.

It says total exports are $770 million. The main export is petroleum.

Mr. PASSMAN. My book shows population, annual growth, total, agricultural, per capita, total exports—it is under the caption of "Total" but directly opposite that it has petroleum with an "E" estimate. How much is petroleum?

Mr. HUTCHINSON. I do not know, sir.

Mr. PASSMAN. You show one item of petroleum.

Mr. MOSSLER. The estimate for the same year appears to be $375 million.

Mr. PASSMAN. $375 million of petroleum exports. What percentage of the petroleum production is by American oil companies?

Mr. KLING. I do not have the figure available at this time, Mr. Chairman.

Mr. PASSMAN. If you could help us on this $375 million, let us know whether it is all from American firms or whether it is a mixture.

Mr. KLING. It is a mixture.

Mr. PASSMAN. Could you get some information?

Mr. KLING. We will be glad to get information for you.

Mr. PASSMAN. What they are paying in royalties to the Algerian Govenrment also; could get that information?

Mr. KLING. Yes, sir.

(The information supplied follows:)

U.S. PARTICIPATION IN THE ALGERIAN OIL AND GAS INDUSTRY

1. U.S. oil and gas companies generally operate in Algeria with French partners who own a majority interest in these enterprises.
2. The value of U.S. (private) investments in Algerian oil and gas exploration and development has recently been unofficially estimated at $75 to $100 million or somewhat less than 10 percent of the total capital invested in Algeria for these purposes. U.S. companies have interests in about 31 percent of the 684,600 square kilometers open to exploration as of January 1, 1964.
3. Proven reserves of oil and gas now entirely controlled by U.S. companies are relatively insignificant but in most cases fields are not yet completely developed and some are believed to contain sizable reserves.
4. Algerian oil production in 1963 was 183,230,000 barrels, almost all of which was exported, valued at $430.6 million.
5. Revenues accuring to the Algerian Government from all phases of the petroleum industry in 1962 amounted to the equivalent of almost $40 million (which includes $38.5 million of crude oil royalties) and may reach $50 million in 1963. If current plans for expansion of production of oil and gas are carried out, oil revenues from existing companies could increase to $65 to $70 million by 1965.

RURAL REHABILITATION IN ALGERIA

Mr. PASSMAN. For what purpose do you propose to deobligate the $2 million in U.S.-owned local currencies? That is a rural rehabilitation project in Algeria.

Mr. HUTCHINSON. This is cost of local materials that are incorporated into these various projects. I do not have the detailed break as to what it would be.

Mr. PASSMAN. Do you have $1,008,000 for, I suppose you would call it, commodities under contract service?

Mr. HUTCHINSON. Yes.

COMMODITY BREAKDOWN

Mr. PASSMAN. I am sorry. We are both mistaken there. It is under contract services, $200,000. The other comes under commodities. If you could give us a breakdown——

Mr. HUTCHINSON. You are right. We are both wrong.

Mr. PASSMAN. We would like to know the type of commodities.

Mr. HUTCHINSON. Type of commodities bought with dollars are shown in the book—handtools, wheelbarrows, hoes, shovels, rakes, seeds, tractors——

Mr. PASSMAN. To the tune of $1 million——

Mr. HUTCHINSON. These figures are off line.

Mr. PASSMAN. You had $510,000 for the same purpose last year?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. That is a lot of hoes and rakes and scrapes and spades.

Mr. HUTCHINSON. For over a hundred thousand people it takes a lot of tools.

Mr. PASSMAN. Let us know how many shovels, how many hoes, how many rakes, just what it is for this one country.

Mr. HUTCHINSON. There is some heavy equipment involved.

Mr. PASSMAN. If you will, break it down for us and bring the information to us when you get it.

Mr. HUTCHINSON. This we will have to do. I have some break——

Mr. PASSMAN. We want the total.

Mr. HUTCHINSON. There will be over a hundred thousand people employed with this.

Mr. PASSMAN. That does not alter the fact that it is a lot of shovels and a lot of hoes and rakes, and whatever else it is.

Mr. HUTCHINSON. It is a lot of people.

Mr. PASSMAN. Help us out, if you will, gentlemen.

(The information supplied follows:)

ALGERIA—ITEMIZED LIST OF COMMODITIES BOUGHT WITH U.S. DOLLARS

There follows an illustrative list of commodities required on the expanded phase of the rural rehabilitation project designed to increase the labor force by 40,000 to 100,000 workers. The handtools are similar to those procured for the 60,000 workers. In addition, the list contains some heavy equipment needed to demonstrate some of the more sophisticated techniques of soil conservation.

Item	*Quantity*
Truck-mounted drilling units	2
Walking tractors	5
Compost shredders	4
Vineyard hoes	15,000
Carpenter combination squares	500
Trucks	52
Station wagons	4
Sedans	3
Shovels	15,000
Digging picks	2,500
Garden rakes	1,200
Axes	700
Carton nails	810
Trowels	200
Chisels	500
Screwdrivers	120
Saws	500
Crowbars	350
Mortar hoes	100
Files	1,100
Pails	300
Sprinkler cans	300
Spading forks	600
Pruning shears	350
Garden hoes	500
Padlocks	200
Tents	100
Wheelbarrows	2,400
Sledge hammers	1,400
Mattocks	2,000
Spools barbed wire	400
Metal posts	20,000
Rolls roofing felt	500
Pounds seed	50,000
Tractors, small	16
2-row cultivators	8
Plows	8
Harrows	20
Drills, grain and grass	20
Trailers	8
Farm wagons	8
Harvester tractor	1
Land levelers	4
Tons fertilizer	50
Gasoline engines and centrifugal pumps	12
Feet metal pipe	3,000
Professional equipment (pantographs, surveyor's instruments, etc.)	------
Office supplies (calculators, typewriters, etc.)	------
Tractors, earthmoving	5
Derricks	5

OBLIGATIONS VERSUS AMOUNTS JUSTIFIED FOR PARTICIPANT TRAINING PROJECTS IN FISCAL YEAR 1964

Mr. PASSMAN. I note, on page 9, you obligate $245,000 for participant training projects in fiscal 1964; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much money did you justify for this purpose last year?

Mr. HUTCHINSON. $95,000, it seems, sir.

Mr. PASSMAN. What brought about the increase?

Mr. HUTCHINSON. A greater number of participants.

Mr. PASSMAN. What would have happened if you had not increased it and had kept it at the requested figure of $95,000? We would have been $150,000 better off, would we not?

Mr. HUTCHINSON. We would have had fewer people trained.

Mr. PASSMAN. That is obvious. I do not know why we would not work this thing the other way sometime.

Mr. HUTCHINSON. Sir, the whole area of concentration in Algeria is in this agricultural rural sector. It seems to us that if we can effectively train a greater number of people than was anticipated, then the objective is being accomplished more quickly.

ESTIMATED INCREASE IN AVERAGE COSTS PER PARTICIPANT FOR FISCAL YEAR 1965

Mr. PASSMAN. What is the average cost per participant for fiscal 1964?

Mr. HUTCHINSON. It is about 55 into 95, or a little under $2,000 per participant.

Mr. PASSMAN. That is your record.

Mr. HUTCHINSON. I mean 55 into 245.

Mr. PASSMAN. How much is that?

Mr. HUTCHINSON. It looks like about a little over $4,000, $4,500.

Mr. PASSMAN. $4,500 per participant?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Let us project this into fiscal 1965. What do you estimate each participant will cost?

Mr. HUTCHINSON. It is hard to say because you will have to then determine how much of the 245 is available for financing in addition to the other. We are asking for $300,000. If you divide that by the 65 that we are anticipating, it still runs something under $5,000. It is about the same average.

Mr. PASSMAN. Would it be near or about the same figure?

Mr. HUTCHINSON. It is going to be very close. We are doing the division here; 46, let us say, $4,600.

Mr. PASSMAN. It is up about $146?

Mr. HUTCHINSON. That could be; yes, sir.

Mr. PASSMAN. Gentlemen, is it up that much or is it not?

Mr. HUTCHINSON. I assure you it is not possible to pin down in advance the cost of participants to any closer estimate.

Mr. PASSMAN. Why is there an increase?

Mr. HUTCHINSON. I do not have the foggiest notion.

Mr. PASSMAN. You want an increase of $146, and the committee is not going to be able to find out what the increase represents?

Mr. HUTCHINSON. We cannot help you to the extent of estimating average cost of participants more closely than that.

Mr. PASSMAN. You cannot tell the committee any of the items of this cost that is up, whether it is for transportation, whether it is food, whether it is for the schools?

Mr. HUTCHINSON. Not to the extent of $146 per participant.

Mr. PASSMAN. If you have any records where you break it out on a participant from a given country, that record ought to show what the individual is getting for subsistence, what he is getting for transportation, and if you relate those items to your increased cost, wouldn't it not give you the answer?

Mr. HUTCHINSON. Sir, it is obvious that when you are forward funding, planning in advance for a following fiscal year, you do not know the length of time that the people will be here with exactness, you do not know exactly how many are going to go to what schools, and so on. You could not possibly anticipate the cost with a degree of accuracy that would rule out a variation in the average cost of 65 participants in 1 year as compared to 55 participants in the previous year to a margin of error of less than $146 on a $4,500 or $4,600 cost.

No budget is done with more exactness.

METHOD FOR ESTIMATING PARTICIPANT COSTS

Mr. PASSMAN. What formula did you use to arrive at the total cost?

Did you put the component parts together to get an estimate or is it a rough guess?

Mr. HUTCHINSON. We take the usual average cost of participants in the sort of fields we are operating in and multiply it by the number of participants.

Mr. PASSMAN. Last year, upon what basis did you come up with the formula that justified the average cost of $4,450?

Mr. HUTCHINSON. Obviously, Mr. Chairman, it was basically on the same formula.

Mr. PASSMAN. You have not said what the formula is.

The record speaks for itself.

Mr. MOSSLER. I have a little——

Mr. PASSMAN. Give us a little, then.

Mr. MOSSLER. We will try to help just a little.

We will not get down to $146, but we do develop within the agency standards for different types of participants depending upon the kinds of institutions they go to and places they go to.

We forward these out to our missions, so when they develop their budget estimates, they have an idea of how much it does cost for the type of training that they are requesting.

Mr. PASSMAN. That is the little help you are talking about?

Mr. MOSSLER. That is a little help.

COST OF DIRECT-HIRE TECHNICIAN IN AGRICULTURE

Mr. PASSMAN. What does a direct-hire technician cost, we shall say, in the field of poultry raising?

Or, do you have readily available the data with regard to some other type of technician?

Mr. HUTCHINSON. We have U.S. technicians in the field of agriculture.

Mr. PASSMAN. What is the average cost?

Mr. HUTCHINSON. In this particular project in this particular country it is running a little over $22,000. You will find other countries——

BREAKDOWN OF AVERAGE TECHNICIAN COST

Mr. PASSMAN. Would you give us now the component parts of that total, how much is salary and other benefits?

Mr. HUTCHINSON. I could not, sir.

Mr. PASSMAN. You know what salary you pay the average technician?

Mr. HUTCHINSON. You cannot say what the average technician is. We can give you what the average costs are per technician.

Mr. PASSMAN. All I am asking for is a listing of the component parts of the $22,000. How much is travel, how much is salary, how much is for other benefits, such as housing?

Mr. HUTCHINSON. We will have to furnish that.

Mr. PASSMAN. The gentleman is working over there. He has some kind of formula worked out. What do you have?

Mr. MOSSLER. If you divide the total number of on-board technicians, direct hire, all Africa, by the amount——

Mr. PASSMAN. That is good enough.

Mr. MOSSLER. The total amount for technicians' salaries, it runs to something over $21,000.

Mr. PASSMAN. For salaries?

Mr. MOSSLER. For all direct hire.

Mr. PASSMAN. Could you possibly break that down on the same average, the percentage for salaries, transportation, and subsistence? Do you mean to tell this committee we cannot find out what is salary and what is subsistence for this area?

Mr. MOSSLER. We have to go over it case by case.

Mr. HUTCHINSON. It can be done.

Mr. PASSMAN. We want it in just one category. I said at the beginning we had no intention of trying to spread this in every country.

Mr. HUTCHINSON. We will have to get it and submit it for the record.

Mr. PASSMAN. If you like, you might pick up three categories of technicians in Nigeria, the top, the bottom, and the in-between. Is the subsistence and travel of a participant just about the same as for a technician?

Mr. HUTCHINSON. No, sir.

Mr. MOSSLER. No, because the technician sometimes has a family with him and household goods, this sort of thing.

Mr. PASSMAN. How does that compare with contract personnel in cost?

Mr. HUTCHINSON. Sir, the agency has been trying to make a study, as I think you are aware——

Mr. PASSMAN. No, I am not so aware.

Mr. HUTCHINSON. I am sorry—of the cost as between contract and direct hire as a whole. I am not familiar in detail with this study, but the general conclusion, as I understand it, was that there was not a

significant variation insofar as university contract personnel is concerned with direct hire personnel, but insofar as there was any, the university personnel was somewhat higher but not significantly higher.

Just what the figures were, I am not sure, and I do not know the exact nature of the study; but such a study was made in the agency.

Mr. PASSMAN. How long would it take to make a spread on the technicians, direct hire, and the technicians on contract hire in Algeria?

Mr. HUTCHINSON. It would not take long at all. It would be quite easy. We would be glad to do it for you.

Mr. PASSMAN. Thank you. When could you have that information?

Mr. HUTCHINSON. I think in Algeria the program is small enough that we could do it in a couple of days.

(The information supplied follows:)

U.S. TECHNICIAN COSTS IN ALGERIA

I. Direct hire personnel: Participating agency service agreement with Soil Conservation Service, USDA. (Average grade and salary of nine soil conservationists on rural rehabilitation project is between an FSR–5 and FSR–4 at $11,150 per annum):

	Average per annum cost
Salary	$11,150
Differential	1,683
Quarters allowance	3,100
Travel	1,755
Transportation, including transportation of automobile	1,492
Education allowance	400
Various benefits	724
Overhead costs	2,230
Total cost per technician	22,534

II. Contract hire personnel under AID contract with International Voluntary Service (IVS). (The average salary of these junior technicians is based on a per annum salary of $4,000 for 1 chief of party, $3,000 for 3 team leaders and between $960 and $1,800 for 20 volunteers in the field of soil conservation):

	Average per annum cost
Salary	$1,500
Allowances (including orientation)	3,500
Travel	900
Overhead	1,200
Total	7,100

TOTAL DIRECT U.S. AID TO ALGERIA

Mr. PASSMAN. Could you tell us the total amount of aid to Algeria? Put it in the record.

(The information follows:)

AID TO ALGERIA

The amount of direct U.S. aid to Algeria through fiscal year 1963 is as follows:

	Millions
Development grants	$1.1
Supporting assistance	1.0
Food for peace, title II, $70.2, million; title III, $22.3 million	92.5
Total	94.6

Mr. PASSMAN. Dealing with the same type of technician, one being direct hire, one being contract hire, which group do you have the most supervision over, where you could insist on direct accounting and responsibility to the aid agency?

Mr. HUTCHINSON. Insofar as direct hire as compared with institutional contracting, the responsibility is more direct in the case of the direct hire employee.

In the case of the institutional contract, it runs through the contractor. We do require approval of the significant employees which the institutional contractor puts on his contract. But our supervisory responsibility in detail tends to run through the contractor rather than extending specifically to him as an individual.

Mr. PASSMAN. Do you have more, or less, supervision over contract hire than you do direct hire?

Mr. HUTCHINSON. We have more direct supervision over the direct hire employees.

Mr. PASSMAN. Is the trend in the AID agency toward more contract hire, or less?

Mr. HUTCHINSON. We are moving in the direction toward——

Mr. PASSMAN. I am limiting it to your area.

Mr. HUTCHINSON. The trend is toward more institutional contracting and less direct hire.

Mr. PASSMAN. What I am trying to get is the trend as between direct hire and contract hire.

Mr. HUTCHINSON. We sometimes have a direct contract with a man, he is a direct hire. We call him a direct hire for this purpose.

Mr. PASSMAN. All right, but if you hired this man working directly with AID and AID pays him, that is direct hire?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. If you get over in the contract hire, it is just about as broad as the United States. I want to pin it down to two classes. You have direct hire, you have contract hire. You may have different stages of it. What is the trend?

Mr. HUTCHINSON. The trend is toward more contracting rather than direct hire.

Mr. PASSMAN. I think you said there was not any significant difference, but according to the information we have, there is substantial difference in the cost to maintain a direct hire employee and a contract hire employee.

Mr. HUTCHINSON. All I can say is that when the trend that we are talking about, which is toward contracting with universities and similar institutions, the study that was made—I am not familiar with how or anything of that sort—it did not show a significant variation.

However, in any event, we are quite sure that even if—I am quite sure in my own mind, although I would have to say that some experimentation should be in order to confirm this—that over the long pull we will get better employees because you can give him a backstop, you can give him a professional home outside of the Agency without the necessity of building him into a career service. Even if you had to pay him a little bit more for a limited period of service, this would be better in many cases. I am not going to say this is absolute because

each has its place. This would be better in many cases than taking a man on on a full-time career basis and having to keep him on or discharge him with all that goes with that and retirement rights and career rights, which are built up.

We feel also that you can get brought to bear on your technical assistance problems a much broader, what shall I say, scope of disciplines. You can get someone who knows something about agriculture and who knows something about education and perhaps an institution that knows something about sociology or anthropology to bring to bear upon a problem in a country this range of disciplines that is extremely difficult to get on a direct hire basis.

Mr. PASSMAN. You are dealing with generalities. Those facts are to be determined in the future.

The trend is to have more contract hire and less direct hire?

Mr. HUTCHINSON. This is the trend, but it is being done for a very specific reason.

The reasons are significant.

SUPERVISION OF CONTRACT PERSONNEL

Mr PASSMAN. I have never thought that you could give up supervision and have a better program.

Mr. HUTCHINSON. We did not say we were giving up supervision. It is a question of degree.

Mr. PASSMAN. When these are direct hire, they are in and working directly under the people in the AID agency, the mission head, whereas, if you go into universities and colleges, they work to a very large extent under the formula devised by the college under which they are working.

Anyway, we were told by another source of information that our contract-hire costs far more than our direct hire. We shall just have to wait for developments and get the reason behind it. Of course, also the actual costs.

You are experimenting with it.

Mr. HUTCHINSON. I do know what the motivations are in moving in this direction in my own region.

The motivations are an attempt to have brought to focus a broader range of disciplines on our problem, to get people who do not have to have a career in the agency and who, when they have finished a project, can go back to their institutions. These are the fundamental motivations.

CONGO (LÉOPOLDVILLE)

FISCAL YEAR 1964 PROGRAM

Mr. PASSMAN. Let us move on to another country.

What did you request for Léopoldville in fiscal 1964?

Mr. HUTCHINSON. For fiscal 1964, $2.3 million plus some $40 million in supporting assistance.

Mr. PASSMAN. What amount did you allocate?

Mr. HUTCHINSON. We allocated $2,422,000.

Mr. PASSMAN. Give us the total.

Mr. HUTCHINSON. In comparison with the $42.3 million, it will be $22.4 million.

Mr. PASSMAN. You have what you call a satisfactory program going?

Mr. HUTCHINSON. Yes, indeed; sir. We were quite fortunate in the Congo in that two things happened.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. Let me say that the situation was not going as well as we hoped and they were not taking some internal measures we thought necessary, so we held up until late in the fiscal year.

The stabilization program came along, they devalued their currency very substantially. As a result, their export earnings have risen higher than was anticipated. So we were able to get by with about $20 million in supporting assistance.

Mr. PASSMAN. Your allocation was about half of what you originally requested?

Mr. HUTCHINSON. Yes, sir.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. What is the amount of your request for fiscal 1965?

Mr. HUTCHINSON. We are requesting for fiscal 1965———.

Mr. PASSMAN. Do you think your subsequent allocation against the request will be as good for fiscal 1965, or are we projecting that too far?

Mr. HUTCHINSON. I think that the likelihood of our making anything like the significant reductions in 1965 over 1964 are very dim.

Mr. PASSMAN. Time will tell whether this will be down?

Mr. HUTCHINSON. We are only asking $2,555,000 for the development grant program.

Mr. PASSMAN. Give us the total you administer. It is all aid.

Mr. HUTCHINSON. I am asking for $219 million in all of Africa.

Mr. PASSMAN. I am talking about Léopoldville.

Mr. HUTCHINSON. ——— we are asking for.

Mr. PASSMAN. Now break down, if you will, the component parts of that total?

Mr. HUTCHINSON. $2,555,000 development grants, ——— million supporting assistance. This represents, as you can see, a significant reduction over the supporting assistance that has been going in in former years.

We would be very much surprised if the situation improves so drastically in fiscal 1965 as to permit very significant reduction.

Mr. PASSMAN. It did in fiscal 1964?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Let us hope now.

Mr. HUTCHINSON. The request was $40 million compared to ——— million, sir.

Mr. PASSMAN. I have been here long enough to know there is an asking price and a taking price.

Mr. HUTCHINSON. There is not an asking price and a taking price.

Mr. PASSMAN. There is if you look at what is appropriated each year.

Mr. HUTCHINSON. As so defined, that is right.

Mr. PASSMAN. The asking price is what you want and the taking price is what you get.

TOTAL AID TO THE CONGO (LÉOPOLDVILLE)

Mr. PASSMAN. Give us the total amount of aid for Léopoldville from the inception of the program.

Mr. HUTCHINSON. From the inception of the program?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. Through fiscal 1963 it was $172.3 million, sir. This includes figures we talked about before that were contributions to the United Nations in the operation going on.

Mr. PASSMAN. Did that figure include Public Law 480, all spigots?

Mr. HUTCHINSON. No; it does not. If you include everything of that sort, it is $234 million. Let us be sure we get everything. Including military, $237.1 million.

The first figure I gave you, that was the figure from our economic appropriations on a comparative transfer basis.

Mr. PASSMAN. They are eligible for all 16 spigots, if that is the number of spigots from which aid is drawn; they are eligible for assistance from all of them?

Mr. HUTCHINSON. If that were the number; yes, sir.

Mr. PASSMAN. The fact is I think there has been one more spigot added. We shall discuss another spigot at this time.

In addition to the asking price mentioned a moment ago of ———, are they not also scheduled for $5 million from the "International organizations" appropriation?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. That sum would be added to this amount?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Public Law 480 would be added to both?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Military assistance would be added?

Mr. HUTCHINSON. About $25 million, Public Law 480.

Mr. PASSMAN. When you put it together, it is a different story, is it not? Aid is aid, you know.

Mr. HUTCHINSON. We are speaking of figures we asked for in the appropriation.

Mr. PASSMAN. I am speaking of all of them.

Mr. HUTCHINSON. I am representing this side of the table.

Mr. PASSMAN. You represent only a small part of these many aid spigots that are available. When you pull the handle, you get the same stuff out of all the bins.

PUBLIC LAW 480 COMMODITIES

In addition to the ——— worth of commodities which will be financed by the supporting assistance appropriation, how much Public Law 480 surplus agricultural commodities do you propose to furnish to the Congo?

Mr. HUTCHINSON. About $28.6 million in total of all types.

ENGLISH LANGUAGE TRAINING PROJECT IN THE CONGO

Mr. PASSMAN. You are requesting $105,000 for contract services to complete the English language training project during fiscal year 1965; is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How many Congolese will have received the English language training when this project is completed at a cost of $1.017 million?

Mr. HUTCHINSON. I would have to get the figures, sir. I do not see it.

Mr. PASSMAN. How many participants have received training under the specialized secondary training project, mentioned on page 16, at a total cost through fiscal year 1964 of $2.445 million?

Mr. HUTCHINSON. It looks like about 420. Then there are 80 additional, about $5,500 apiece.

Mr. PASSMAN. Per participant?

Mr. HUTCHINSON. Yes, sir.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. I note that you have obligated $672,000 in fiscal year 1964 for the public safety project, on page 19. Is that correct?

Mr. HUTCHINSON. I think so, sir.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. HUTCHINSON. $50,000.

Mr. PASSMAN. That was in the original request?

Mr. HUTCHINSON. Yes, sir.

U.S. FINANCING FOR INTERNAL SECURITY IN THE CONGO

I should say in this connection, sir, that the security situation in the Congo has become one in which the United States has had to take a very, very active role in view of the disturbances in Kwilu and other places in the Congo, and in view of the fact that the U.N. operation is coming to an end.

We are finding it necessary to move into the police field in a fairly significant way to a degree that was not anticipated when we were up in fiscal year 1964.

Mr. PASSMAN. When did they gain their independence?

Mr. HUTCHINSON. 1960.

Mr. PASSMAN. How long has the Congo been populated?

Mr. HUTCHINSON. I am sure for a considerable period of time.

Mr. KLING. By Congolese—for several centuries, at least.

Mr. PASSMAN. How did they get along with their business before we got there?

Mr. KLING. The situation has changed radically in the last few centuries. They have developed from a village to an urban society.

Mr. PASSMAN. They have developed some ability, and now they need substantial police protection?

Mr. HUTCHINSON. Internal security is a very serious, significant problem.

Mr. PASSMAN. Certainly it is serious.

Mr. HUTCHINSON. We clearly think it is our business, if you are going to keep stability in the heart of Africa.

Mr. PASSMAN. We just imagine we have enough money to do everything for everybody everywhere, regardless of the cost of it.

Here we are distributing our wealth all over the world to most anyone who will take it.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. You have $672,000 on this item against a $50,000 request.

Did you get this money out of deobligations, or new allocations?

Mr. HUTCHINSON. We fundamentally got the money out of new allocations.

Mr. PASSMAN. What do you mean by "fundamentally"? Is this a new allocation or a combination?

Mr. HUTCHINSON. This is a new allocation.

Mr. PASSMAN. Thank you.

It could come part from one place and part from another.

Mr. HUTCHINSON. The total availability is the new money plus the deobligations. We should correct the record, we have made a mistake. We only showed the technician cost of what we showed you in 1964. Actually, we showed $400,000 instead of $50,000. We will be glad to go back and clean the record.

TECHNICAL SERVICE PROJECT

Mr. PASSMAN. Did you justify last year the $185,000 allocation to the technical service project, on page 20?

Mr. HUTCHINSON. Apparently we did not show technical services in fiscal year 1964.

Mr. MOSSLER. We did not show anything in last year's congressional presentation.

Mr. PASSMAN. You did allocate $185,000?

Mr. MOSSLER. That is right.

KENYA

Mr. PASSMAN. Has Kenya gained its independence?

Mr. HUTCHINSON. Yes. It was December 12, 1963.

Mr. PASSMAN. When did we get in there with an aid program?

Mr. HUTCHINSON. We started in there several years ago.

Mr. PASSMAN. When?

Mr. HUTCHINSON. I do not have the break. But it was certainly by 1957.

Mr. PASSMAN. Kenya was part of Great Britain then?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Before we could go into the aid program, did we have to get the United Kingdom's permission?

Mr. HUTCHINSON. I am sure there was an agreement with the United Kingdom.

FISCAL YEAR 1962 PROGRAM

Mr. PASSMAN. What did we give them in fiscal year 1962?

Mr. HUTCHINSON. $3.2 million from our appropriation and some title II and Public Law 480, $6.5 million.

Mr. PASSMAN. How about fiscal year 1963?

Mr. HUTCHINSON. In fiscal year 1963, our appropriation——

Mr. PASSMAN. Let us get all the spigots the book shows.

Mr. HUTCHINSON. In fiscal year 1962, the total was $9.9 million.
Mr. PASSMAN. That was while they were under Great Britain?
Mr. HUTCHINSON. They were a colony.
Mr. PASSMAN. Of Great Britain?

FISCAL YEAR 1963 PROGRAM

Mr. HUTCHINSON. In 1963, $5.6 million.
Mr. PASSMAN. That is the total, covering the same categories you indicated earlier?
Mr. HUTCHINSON. Yes, sir.
Mr. PASSMAN. Does it include Public Law 480?
Mr. HUTCHINSON. It does.

FISCAL YEAR 1964 PROGRAM

Mr. PASSMAN. How about fiscal year 1964?
Mr. HUTCHINSON. We anticipate $2.1 million. Now, how about that loan——
Mr. PASSMAN. A development credit?
Mr. HUTCHINSON. What you refer to as a development credit.
The question is, what is the total for fiscal year 1964. We are trying to find the amount for development lending which was the $2.2 million we talked about.
We know it was $2.179 million in the development grant total. Apparently the $2.2 figure for 1964 seems to be correct.
I am sure this is correct now that I have checked.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. Are you requesting anything for Kenya for fiscal year 1965?
Mr. HUTCHINSON. Yes, sir; we are; $2.856 million, plus the possibility of loans.
Mr. PASSMAN. Then, in reality, when you get all these figures together, you have to show $4.856 million; is that correct?
Mr. HUTCHINSON. Say that again.
Mr. PASSMAN. $4.856 million is the total amount?
Mr. HUTCHINSON. It is $2.856 million, plus the possibility of a $2 million loan.
Mr. PASSMAN. Is that $2 million loan built in the President's budget?
Mr. HUTCHINSON. Yes, sir.
Mr. PASSMAN. There is a possibility you will not need the $2 million? You use the word "possibility."
Mr. HUTCHINSON. As you know, the loan request is justified on the basis of the projects we anticipate we will do, and we always come up with an amount in excess of our anticipations and then discount. That is what is happening this year, and that is why I say a possibility.
Mr. PASSMAN. I am grateful we both know that is the way it is handled.
Mr. HUTCHINSON. We always list the specific projects.

RANGE DEVELOPMENT PROJECT

Mr. PASSMAN. Now, sir, did you request any funds last year for the range development project, on page 25, or is this a breakup of the agricultural field service and research project for which you testified last year?

Mr. HUTCHINSON. It looks like $80,000. This is written in in pen. I am told it is $60,000 instead of $80,000. I see now it is $60,000.

Mr. PASSMAN. Did you request that money last year?

Mr. HUTCHINSON. Yes.

EDUCATIONAL PROJECTS

Mr. PASSMAN. I note that you are requesting $124,000 to extend the West Virginia contract under the higher educational project, appearing on page 28.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much did you request last year for the expansion of the secondary educational project mentioned on page 32?

Mr. HUTCHINSON. $313,000, sir.

Mr. PASSMAN. What is the cost of the additional year of the university contract for which you obligated $300,000 in fiscal year 1964 on the same project?

Mr. HUTCHINSON. It looks like $477,000, sir.

Mr. PASSMAN. What is the cost of the initial 2-year financing of the contract for 10 specialists in technical education?

Mr. HUTCHINSON. $370,000, sir.

Mr. PASSMAN. What is the cost to initiate a contract in fiscal year 1965 for the furnishing of eight public administration specialists under the training for the public service project, mentioned on page 35?

Mr. HUTCHINSON. We have to do some calculating.

$23,750 each. Total of $190,000.

Mr. PASSMAN. What is the cost for specialists?

Mr. HUTCHINSON. I beg your pardon—for these eight people, $190,000.

Mr. PASSMAN. Where are the participants trained under this project?

Mr. HUTCHINSON. These participants I am sure come basically to the United States since we have a contract with Syracuse. I am sure some are at Syracuse and some at Pittsburgh and universities of that sort.

Mr. PASSMAN. Did any of the people from this region come to this country before we started this giveaway program?

Mr. HUTCHINSON. Yes, sir.

RURAL COMMUNITY DEVELOPMENT PROJECT

Mr. PASSMAN. How much money did you justify last year for the rural community development project, on page 36?

Mr. HUTCHINSON. $195,000, sir.

Mr. PASSMAN. How much are you allocating?

Mr. HUTCHINSON. We anticipate $275,000.

Mr. PASSMAN. Where did you get the extra $80,000?

Mr. HUTCHINSON. Out of the total funds available to us.

Mr. PASSMAN. Fair enough.

Why do you need $75,000 for commodities in fiscal year 1965? I note that you programed $125,000 for this purpose last year, even though it was not requested, or justified. Am I making a correct statement?

Mr. HUTCHINSON. This is for 24 trucks used as a part of the community development program, sir.

Mr. PASSMAN. Did I make a correct statement?

Even though it was not requested or justified in last year's hearings.

Mr. HUTCHINSON. It seems you are correct, sir. It was not included in the request.

Mr. PASSMAN. Thank you.

FEASIBILITY SURVEYS STUDY

I note that the feasibility survey study, on page 38, is designed to help obtain the data required for external assistance by AID and other potential donors. Would you comment?

Mr. HUTCHINSON. I could comment, yes, sir, that as a part of our normal course of operation, we do finance feasibility studies to determine whether or not projects which might be financed by any institution, including AID, are economically and technically justified, to find out what the total cost is, and to bring them up to the requirements of section 611.

Mr. PASSMAN. Do you initiate these feasibility survey studies?

Mr. HUTCHINSON. By and large——

Mr. PASSMAN. By request from the recipient country?

Mr. HUTCHINSON. By and large, they come in as requests from the recipient government.

We may very well discuss with them the sorts of projects we might be interested in participating in the financing of, and out of those discussions the requests may arise, but they come in as requests from the governments.

Mr. PASSMAN. Did we have testimony last year, I think, to the effect that you kept these things a secret, that you did not even let them in on what you were going to do until you got the money?

Mr. HUTCHINSON. I do not remember any testimony on that score last year, sir. There was testimony the year before last, on the question that we did not want to get involved in discussions of country program levels with the country in advance. That is the reason for a time these figures were classified. They no longer are classified.

Mr. PASSMAN. Who would you discuss it with if you did not discuss it with the country?

Mr. HUTCHINSON. We did not want to have an annual country program which the country thought it was entitled to as a matter of right. We did not feel it was a good idea to discuss this with the country.

Mr. PASSMAN. Is there a point at which they think they are entitled to it?

Mr. HUTCHINSON. Only on the individual project they feel that way when the project is completely justified and we have authorized it. If we talk to them about $4 or $2 or $6 million, this can cause complications. "Entitled" is probably too strong a word. Probably I should say their expectations are built up.

EFFECT OF UNSIGNED CONTRACTS ON UNOBLIGATED BALANCES

Mr. PASSMAN. I think we established earlier that there was one country where there was a project for which you went ahead and technically reserved, set aside, pulled out funds from the total when the contracts had never been signed, and it decreased the unobligated balance. Then when you put it back it would increase it. It would not be a deobligation inasmuch as the contracts have never been signed.

When you pull out of that contract, have you deobligated? What is the process there?

Mr. HUTCHINSON. We are going to get back into the discussion we were having earlier.

Mr. PASSMAN. I am asking you a question. We have agreed that projects of that type reduce the amount of funds that you may obligate to some other project.

Mr. HUTCHINSON. Let's put it this way: We pull it out and it increases the amount of funds that are free as a turkey, as you mentioned in your earlier discussion.

Mr. PASSMAN. As you have not signed the contracts, you could not call it a deobligation, could you?

Mr. HUTCHINSON. In a technical sense, we could not.

Mr. PASSMAN. When that happens, then this unobligated figure, purely unobligated as such, is bound to go up by the amount of the cancellation?

Mr. HUTCHINSON. The amount that is available——

Mr. PASSMAN. So, in reality, you have three things working. At least two against increasing the amount of the purely unobligated figure as we get it from downtown. You have the cancellations on contracts that you reserve, or set aside. Then you also have the purely deobligated funds; is that right?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. I shall now address myself to the distinguished Comptroller.

We have discussed two projects for the African region. Could you give the information to us worldwide?

Mr. TENNANT. I am not sure I am fully clear on what you want.

Mr. PASSMAN. We are standing here with a level you start off with.

Mr. TENNANT. We are talking about the loan program.

DEOBLIGATIONS AND DERESERVATIONS—WORLDWIDE

Mr. PASSMAN. I am talking about taking money you have, what the Congress appropriates. Every time you set aside, reserve, or obligate in either one of these categories for the credits, it reduces that level. Do you follow me?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Whether it is a reserve or an obligation, it reduces the level; is that correct?

Mr. TENNANT. Correct.

Mr. PASSMAN. So that category of reserves brings the level down to here [indicating], then you have the real obligation that brings it on down to here [indicating]?

Mr. TENNANT. Yes.

Mr. PASSMAN. You build it back up by your deobligated funds—and I am talking about the grant total. When you return the reservations, that builds the figure up. What we want is the amount of the worldwide reserves that you have never finalized, as of March 30, if that is the last date.

I always thought about the amount of money you deobligated, but not about the amount you dereserved. We want your dereservations, worldwide. Can you do that for us?

Mr. TENNANT. Yes.

Mr. PASSMAN. Are you sure you know what I want?

Mr. TENNANT. You want the dereservations.

Mr. PASSMAN. And deobligations.

I think we should have that information for 5 years.

Mr. TENNANT. Five years?

Mr. PASSMAN. How about 3 years?

Mr. TENNANT. Yes, sir; we can provide that.

Mr. PASSMAN. In order to facilitate the matter, we are going to ask it for only fiscal 1963 and 1964.

Mr. TENNANT. Through March 31?

Yes, surely.

(The information follows:)

Deobligations and dereservations,[1] fiscal years 1963 and 1964 (as of Mar. 31, 1964

[In thousands of dollars]

	Fiscal year 1963		Fiscal year 1964 (as of Mar. 31, 1964)	
	Deobligations	Dereservations	Deobligations	Dereservations
Annual accounts:				
Technical cooperation and development grants	45,096	----------	15,295	----------
Supporting assistance	25,283	----------	7,530	----------
Alliance for Progress—Technical cooperation and development grants	----------	----------	1,461	----------
Survey of investment opportunities	----------	----------	15	----------
International organizations	46	----------	10	----------
Contingency fund	24,198	----------	2,875	----------
Administrative expenses, AID	744	----------	702	----------
Administrative expenses, State	11	----------	4	----------
Special assistance in joint control areas	[2] 5	----------	----------	----------
Subtotal, annual accounts	95,384	----------	27,892	----------
No-year accounts:				
New development loans	----------	7,500	1,911	10,900
Alliance for Progress, IAPSP	----------	----------	1,441	----------
Development Loan Fund (liquidation account)	28,153	3,425	[3] 47,851	----------
Subtotal, no-year accounts	28,153	10,925	51,204	10,900
Grand total	123,537	10,925	79,097	10,900

[1] Excludes deobligations for Investment Guarantee Fund since all funds in this account constitute a reserve against potential claims and are not available for reprograming purposes.

[2] Returned to Treasury.

[3] Includes $39,765,582 of China (Taiwan) deobligation but held in reserve for 2 specific projects.

NOTE.—Detail may not add to totals due to rounding.

NAIROBI WATER SUPPLY SYSTEM, KENYA

Mr. PASSMAN. What is the status of the Nairobi water supply development credit project?

Mr. HUTCHINSON. That is the one I mentioned earlier. We are having what we hope are the final discussions to resolve the last remaining points between us.

TANGANYIKA

Mr. PASSMAN. When did Tanganyika gain independence?

Mr. HUTCHINSON. December 9, 1961.

Mr. PASSMAN. That was also a colony of Great Britain?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Did we have an aid program before 1961?

Mr. HUTCHINSON. I am sure we did; yes, sir.

Mr. PASSMAN. How much, total?

Mr. HUTCHINSON. Apparently it started in 1958 with small amounts, less than $50,000.

The aid program first started in 1960.

Mr. PASSMAN. So we had an aid program prior to their independence?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Of course, we had to get the United Kingdom's permission to start the aid program, the same as in all other positions?

Mr. HUTCHINSON. We would have had to have an agreement with the United Kingdom.

Mr. PASSMAN. The first full year of independence came in 1961?

Mr. HUTCHINSON. The first full year of independence was calendar year 1962.

Mr. PASSMAN. Did you have an aid program for them in 1962?

Mr. HUTCHINSON. Yes, sir; we did.

Mr. PASSMAN. How much?

Mr. HUTCHINSON. $2.5 million.

Mr. PASSMAN. Put in the figures for fiscal year 1962 and fiscal year 1963.

(The information supplied follows:)

Total aid to Tanganyika

[In millions]

	Fiscal year 1962	Fiscal year 1963
Grants	$2.4	$1.8
Loans		6.9
Total	2.4	8.7

FISCAL YEAR 1964 REQUEST VERSUS ACTUAL ALLOCATIONS

Mr. PASSMAN. What amount did you request for Tanganyika for fiscal year 1964?

Mr. HUTCHINSON. Our request for fiscal year 1964 is $2.950 million for the grant program.

We also indicated in our listing of loans we would make some loans in Tanganyika as well.

Mr. PASSMAN. Give us the total.

Mr. HUTCHINSON. I do not have the figure before me of what we listed in fiscal year 1964 for loans.

Mr. PASSMAN. For the total of grants and development credits, what do you show?

Mr. HUTCHINSON. $5.750 million.

Mr. PASSMAN. What amount did you allocate?

Mr. HUTCHINSON. We allocated $1.950 million of development grants and our loans will be $4.6 million.

Mr. PASSMAN. What is the total?

Mr. HUTCHINSON. $6.5 million.

Mr. PASSMAN. Against a request of what amount?

Mr. HUTCHINSON. $5.750 million.

Mr. PASSMAN. I wonder if this kind of situation is going to run true around the world. Congress cut the appropriation nearly $2 billion below the original request, yet you are able to give practically every country more money than you requested.

Mr. HUTCHINSON. I think you will recall we showed a very substantial decrease in the Congo program, and we will show you substantial decreases on loans in Nigeria and the Sudan.

FISCAL YEAR 1965 REQUEST FOR TANGANYIKA

Mr. PASSMAN. Do you have anything requested for Tanganyika for fiscal year 1965?

Mr. HUTCHINSON. We are requesting——

Mr. PASSMAN. Total.

We do know you have all the other spigots available.

Mr. HUTCHINSON. ———.

Mr. PASSMAN. That is an increase of how much over fiscal year 1964?

Mr. HUTCHINSON. About ———.

Mr. PASSMAN. Over the actual allocation?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And about ——— over the original request of fiscal 1964?

Mr. HUTCHINSON. That is about right.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. East Africa is an area of considerable importance at this particular point in time.

Mr. PASSMAN. Is that the only area which is important?

We have aid to about 100 nations. You put that in as a stock basis for every country.

Mr. HUTCHINSON. No, sir; I do not think this would apply to every country.

Mr. PASSMAN. Where will it not apply in Africa?

Mr. HUTCHINSON. It would not apply to ———, certain other countries ———. It certainly will not apply, in terms of being of particular importance, to the program we are carrying on ———, and some of the programs we are reducing in ———, places of this sort.

Mr. PASSMAN. You do have programs in all the countries?

Mr. HUTCHINSON. I do not mean to imply by that that the United States does not have an interest in all these countries, but East Africa at this particular point in time is an area of particular interest.

Mr. PASSMAN. What is the population of Tanganyika?

Mr. KLING. 9 million—over 9 million.

MERGER OF TANGANYIKA AND ZANZIBAR

Mr. PASSMAN. Is Zanzibar going to absorb Tanganyika, or is Tanganyika going to absorb Zanzibar, or are they just going to consolidate and be one nation?

Mr. HUTCHINSON. I think the exact form of federation remains to be worked out. The President of Tanganyika is the president of the federated country. Very considerable power is vested in him with respect to acts taken by the legislative body in Zanzibar. The president of Zanzibar is the first vice president of the federated country. Beyond that, I think it really remains to be seen exactly what the form of confederation will work out to be over time.

Mr. PASSMAN. Do you think you might increase this request?

Mr. HUTCHINSON. This is possible. I do not see that the federation in and of itself is likely to require more or less assistance with one possible exception, and Mr. Kling might want to comment on this; it is possible in the shortrun period of their working out their relationships there could be some internal trouble that might require some emergency assistance.

Mr. PASSMAN. Do you not think they will be able to take care of that kind of trouble?

Mr. HUTCHINSON. I hope so, sir.

Mr. PASSMAN. Would the odds be on no increase over the asking price here in your justification?

Mr. HUTCHINSON. The odds, because of the situation I mentioned, might be more in the other direction.

Mr. PASSMAN. You do not anticipate it would be either up or down, with the possible exception you gave?

Mr. HUTCHINSON. I do not see anything inherent in the situation that would require a significant increase in this except for the situation I indicated.

I can be making a mistake here, too, as I said earlier.

Mr. PASSMAN. Twice you have erred.

Mr. HUTCHINSON. Once I have erred, and once I have admitted the possibility of future error.

Mr. PASSMAN. Mr. Kling, when were you out in Zanzibar and Tanganyika?

Mr. KLING. I was in Kenya. I did not visit Zanzibar and Tanganyika.

EAST AFRICAN POLITICAL SITUATION

Mr. PASSMAN. Would you give us your observations from your sources of information?

Mr. KLING. Yes, sir.

There is a great deal of potential for instability in east Africa.

Mr. PASSMAN. Upon what factors do you base that statement?

Mr. KLING. In the last 6 months, as you undoubtedly know, there were a series of mutinies in Uganda, Kenya, and Tanganyika.

As you also know, there was an overthrow of the Zanzibar Government in January and takeover by another government.

Mr. PASSMAN. What other government?

Mr. KLING. Well, a revolutionary government.

Mr. PASSMAN. What is the name of that government?

Are you speaking of Zanzibar.

Mr. KLING. Yes. sir.

We have had indications that the East African Common Services Organization, which was a very constructive force in the area, may be in danger of breaking up. The East African Common Services Organization was essentially made up of a common market, a common currency union, a common railroad organization, and a common telecommunication system.

Now you, of course, have a very good question, asking what interest do we have——

Mr. PASSMAN. I did not ask that question.

Mr. KLING. Implicit in what you have been saying, I think there is a question: What interest does the United States have in an aid program in this region?

Actually, the United Kingdom is the largest aid giver in the region.

Mr. PASSMAN. Zanzibar and Tanganyika are both former possessions of Great Britain?

Mr. KLING. That is right.

Mr. PASSMAN. I believe we have agreed that they would have a selfish interest and very strong ties?

Mr. KLING. They do have strong ties with the United Kingdom. But they want to diversify.

UNITED STATES INTERESTS IN EAST AFRICA

Mr. KLING. In any case, the United States does have an interest in seeing there is a certain degree of stability in the region. I think this is well illustrated, as you indicated, when there was a certain amount of danger as to the course Zanzibar might take.

Mr. PASSMAN. With reference to Zanzibar, with 300,000 population, are you not carrying your imagination too far?

Mr. KLING. We would not like to see Zanzibar in hostile hands. We would not want to see any part of the world move over to a position which is contrary to our interest. The size of a country, of course, does reflect its importance in the world, but at the same time a nation such as Zanzibar can provide a considerable amount of influence. It can provide a tracking station. We had a tracking station in Zanzibar until we dismantled it.

Mr. PASSMAN. Are we still in there?

Mr. KLING. No.

Mr. PASSMAN. Did we have to get their permission to get out?

Mr. KLING. Yes, sir; we did.

Mr. PASSMAN. Did they not actually say, "Get out"?

Mr. KLING. They just about did.

In any case, we do have these interests in getting the cooperation of countries in east Africa and other parts of Africa, and if we do not have their cooperation, they tell us to get out.

This is a very good case in point of where it is in the U.S. interest to have a certain understanding of what our objectives are.

Mr. PASSMAN. Do we not have understandings?

Mr. KLING. If they do not understand our objectives, as in Zanzibar, they tell us to get out.

Mr. PASSMAN. Thank you for your statement.

COMMUNIST CHINESE TECHNICIANS IN ZANZIBAR

Could you tell us whether or not Red China or Russia have any technicians in Zanzibar and Tanganyika?

Mr. KLING. The Red Chinese, up until a few days ago, did have technicians in Zanzibar.

Mr. PASSMAN. How do you know they do not still have them?

Mr. KLING. The situation is so fluid there now, I would not pretend to tell you exactly what the status is.

Mr. PASSMAN. Neither of us knows actually whether they are there or not.

Mr. KLING. I am sure they are physically there. What their status is remains to be seen.

SIZE OF ZANZIBAR

Mr. PASSMAN. What is the land area of that nation?

Mr. KLING. Zanzibar and Pemba are 1,000 square miles.

Mr. PASSMAN. It is one-tenth the area of my congressional district.

(Discussion off the record.)

Mr. PASSMAN. Against what?

We keep hearing, if we do not keep doing this, the bloc countries will do it.

Mr. HUTCHISON. (Off the record.)

Mr. PASSMAN. I think we are building a molehill into a mountain, but that is part of our game.

TRAINING PROJECTS FOR TANGANYIKA

Last year you requested funds for 51 noncontract participants and 27 contract participants, or a total of 78. What projects received the additional participants?

Mr. HUTCHINSON. I am not sure what you are talking about, Mr. Chairman.

Mr. PASSMAN. Just find your page in the book.

Mr. HUTCHINSON. We can run through this project by project and see which ones have more participants than were included in the request. I can show you the ones that are increased.

Mr. PASSMAN. Put it in the record, please.

(The information supplied follows:)

Fiscal year 1964 training requirements in Tanganyika

Project	As shown in fiscal year 1964 C.P.—Number of participants		As shown in fiscal year 1965 C.P.—Number of participants	
	Contract	Noncontract	Contract	Noncontract
Tanganyika Agricultural College	20		30	
Agriculture Extension Services		25		32
Teacher training and development	4		3	
Secondary education	3		0	
Strengthening the public service		13		30
Community development training		10		28
Secondary industries		3		0
Trades and skills training			3	
Total	27	51	36	90

Mr. HUTCHINSON. I would have to go back and check this project by project.

INCREASE REQUESTED FOR AGRICULTURAL EXTENSION PROJECT

Mr. PASSMAN. Why are you increasing the cost of the agricultural extension project, appearing on page 43, over 100 percent?

Mr. HUTCHINSON. That increases in 1965 over 1964——

Mr. PASSMAN. I am talking about 1964. In 1965 you will notice your increase there is just about 100 percent, is it not—over 100 percent?

Mr. HUTCHINSON. Well, we are providing for——

Mr. PASSMAN. You estimated $250,000 for fiscal 1964?

Mr. HUTCHINSON. Right.

Mr. PASSMAN. You are estimating $520,000 for fiscal year 1965?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. How many did you request originally for fiscal year 1964?

Mr. HUTCHINSON. $320,000.

Mr. PASSMAN. I am talking about——

Mr. HUTCHINSON. I cannot tell you what was included in terms of people. I can tell you the amounts of money.

AGRICULTURE COLLEGE PROJECT

Mr. PASSMAN. I note in connection with the agricultural college project, on page 44 of the justifications, that $520,000 is estimated to be in the pipeline on June 30, 1964, and the justification states that money is obligated for the West Virginia University contract.

In view of the fact that your 1965 estimates will extend the university contract for 1 year and provide for an additional five Tanganyikan graduate students for a year's education at West Virginia University, it would appear that you do not need these additional funds.

Will you agree?

Mr. HUTCHINSON. No, sir; I do not agree.

Mr. PASSMAN. Justify it then.

Mr. HUTCHINSON. In accordance with the practice of providing an additional year's funding each year in order to permit your university to be mobilized to continue the project, we are adding $220,000—I am sorry, I was looking at the 1964 figure—we are adding $135,000 to that contract which will add an additional year over the period to which it is now funded to——

Mr. PASSMAN. On that basis, you are going to have this thing funded for several years?

Mr. HUTCHINSON. Until December 1966.

Mr. MOSSLER. The reason——

Mr. PASSMAN. You will have it funded to December 1966. When you add this year's requests, it will fund you through what year?

Mr. HUTCHINSON. December 1965.

Mr. PASSMAN. You are going to fund it through 1966 from previous funds? From your new funds you will fund it to 1965?

Mr. HUTCHINSON. Out of the previous fund, it will be funded through 1965.

The new funds will fund it through calendar year 1966.

Mr. MOSSLER. The reason the pipeline looks high——

Mr. PASSMAN. It is high.

Mr. MOSSLER. It contains elements other than the services of the West Virginia technicians. It includes $200,000 for participants and $200,000 for equipment, and we are not putting——

Mr. PASSMAN. How much for equipment?

Mr. MOSSLER. $200,000.

Mr. PASSMAN. For the university?

Mr. MOSSLER. For the institution.

Mr. PASSMAN. What institution?

Mr. MOSSLER. The agriculture college project.

Mr. PASSMAN. In Tanganyika?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. You are going to have to buy the equipment?

Mr. MOSSLER. Yes, sir.

Mr. PASSMAN. You are going to have to have a price before you buy it?

Mr. HUTCHINSON. We would have to furnish you the list of equipment that is in the "pipelines" for the record.

INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. How much did you request and justify last year for the industrial development project shown on page 46?

Mr. HUTCHINSON. $200,000. We anticipate we will actually do $25,000.

Mr. PASSMAN. You justified how much?

Mr. HUTCHINSON. $200,000.

Mr. PASSMAN. What are you going to allocate?

Mr. HUTCHINSON. $25,000.

Mr. PASSMAN. Are you going to obligate or reserve the other $75,000?

Mr. HUTCHINSON. We have not obligated it or reserved it.

Mr. PASSMAN. It has not reached that stage?

Mr. HUTCHINSON. No, sir.

TEACHER TRAINING AND DEVELOPMENT PROJECT

Mr. PASSMAN. You are requesting $487,000 for the teacher-training project, shown on page 47, which is to finance a contract with the American Educational Institute to recruit approximately 40 U.S. teacher-trainers, is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is the $480,000 intended to cover the cost of recruitment, training, supervision, round trip transportation, and supplemental salary payments?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Could you give us a breakdown on the component parts of this total and put it in the record?

Mr. HUTCHINSON. Of the training, supervision, transportation, and salaries?

Mr. PASSMAN. Whatever makes up the total.

Mr. HUTCHINSON. Yes, sir.

Mr. Mossler tells me he is not sure we can do that, but let us take a look and see what we can do.

Mr. PASSMAN. How did you arrive at that figure if you did not have the elements that make up the component parts?

Mr. MOSSLER. We have rough estimates and since this is a 1965 program on a contractual basis——

Mr. PASSMAN. Since this amounts to $12,000 for each trainee, we would like you to compare that item with what it is costing at other universities.

Mr. MOSSLER. Yes, sir.

(The information follows:)

Teacher training and development project estimated cost of contract, 2 years

Supervision and recruitment	$100,000
Training	65,000
Travel and transportation	120,000
Supplemental payments, salaries	140,000
Other costs (teaching materials allowance, insurance)	55,000
Total	480,000

NOTE.—Average cost per year per teacher is $6,000.

Mr. PASSMAN. How does that cost compare with similar contracts?

Mr. MOSSLER. I am sure that this is much cheaper because this will be on a topping off basis, and we will not be paying the full salary. The Tanganyikan Government will be covering the salary equivalent to what they would pay a Tanganyikan teacher and we will be paying the difference. We will be glad to make a comparison but it will show a much lower cost per teacher than the average.

Mr. PASSMAN. If it is meaningless, there is no use in going into it.

RADIO VISUAL EDUCATION PROJECT

Page 49 indicates that you have allocated $50,000 for fiscal 1964 to a radio visual education project.

How much did you request for this project last year?

Mr. HUTCHINSON. It was one of those for which nothing was included.

Mr. PASSMAN. Nothing was requested?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Would you furnish a breakdown of the $50,000 estimate for instructional materials, commodities, and services?

Mr. HUTCHINSON. Yes, sir.

(The information supplied follows:)

Radio visual education project, estimated cost of instructional materials, commodities and local services

Preparation of instructional materials[1]	$30,000
Local employees' salaries	9,000
Vehicle and local travel	5,000
Office equipment, supplies, and miscellaneous expenses	5,000
Books and instruction materials	1,000
Total	50,000

[1] The different kinds of instructional materials needed by the trainees will be developed and prepared locally as the project progresses.

PUBLIC SERVICE PROJECT

Mr. PASSMAN. I note that the estimated total cost to complete the the public service project, on page 50, is now estimated to be $1,955,000. What caused this project to increase by $655,000?

Mr. HUTCHINSON. The increase over the estimate last year?

Mr. PASSMAN. Yes; over the original estimate.

Mr. HUTCHINSON. I do not have the original estimate before me so I could not comment.

You are talking about public administration and public safety, as I understand it.

Mr. PASSMAN. The public service project. That is on page 50.

Mr. HUTCHINSON. That is the same one I am looking at.

Mr. PASSMAN. Last year you testified the project would cost $1.3 million to complete and this year we find you are requesting $1.9 million and you estimate $1,955,000 to complete it, which is an increase of $655,000.

Mr. HUTCHINSON. I would have to get an explanation of the difference.

Mr. PASSMAN. I have quoted it correctly, have I not?

Mr. HUTCHINSON. I do not have the book before me but I am sure you are correct.

Mr. PASSMAN. I would not want you to put it on that basis. I want to be sure I stated it correctly and the information is here.

Mr. HHTCHINSON. Frankly, I am curious myself, sir. I will go back and take a look as I do not know, and I am curious as you are; I will go back and see.

Mr. PASSMAN. I did make a statement of fact that you testified for $1.3 million?

Mr. HUTCHINSON. It would certainly appear so; yes, sir. I do not have these specific project numberings before me and that sort of thing but it would appear so.

Mr. PASSMAN. Do you understand it that way?

Mr. MOSSLER. I read it and it says $1.3 million and I am sure we will find other projects where there are going to be changes from time to time over the length of the project.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. I will take a look at this one, as I say.

ESTIMATED COST OF STRENGTHENING THE PUBLIC SERVICE PROJECT

The estimated cost of $1.3 million in last year's testimony refers to the "maintenance and improvement of the public service" project. There was another public service project in last year's presentation, "training for the public service." This year's project is a consolidation of the two and the estimated cost of $1,955,000 is the sum of the two.

Mr. PASSMAN. We have been running into this kind of stuff all afternoon.

Mr. MOSSLER. These estimates are going to change from time to time.

Mr. PASSMAN. Is that some kind of affliction?

Mr. MOSSLER. It may be.

COMMUNITY DEVELOPMENT PROJECT

Mr. PASSMAN. I note that the completion cost of the community development project is now estimated to be $1,890,000 as opposed to your estimate last year of $1.1 million, even though the project is now scheduled to be completed in fiscal year 1966, as opposed to your estimate of 1967, last year.

Mr. HUTCHINSON. I think in this one we just have to indicate to you what the funds are going to be spent for in fiscal 1965. Again, I would agree this is a good question.

(The following information was supplied to the committee:)

ESTIMATED COST OF COMMUNITY DEVELOPMENT PROJECT

The $1.1 million figure appearing on page 850 of the fiscal year 1964 hearings represents only the cost from fiscal year 1964 to completion which was estimated last year as fiscal year 1967. The total cost of the project from inception to completion was estimated at $1,780,000. The increase to $1,890,000 was due primarily to the funding in fiscal year 1963 of additional commodities and local expenses.

Mr. PASSMAN. I note that a number of credits for Tanganyika were signed in December of 1963. These credits wind up our section 202(b) commitment of $10 million to Tanganyika; is that correct?

Mr. HUTCHINSON. That is correct.

PROCEDURES FOR CONTINUING PROJECT REVIEW

Mr. PASSMAN. Are you following the same procedures with respect to receiving, reviewing, and finalizing projects in fiscal 1964 that you did in fiscal year 1963 and fiscal year 1962?

Mr. HUTCHINSON. The procedures are the same.

Mr. PASSMAN. You gave the same kind of attention to projects in fiscal 1962 and 1963 as you are giving them in fiscal 1964? Would that be a fair statement?

Mr. HUTCHINSON. I think a fair statement would be that we have progressively tightened up our project review. I do not mean to say by that that we still have reached the point I hope we someday will reach. I am sure that it started even earlier but from the time I first came in in December of 1961, we started putting procedures in to have a definitive review, project by project, before obligating our money.

The Agency as a whole has put in procedures which also require this. We have progressively required tighter financial data, tighter requirements and analyses every year.

While the procedures are the same, there is no question but the review has been more careful, but it has still not reached perfection. I do not suppose that it ever will, and we expect to continue to be making improvements. The procedures are basically the same.

Mr. PASSMAN. Would a close review delay the date you would obligate or would it advance it?

Mr. HUTCHINSON. A close review would tend to delay the date at which you obligate. It should tend, however, to make project implementation move much more quickly. I think this is one of the two major reasons for the careful review. One is that you want to know what you are going into before you start.

You want to be able to have the project move as quickly as possible after you have entered into the obligation. It ought to make your projects move more quickly. It is certainly true that in the situation we have been faced with in Africa, in which the total amount of assistance has moved up very sharply in the first couple of years since 1960, that there has been a tendency for the pipeline to build up. There is a tendency for countries to have to learn how to work with us as well as for us to have to learn how to work with them.

This tends to slow project implementation. So there would be a tendency for the project implementation to be slower in those early years. A careful project review ought to help us to move more quickly in subsequent years.

RWANDA AND BURUNDI

Mr. PASSMAN. I believe you have two little nations involved in this next program. What are the names of those two nations?

Mr. KLING. Rwanda and Burundi.

Mr. PASSMAN. I think these are two more of those very small nations, in area as well as population?

Mr. KLING. They are not very large, sir.

Mr. HUTCHINSON. The population density is very high and the area is quite small.

Mr. KLING. The combined population of Rwanda and Burundi is about 5 million.

Mr. PASSMAN. Why put them together?

Mr. KLING. Rwanda has a population of 2.9 million and Burundi would be about 2.7 million.

Mr. PASSMAN. They are almost divided equally, are they not?

Mr. KLING. Yes, sir.

UGANDA

Mr. PASSMAN. What is the population of Uganda?

Mr. KLING. 7.2 million.

Mr. PASSMAN. Your estimate for fiscal year 1965 is a total of $3,675,000; is that correct?

Mr. HUTCHINSON. Yes, sir; that is correct.

AGRICULTURAL EDUCATION AND EXTENSION PROJECT

Mr. PASSMAN. I note that you allocated $370,000 for local expenses in fiscal year 1964, for the agricultural education project shown on page 69; is that correct?

Mr. HUTCHINSON. Local expenses?

Mr. PASSMAN. Did you allocate $370,000 for local expenses for fiscal year 1964 for the agricultural education project shown on page 69?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much did you justify for this purpose last year?

Mr. HUTCHINSON. Apparently we did not.

Mr. PASSMAN. For this particular item?

Mr. HUTCHINSON. We did not have this particular item included in the project justification last year.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. You will notice the total is less than the amount that was asked for.

Mr. PASSMAN. I am dealing specifically with items for which you had no illustrative justification but which you funded nevertheless.

Mr. HUTCHINSON. I would point out that we requested $705,000 or indicated $705,000 as being the cost and $645,000 is the actual figure.

Mr. PASSMAN. Is the record going to indicate that, under the circumstances, you did not need the amount of money requested?

Mr. HUTCHINSON. This project, sir, is the one we were talking about? We were talking about the internal break within the same project.

Mr. PASSMAN. I am dealing with this one particular item.

Mr. HUTCHINSON. Certainly, sir. It may very well be that there will be changes in the internal costs breakdown of individual projects.

INDUSTRIAL TRAINING CENTER PROJECT

Mr. PASSMAN. How about the industrial training center for which you are requesting $245,000 to initiate in fiscal 1965? What is it? How did you arrive at the $245,000 as the sum needed?

Mr. HUTCHINSON. This is to provide for contract services for a teaching staff at the industrial development center or industrial training center that is described earlier here and to provide for training in the United States for Ugandans who, we hope, will eventually be able to replace the contract personnel working on the project.

Mr. PASSMAN. Could you project the completion cost of this project?

Mr. HUTCHINSON. We have projected $585,000 as the cost of completion on this one, sir.

SECONDARY SCHOOL EXPANSION PROJECT

Mr. PASSMAN. How much did you request last year for the secondary school extension project shown on page 78?

Mr. HUTCHINSON. It seems this is another one of those that no funds were requested for.

Mr. PASSMAN. No funds were requested? How much did you allocate?

Mr. HUTCHINSON. $110,000.

Mr. PASSMAN. If you will, project the cost to completion.

Mr. HUTCHINSON. Projected to completion, $500,000, and then we will have to add that to the list.

AID TO ZANZIBAR

Mr. PASSMAN. Would you comment on the $35,000 project entitled "Education extension in Zanzibar"?

Mr. HUTCHINSON. Mr. Chairman, I am sure while this one was contemplated when these books were printed, this project has not gone far.

Mr. PASSMAN. Nevertheless, you have allocated money and have so indicated in the book.

Mr. HUTCHINSON. I said, when this book was printed.

Mr. PASSMAN. When did you print the book?

Mr. HUTCHINSON. January.

Mr. PASSMAN. When did the President sign the foreign aid appropriation bill this year?

Mr. HUTCHINSON. January. The fellows tell me the 6th or 7th.

Mr. PASSMAN. January 6.

Did you make this allocation or reservation for Zanzibar before you printed the book?

Mr. HUTCHINSON. These funds are not reserved. This is purely a program that was anticipated we would carry out at the time these books were printed.

Mr. PASSMAN. I am looking at your project data table No. 3 and funds for "Technical cooperation, extension." This is "Education extension project No. 619–11–690–003." U.S. dollar costs, obligations, estimated fiscal 1964, $35,000.

I am reading right out of your justification book.

Mr. HUTCHINSON. I am looking at the book, too.

Mr. PASSMAN. All I am trying to do is to establish that you had planned a project for Zanzibar. I suppose you discussed this matter with the Government of Zanzibar, did you not?

Mr. HUTCHINSON. I assume so.

Mr. PASSMAN. You would not assign a project or allocate funds or reserve funds or indicate the expenditure without discussing it with some of the officials of that country, would you?

Mr. HUTCHINSON. This is quite possible, that this had been discussed with some of the officials of Zanzibar.

Mr. PASSMAN. It would be rather unusual to formulate a project or to give it a number and reserve funds without some discussions with people, would it not?

Mr. HUTCHINSON. Yes, sir; as I look at the book, it appears I may have made another mistake. It appears we may have gone ahead with this project, and I would like to examine it and see.

Mr. PASSMAN. We wish you would do so.

Mr. KLING. Mr. Chairman?

Mr. PASSMAN. Just a minute, please.

What did you say?

Mr. HUTCHINSON. I said that the book seems to indicate that we did go ahead with this project.

Mr. KLING. All I was going to say is that the revolution in Zanzibar first took place on January 12, 1964. I wanted to introduce that date as perhaps having a bearing on the preparation of these books. In other words, these books were probably prepared after the revolution was underway.

Is that a fair assumption, Ed?

Mr. HUTCHINSON. That the revolution——

Mr. PASSMAN. The books were prepared after the revolution?

Mr. HUTCHINSON. No; prior.

Mr. PASSMAN. Check your records. You are going to get mixed up on this.

These books came up here, I believe, in March or April, did they not?

Mr. FUNARI. Last of March.

Mr. PASSMAN. You did not know what you were going to get until last Christmas Eve morning, did you? The President signed the bill on January 6. You must have really had those printing presses rolling if you made up your minds as to what you were going to allocate and get this printed in these books before January 12.

Mr. HUTCHINSON. Sir, we could easily and in many cases did make up our minds what we expected to allocate long before the President signed the bill. If we had waited until the bill was signed to start doing any program planning, we would never have gotten——

Mr. PASSMAN. Look at the testimony of the Secretary of State, who was concerned about not having a program for Zanzibar.

Mr. HUTCHINSON. I think the Secretary's concern was that we would be in a position ———.

If this project was carried out, it was not related to the revolutionary situation at all but was contemplated and, if carried out, was carried out before the revolutionary situation occurred at all.

Mr. PASSMAN. Gentlemen, thank you.

We shall adjourn until 1 o'clock tomorrow afternoon.

WEDNESDAY, APRIL 29, 1964.

Mr. PASSMAN. The committee will come to order.

We were discussing yesterday the 16 spigots of foreign aid.

AFRICAN COUNTRIES ELIGIBLE FOR IDA LOANS

In that connection, with reference to the International Development Association, how many of the countries in your area are eligible for IDA loans or grants or credits?

Mr. HUTCHINSON. I would have to count them, but I am sure most of them are.

Mr. PASSMAN. They would all be part II countries, would they not?

Mr. HUTCHINSON. I have to check them. I am sure we would not have any part I countries. They would be part II countries.

Mr. PASSMAN. There are part I countries and part II countries. Part II countries make a contribution, but they may get back 15 or 20 times as much as they put in. There are 16, I think, part I contributing countries, and 13 of these 16 are receiving U.S. aid.

Directly and indirectly we are putting up the major portion of the funds for IDA.

I wanted to know how many of the countries in the African area are eligible for aid from IDA.

Mr. HUTCHINSON. I would have to check to be sure, but I am sure the number mentioned is correct plus or minus one or two.

TERMS OF IDA LOANS

Mr. PASSMAN. Along the way we have been discussing what other nations were putting up.

It is my understanding that the IDA is the soft-currency window of the World Bank. They make available their credits on maximum terms of 50 years, no interest, three-quarters of 1 percent service charge, no payments for 10 years. Then the maximum terms call for a payment of 1 percent per year for the next 10 years, which means, if they live up to the contract, under maximum terms, at the end of 20 years, still no interest, but they have paid 10 percent on the capital. Then for the following 30 years they pay 3 percent a year on the principal.

The World Bank, with its $800 million surplus, does not, of course, consider that type of transaction.

PROJECTS FUNDED FROM INTERNATIONAL ORGANIZATIONS

In working out your budget, do you take into account the funds that may be available from an international organization as a supplement to, or complement of, or part of the same project or part of the overall program in a country? To what extent are those contributions taken into account before you work up your request?

Mr. HUTCHINSON. They are taken into account, sir, in determining requirements for the financing of individual projects. If we have IBRD consultative group——

Mr. PASSMAN. I am speaking of IDA.

Mr. HUTCHINSON. We take IDA financing into account when meeting with IBRD. This is taken into account in arriving at the amount of funds we would be requesting. There are a number of projects in which we do have participation by one international fund or another, IDA would be included if they were there. There are only four countries which so far in my region IDA has put money into.

Mr. PASSMAN. Twenty-eight of these countries are eligible; is that correct?

Mr. HUTCHINSON. I feel sure it is.

SIMILARITY OF IDA LOANS AND AID PROJECTS

Mr. PASSMAN. Do we have a mutual understanding that the IDA account is foreign aid and can be used for the same purposes or similar purposes as we use our bilateral aid?

Mr. HUTCHINSON. Yes, sir. It can be used for similar purposes as our bilateral assistance.

Mr. PASSMAN. You do not know of any exceptions to that rule, do you?

Mr. HUTCHINSON. No, sir; the purposes are similar. They do not go in for technical assistance programs as greatly as we do, at least, as yet.

Mr. PASSMAN. It is development credits and for similar projects as our direct development credits?

Mr. HUTCHINSON. Yes, sir.

AID CONTRIBUTIONS THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. We know the trend is definitely toward handling aid through international organizations.

But, through such procedure, our aid loses its identity and we lose control over it.

COST OF CONTRACT VERSUS DIRECT HIRE

Here is a clipping from a newspaper. The caption is "House Group Will Probe 'Markups'." It is by John Cramer:

A reader wrote: "I work for the Government under contract from a private company. My company receives my salary plus 60 percent from the Government for my services. If contract employees worked directly for the Government, millions would be saved each year." Frankly, I thought the reader was exaggerating with his salary-plus-60-percent figure. But when I checked with the House Manpower Subcommittee, I was told he definitely was not exaggerating.

Do you have any way of establishing the amount that the employers of the contract personnel may get on an employee's salary?

Mr. HUTCHINSON. I am sure it varies from contract to contract.

Mr. PASSMAN. I am speaking of the average.

Mr. HUTCHINSON. I would not know what the average is. This would have to be looked at on an agencywide basis. I understand some studies are being made in this field. What they show I do not know. You will find that in our company contracts, the overhead tends to be higher than it is in what I referred to, I believe yesterday, in my testimony as institutional contracts. We, of course, also have overhead on our own direct-hire employees, which never gets taken into account in the figues that are presented as to direct-hire employees' salary. We have the whole overhead of our own personnel systems and administrative support, and so on. You get into very involved cost accounting problems trying to allocate that overhead as well. I do not know what the answer would be insofar as the average is concerned as to what the difference would be.

Mr. PASSMAN. You still have that Government overhead. You still have some supervisory capacity, you still have the rent even with contract personnel. This is a 60-percent override, and what the component parts of the 60 percent represent I do not know. I think this is important enough that we should have this information. I think the committee should be familiarized with your findings.

Most people enter business, of course, in the hope of making a profit. If there is a 60-percent average override for a contract employee, not talking about any one category, whether institutional or noninstitutional or whatever you call it, it woud appear to me it is excessive. Maybe this program would be better off with you employing your own personnel. Would there be reasons why, in many instances, you could not get the same type of people they would get?

Mr. HUTCHINSON. There will be many reasons why we cannot. We can get people who have a career in the university or in a similar type institution and who know that they are going to have a long-term career there rather than perhaps just being on an individual job with AID at a particular point in time with uncertainty as to future tenure. There is also the possibility of getting a better type of personnel. I am not going to argue that our experience has been universally good with this. It has not. There are problems associated with it.

It is also true that you can, with this kind of institution, get a better arrangement for backstopping a technician in his technical field than we can provide. A university has a whole spectrum of specialties within the university which, if we tried to duplicate within our agency, would build up an enormous overhead.

This provides a background and a reservoir of talent and expertise upon which the institutional technician can draw which a direct-hire technician cannot draw upon.

As I said yesterday, by getting an institution in, you can also get an interdisciplinary approach, which is very difficult for AID to get with direct-hire personnel.

Mr. PASSMAN. Let us pin down a possibility of this 60-percent override and see how it could be established. Ordinarily institutions—universities, colleges, trade schools, whatever you want to call them—have a budget by which they operate. They establish an annual budget. Within that budget is encompassed all their expenses such as faculty costs; is that right?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. If they should start weeding out, it seems obvious that they would weed out those they could best afford to do without. I could not imagine these universities and colleges being so overstaffed that they are able to release these people to the aid agency without replacements. If they do not replace them, it appears to be a foregone conclusion that they were excess to start with.

If they do replace them, then what kind of assurance does this man have that they hired out to you? What will they do with him when he comes out? Unless they are working with excess personnel that they want to weed out, they will have to replace those they assign to the aid agency. It is either excess or there is some consideration given, it is going to be charged to the aid agency to take care of those people when they return. Does that make sense?

Mr. HUTCHINSON. Sir, you are proceeding on an entirely different assumption.

Mr. PASSMAN. You may agree or disagree.

Mr. HUTCHINSON. We disagree.

You are speaking in terms of their weeding out their personnel, getting rid of their excess, making them available to AID.

Mr. PASSMAN. I put it in the way of a question.

Mr. HUTCHINSON. On an assumption that it is something which AID is interested in but which is not part of the life and role and mission of the university. If it is this kind of a contract, then by and large I do not think we ought to enter into it. Sometimes they can

recruit people better than we. But this is not the sort of contracting we are talking about. We are talking about——

Mr. PASSMAN. That is what I am talking about. You may not be talking about that kind of contract, but I have been on these trips and I have seen some of the operations.

Mr. HUTCHINSON. Sir, I will not defend individual contracts or individuals employed on contracts unless I know something about the individual circumstances because it is true we have had sour contracts. There is no question of it. We have gotten poor contract employees the same way we have gotten poor direct-hire employees on occasion.

However, what we are talking about is trying to utilize the university in the discharge of its role and function in the aid program, not trying to get them to do something which is not basically their business.

Take the situation with respect to Oklahoma State University.

Oklahoma State University feels that for its own educational reasons it needs to have a relationship with foreign universities in order to take advantage of the particular opportunities and particular fields for increasing its ability to carry on research and teaching.

Mr. PASSMAN. I did not say they did not have.

Mr. HUTCHINSON. If we can utilize this appropriate role and function of the university in connection with the aid program, we are not going to be getting the personnel which the university wants to get rid of, the professor when he goes out is going to have a place to come back to, because he is part of the regular faculty.

Mr. PASSMAN. Are they overstaffed to start with?

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Then he is not full-time with AID. He either works for AID, and we pay the equivalent of his salary plus part of the overhead, or he does not. If he is teaching in "Snickum University" in "Randolphville," then in all probability he is not giving AID full time.

Mr. HUTCHINSON. You postulate a conflict between the role and function of the university and the role and function of AID which I do not think necessarily exists.

NUMBER OF DIRECT-HIRE AND CONTRACT PERSONNEL

Mr. PASSMAN. Do you have, as we discussed yesterday, the number of direct-hire personnel and contract personnel? Did you get that information for us?

Mr. HUTCHINSON. We supplied it yesterday. I will be glad to supply it again.

Mr. PASSMAN. Give us the number of contract personnel and direct-hire personnel in your region for fiscal 1964.

Mr. HUTCHINSON. As of the end of fiscal 1964, an estimated 809 direct hire.

Mr. PASSMAN. How about contract?

Mr. HUTCHINSON. 952.

Mr. PASSMAN. How about fiscal year 1965?

Mr. HUTCHINSON. 741 direct hire, 1,088 contract.

Mr. PASSMAN. We want it also for fiscal 1963.

Mr. HUTCHINSON. 1963 is 776 direct hire, 637 contract.

Mr. PASSMAN. The direct hire is coming down and the contract is going up?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How long have you had an aid program going in your region? When did it start on a large enough scale to get an accurate spread?

Mr. HUTCHINSON. On a large enough scale about 1961.

Mr. PASSMAN. For the period from fiscal 1960 into the estimate for 1965 prepare for us a chart showing the comparable figures, please.

Mr. HUTCHINSON. Yes, sir.

(The information supplied follows:)

Africa—End of year employment (program funded personnel)

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964 [1]	Fiscal year 1965 [1]
Direct hire	485	610	708	776	809	741
Contract	175	209	478	637	952	1,088

[1] Estimates.

Mr. PASSMAN. This language was added to the act last year:

Any cost-type contract or agreement (including grants) entered into with a university, college, or other educational institution for the purpose of carrying out programs authorized by part I may provide for the payment of the reimbursable indirect costs of said university, college, or other educational institution on the basis of predetermined fixed-percentage rates applied to the total, or an element thereof, of the reimbursable direct costs incurred.

AVERAGE SALARIES OF CONTRACT AND DIRECT-HIRE TECHNICIANS

You were to get us in one particular category the salary of the individual and related expenses. We want some type of information covering the direct-hire as well as contract personnel. We want the amount of the average salary and related expenses of the technician in a certain field, say electronics; take Nigeria, for instance.

Mr. HUTCHINSON. I understand. I do not understand the request about contracts.

Mr. PASSMAN. We want to put together the salary of the contract personnel, salary of the direct-hire personnel in the same category, and the related expense.

Mr. HUTCHINSON. We will get you the information. It will not make the case, one way or another.

Mr. PASSMAN. Let the committee make a decision on that point.

(The information supplied follows:)

TECHNICIAN COSTS

Following are estimated technician costs for both an AID direct-hire technician and a technician under contract with a university:

AID direct-hire technician overseas:	*Thousands*
Base salary	$17,323
Living quarters and post differential	5,678
Travel of persons	1,755
Transportation of effects	1,492
Retirement, educational allowances, etc	1,613
Indirect costs such as medical insurance, related office equipment, supplies, utilities, etc	3,465
Total	31,326
University contract technician overseas:	
Base salary	17,756
Living quarters and post differential	5,763
Travel of persons	1,755
Transportation of effects	3,247
Retirement, educational allowances, etc	2,264
Off-campus overhead	2,663
Total	33,448

Mr. HUTCHINSON. I would like to point out one other thing in connection with what the legislation provided last year.

Mr. PASSMAN. You may do so.

Mr. HUTCHINSON. It also provided that the Agency was to utilize to the maximum extent possible private facilities rather than resources within the Agency.

The record makes it clear that this is referring to the use of institutional contractors as well as the private business community and others.

NUMBER OF STATES HAVING UNIVERSITY CONTRACTS

Mr. PASSMAN. In how many States of the Union does AID have contracts, either on a small, minimum, or large basis? I am speaking of the overall program. Do you have that information, Mr. Comptroller?

Mr. TENNANT. I can supply it. I do not have it with me.

Mr. PASSMAN. Do you have any idea? Do you know of any States where you do not have some type of contract with one or more universities, colleges, or trade schools?

Mr. TENNANT. There are a substantial number of States in which we have contracts, but I am not sure of the number. There are contracts with a substantial number of universities.

Mr. PASSMAN. Could you call down to find out in how many States AID has some type of contract?

Mr. TENNANT. I will be glad to call.

However, I am not sure we can get a quick response on the phone. We have four contracting people and would have to summarize.

Mr. CONTE. Will the Chairman yield?

Mr. PASSMAN. Of course.

Mr. CONTE. As you go down country by country, would you not know what contracts you have?

Mr. HUTCHINSON. We can do that.

Mr. PASSMAN. We have aid for about a hundred countries in the world. He is covering only 28 of them.

Mr. CONTE. We are talking about Africa.

Mr. PASSMAN. This is a good point to ascertain whether or not we have contracts with universities, colleges, and trade schools in all 50 States. Please get that information for us.

Mr. FUNARI. Is this for all contracts, sir?

Mr. PASSMAN. Make this for all contracts.

Mr. FUNARI. Supplying commodities?

Mr. PASSMAN. Not necessarily. I am talking about the teaching field, the technical aid field.

We are going to insert in the record at this point the contracts we have with universities, as found on pages 116 and 117 of the justifications.

(Pages 116 and 117 follow:)

AID university contracts in operation, as of June 30, 1963

[In thousands]

Region, country, and university:	*Value of obligations*
Total all regions	$136,855
Near East and south Asia	56,606
Afghanistan	11,121
University of Wyoming	5,433
Columbia University Teachers College	5,359
Educational Services, Inc	329
India	21,389
Educational Services, Inc	3,993
Ohio State University	2,713
Kansas State University	2,332
University of Illinois	2,013
University of Tennessee	1,836
University of Missouri	1,552
Ohio State University	1,157
University of Illinois	1,109
Columbia University Teachers College	1,010
University of Wisconsin	855
University of Illinois	830
Michigan State University	770
Carnegie Institute of Technology	727
Dunwoody Industrial Institute	492
Iran	1,368
Utah State University	858
University of Pennsylvania	510
Iraq: University of Texas	400
Pakistan	15,814
Washington State University	3,706
Texas Agricultural and Mechanical College	3,207
University of Southern California	3,078
Indiana University	2,727
Colorado State College	2,400
University of Hawaii	696

AID university contracts in operation, as of June 30, 1963—Continued

[In thousands]

Region, country, and university—Continued	*Value of obligations*
Near East and south Asia—Continued	
Turkey	$6,514
University of Nebraska	2,919
Spring Garden Institute	1,888
Georgetown University	1,194
Cornell University	343
Colorado School of Mines	170
Latin America	19,022
Argentina	810
University of Chicago	446
Columbia University	364
Brazil	6,333
Michigan State University	3,175
Purdue University	2,003
University of Michigan	710
University of California	445
Chile	1,812
University of Chicago	801
University of Pittsburgh	699
Cornell University	312
Colombia	398
Syracuse University	206
Catholic University of America	105
Tulane University	87
Costa Rica: Louisiana State University	223
Ecuador	2,197
University of Pittsburgh	1,071
University of Houston	728
St. Louis University	398
Panama: University of Tennessee	1,256
Paraguay: State University of New York	151
Peru	4,177
North Carolina State College	1,666
Columbia University Teachers College	1,187
Iowa State University	790
Leland Stanford Junior University	534
Uruguay: Iowa State University	1,055
Regional: Michigan State University	610

AID university contracts in operation, as of June 30, 1963—Continued

[In thousands]

Region, country, and university—Continued	*Value of obligations*
Far East	$27,148
Cambodia	680
University of Georgia	676
University of Oregon	4
China, Republic of	1,276
Michigan State University	728
University of Michigan	342
University of Texas	206
Indonesia	13,545
University of Kentucky	8,040
University of California	4,012
Indiana University	1,493
Korea: Washington University	200
Philippines	697
State University of New York	582
University of Virginia	115
Thailand	7,702
Colorado State University	2,593
University of Hawaii	2,374
Indiana University	1,883
University of Illinois	852
Vietnam	1,328
Southern Illinois University	1,029
Ohio University	299
Regional: University of Michigan	1,720
Africa	34,079
Ethiopia	8,987
Oklahoma State University	8,597
University of Utah	390
Ghana: College of Physicians of Philadelphia	105
Guinea: Boston University	333
Kenya	1,032
Syracuse University	408
Earlham College	399
West Virginia University	225
Liberia	2,522
San Francisco State College	1,169
Cornell University	780
Tuskegee Institute	573

AID university contracts in operation, as of June 30, 1963—Continued

[In thousands]

Region, country, and university—Continued	*Value of obligations*
Africa—Continued	
Nigeria	$10,854
Ohio University	2,696
Michigan State University	2,423
University of California	2,206
Harvard College	1,061
Western Michigan University	723
University of Pittsburgh	706
New York University	510
Indiana University	489
University of Wisconsin	40
Rhodesia and Nyasaland	587
California Polytechnic College	287
University of Connecticut	150
University of Massachusetts	150
Sierra Leone	724
Hampton Institute	553
Indiana University	171
Somali Republic: Eastern Michigan University	336
Sudan	2,134
Dunwoody Industrial Institute	1,090
Fresno State College	1,044
Tanganyika	1,249
West Virginia University	664
Kent State University	585
Tunisia: Texas Agricultural and Mechanical College	746
Uganda: West Virginia University	420
Regional: Columbia University Teachers College	4,050

ETHIOPIA

Mr. PASSMAN. What amount did you request for Ethiopia in fiscal 1964 in the original budget?

Mr. HUTCHINSON. $8,230,000 seems to have been proposed.

Mr. PASSMAN. What amount did you allocate?

Mr. HUTCHISON. Again it is a question of how you want the comparison.

Mr. PASSMAN. Put everything you handled, whether representation allowance or anything else, everything that you have for Ethiopia. Just give us a lump sum.

Mr. HUTCHINSON. The total was the figure I have given you; $5,648,000 was the development grant program.

Mr. PASSMAN. We want to know the total.

Mr. HUTCHINSON. What did we actually allocate?

Mr. PASSMAN. What did you request for the total program for fiscal 1964 in the original budget that came to Congress last year?

Mr. HUTCHINSON. The figure I gave you, $8,230,000.

Mr. PASSMAN. What was the total amount out of all the spigots you draw from in your area?

Mr. HUTCHINSON. $5.648 million.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. What amount are you requesting for fiscal 1965?

Mr. HUTCHINSON. $6.7 million on the same basis, sir; $6,741,000.

AGRICULTURAL EDUCATION PROJECT

Mr. PASSMAN. I note that the pipeline of $1,363,000 for the agricultural educational project, on page 89, includes $230,000 for participants now being processed and forward funding for fiscal 1963 participants. As you have allocated only $70,000 for participants in 1964, why do you propose to build up this excessive credit?

Mr. HUTCHINSON. Sir, you always run into a situation in which you have a large pipeline for participants at the end of each year because they are going to school the beginning of the next school year, which is very shortly after the close of the fiscal year. You have to get your participants selected and ready to go usually before the end of the fiscal year for beginning school shortly after the beginning of the next fiscal year.

You always have the full year's pipeline at hand at the close of any particular fiscal year. You have to fund the next year's participants within the current fiscal year. This is why you always have a large participant pipeline when you run a participant training program.

Mr. PASSMAN. How about fiscal 1963, forward funding of $230,000, participants now being processed and forward funding for fiscal 1963? It is on page 90 of your justifications, the project book.

Mr. HUTCHINSON. Page 90?

Mr. PASSMAN. It says here, "estimated unliquidated obligations, June 30, 1964, consists of $933,000 primarily forward funding and some lag in billing for contract services, $230,000 for participants now being processed, and forward funding for fiscal 1963, fiscal 1963 participants."

Mr. HUTCHINSON. That must mean fiscal year 1965 participants. That is right. The "forward funding" reference is to the funding for those participants who will be selected or who were selected in fiscal year 1964 but will not start to school until fiscal year 1965. So you have to forward fund those, and they are in the pipeline.

Mr. PASSMAN. How do you forward fund participants?

Mr. HUTCHINSON. The participants who were selected in fiscal year 1963 and who came to school in fiscal year 1964 then also have to be funded this year to carry on in fiscal year 1965.

Mr. PASSMAN. How about 1963 which you refer to in your project book here for 1965?

Mr. HUTCHINSON. Those participants who were selected in fiscal year 1963 started last September, fiscal year 1964. They likewise will have to be funded in fiscal year 1964 to begin in the early part of fiscal year 1965. New participants that are selected in fiscal year 1964 will also be funded in fiscal year 1964 but will not start school until September 1964, which is in fiscal year 1965. Both of those forward fundings, if you will, constitute the pipeline for participants.

You have participants who already started who are funded for 1 year and have to be funded for another year.

Mr. PASSMAN. How many participants do you have covered in this particular project?

Mr. HUTCHINSON. We have 14 new ones.

Mr. PASSMAN. Give us the total, please.

Mr. HUTCHINSON. In 1963, 19; 14 in 1964, and 14 for 1965.

Mr. PASSMAN. Forty-seven?

Mr. HUTCHINSON. Yes, sir.

AVERAGE LENGTH OF PARTICIPANT TRAINING IN UNITED STATES

Mr. PASSMAN. How long do you keep a participant in the United States?

Mr. HUTCHINSON. It varies.

Mr. PASSMAN. Give us the average, please.

Mr. HUTCHINSON. I hate to give an average again because it runs from 6 months to 4 years depending upon whether he is taking a full college course or a specialized training course.

Mr. PASSMAN. These are generalities.

Mr. HUTCHINSON. I can tell you that these participants are being funded for a full year's study.

I can give the average cost per participant, which is about $5,000 on a full year's study.

Mr. PASSMAN. We want to know the length of time the participant is here in the United States, on the average.

Mr. HUTCHINSON. Well, sir, it is——

AVERAGE ANNUAL TRAINING COST FOR PARTICIPANT

Mr. PASSMAN. I am trying to find out how many participants you have. You have established that figure for 3 years at 47. The average amount per participant per year——

Mr. HUTCHINSON. Is $5,000.

Mr. PASSMAN. Multiply that, if you will.

Mr. MOSSLER. What would you like figured?

Mr. PASSMAN. I want to know what it costs to keep each participant in the United States for 1 year.

PARTICIPANT TRAINING COST

Following is a breakdown representative of the average cost of 1 year training for a participant studying agriculture at an academic institution in the United States.

Subsistence allowance	$3,300
Books	165
Tuition and fees (range)	600–1,200
Domestic travel	400
Total	4,465–5,065

Mr. MOSSLER. I just divided the fiscal year 1965 figure. We are asking a total of $70,000 and you divide that by 14 participants and the average is $5,000 per participant.

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. Take your $230,000, your $70,000, your $70,000, you get $370,000. Divide by 47.

Mr. MOSSLER. $370,000 total?

Mr. PASSMAN. Yes.

Mr. MOSSLER. Divide by 47.

Mr. HUTCHINSON. It looks like you have a point on this one.

Mr. PASSMAN. I thought you would agree.

Mr. HUTCHINSON. Let me check. On these figures, it may be some of these are funding for 2 years, but on this arithmetic I agree with you.

Mr. PASSMAN. Thank you very much.

If we might work together and take the water and excess out of this thing, come up with a realistic program——

Mr. HUTCHINSON. Let me assure you, sir, that we are as interested in taking the water out of these pipelines as you are.

Mr. PASSMAN. Let us help you.

Mr. HUTCHINSON. On the basis of these facts, it looks like you have a point.

FUNDS IN PIPELINE FOR THE TRAINING OF PARTICIPANTS

In order to reduce participant pipeline, while it has been traditional to fund for 2 years, we are cutting it down to 1 year.

Did you add two 70's?

Mr. PASSMAN. I believe so.

Mr. HUTCHINSON. You counted one of the 70's twice. There is at least that error.

Mr. PASSMAN. I am sorry. You gave it to me, 1963, 1964, 1965. In 1963 you had 19, in 1964 you had 14, in 1965 you had 14.

Mr. HUTCHINSON. Sir, your estimated pipeline at the end of 1964 is 230. Then you can only add now the fiscal year 1965 funding.

Mr. PASSMAN. I am putting both years, taking your pipeline at 230——

Mr. HUTCHINSON. You are adding, taking my fiscal year 1964 pipeline and adding to it my fiscal year 1964 funding. You cannot do that. It is already in the 230. You can only add the 70 for fiscal year 1965 to it.

Mr. PASSMAN. Was the 230 in 1963?

Mr. HUTCHINSON. 230 was in fiscal year 1964 on my paper.

Mr. PASSMAN. Seventy in 1964 and 70 in——

Mr. HUTCHINSON. Look at your 230 pipeline. The pipeline is June 30, 1964, 230.

Mr. PASSMAN. This is for funding in 1963, participants, not 1964 or 1965.

Mr. HUTCHINSON. But, sir; the pipeline——

TOTAL PIPELINE FOR PARTICIPANTS

Mr. PASSMAN. What is the total amount of money in the pipeline including fiscal year 1965, all of it?

Mr. HUTCHINSON. $300,000.

Mr. PASSMAN. Your book does not make the case for you. We pick up 1963, the second paragraph on page 90.

Mr. HUTCHINSON. That goes back to the explanation I was giving you earlier, that your pipeline at the end of fiscal year 1964 will include the funding of participants who are selected in 1963 to go to school in 1964.

Mr. PASSMAN. That is what I am talking about, fiscal year 1963.

Mr. HUTCHINSON. Sir, let me say——

Mr. PASSMAN. Get the book of last year.

Mr. HUTCHINSON. Look, Your pipeline as of the end of June 30, 1964, includes the pipeline as of the beginning of fiscal 1964 plus the money you put in 1964 less your expenditures.

Mr. PASSMAN. How much did you expend out of this account, fiscal 1963 and 1964? Remember you have been making payments.

Mr. HUTCHINSON. All I can give you from the figures I have before me is the unliquidated obligation.

Mr. PASSMAN. You said that was $300,000.

Mr. HUTCHINSON. No, sir; the unliquidated obligation, at the end of fiscal year 1964 is 230.

Mr. PASSMAN. You add your 70 to that.

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Now add the amount you paid participants for fiscal 1963, because we are putting together 3 years.

Mr. HUTCHINSON. No, sir; you do not.

Mr. PASSMAN. We had better look at this thing because you have been filling out the pipeline. We are dealing specifically with 3 years.

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. You put in and you have taken out, and after you have taken out, you still have left in——

Mr. HUTCHINSON. $230,000.

Mr. PASSMAN. You have to include your request for fiscal 1965.

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. For 1965. You agree to $300,000?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. You take your——

Mr. HUTCHINSON. 300. Then you divide by 47.

Mr. PASSMAN. Then you have to limit it to 2 years because you paid them for 1 year because we included 1963. You are bound to be making expenditures out of it.

Mr. HUTCHINSON. Of course, that is why the pipeline is 230 at the end of 1964 instead of something higher.

Mr. PASSMAN. I still think you will find you are mixed up.

Mr. HUTCHINSON. I am sure I was mixed up before, but I am reasonably sure of this.

Mr. PASSMAN. Last year you estimated it would be $1,168,000, same contract.

Mr. HUTCHINSON. No, not for participants.

Mr. PASSMAN. Page 433, same contract. Yes, it is the same contract. Now you show it is $2,013,000.

Mr. HUTCHINSON. Now you talk about participants, not about—I mean contracts, not participants.

Mr. PASSMAN. This is your total pipeline. I want to show you the confusion. Try to work it out.

(The information supplied follows:)

ESTIMATED FISCAL YEAR 1964 PIPELINE FOR THE AGRICULTURE EDUCATION, RESEARCH, AND EXTENSION PROJECT IN ETHIOPIA

The estimated pipeline as of June 30, 1964, amounting to $1,363,000 consists of approximately $933,000 for contract services, $230,000 for participants now being processed and forward funding for fiscal year 1963 participants, and $200,000 for commodities now under procurement, or for which final billing has not been received.

WATER RESOURCES PROJECT—FINCHAA DAM

I note you obligated $15,000 for a water resources project, on page 91. How much did you justify for this project last year?

Mr. HUTCHINSON. Which page, sir?

Mr. PASSMAN. Page 91.

Mr. HUTCHINSON. Nothing, sir; this project is a study of the water resources for the Finchaa Dam.

Mr. PASSMAN. You did not justify, but you allocated $15,000, and in fiscal year 1965 you will obligate $1,753,000; is that correct?

Mr. HUTCHINSON. This is the estimate, sir. This is the project that arose out of the Blue Nile survey that you are familiar with.

You recall I testified on both years I was up previously that it was quite possible that projects would arise out of this survey for which we would be considering the possibility of financing.

Mr. PASSMAN. These things are on an illustrative basis, but you did not request any money for this project while before the committee last year, did you?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. You did allocate $15,000?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Now it is indicated this $15,000 allocation is a part payment on a total cost of $1,818,000; is that correct?

Mr. HUTCHINSON. If we conduct the survey.

Mr. PASSMAN. I am only going by what you say in the books; is that right?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

SURVEY OF BLUE NILE RIVER BASIN PROJECT

What did it cost Uncle Sam for this Blue Nile River Basin investigation project? I am talking about what I suppose was a feasibility survey.

Mr. HUTCHINSON. The Blue Nile Basin was not a feasibility survey. This was a survey of the entire basin and establishment of——

Mr. PASSMAN. What kind of survey do you call it?

Mr. HUTCHINSON. A complete water resources survey and establishment——

Mr. PASSMAN. What did the survey cost, regardless of what it may encompass?

Mr. HUTCHINSON. $4.5 million.

Mr. PASSMAN. Did the survey indicate that the project on water resources would be the only one we are to participate in in fiscal 1965, or are there others that are coming along?

Mr. HUTCHINSON. That arose out of the Blue Nile survey?

Mr. PASSMAN. Yes.

FINCHAA DAM

Mr. HUTCHINSON. The Finchaa Dam is the only one I am aware of that we would be likely to participate in, in fiscal year 1965.

Mr. PASSMAN. The survey cost 2½ times as much as the project we are to build?

Mr. HUTCHINSON. No, sir. The project you are talking about here which could cost over a million dollars is the detailed——

Mr. PASSMAN. I believe it is $1,818,000. The difference is a lot of money.

Mr. HUTCHINSON. That is the cost of completion—this is the detailed engineering and economic justification.

Mr. PASSMAN. How about the construction costs?

Mr. HUTCHINSON. $25 or $30 million, sir, would be the construction cost if the dam is built.

Mr. PASSMAN. For whom did we actually conduct the survey?

Mr. HUTCHINSON. This is in Ethiopia, sir.

Mr. PASSMAN. Entirely Ethiopia?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Of course, the stream does not start in Ethiopia and does not end there.

Mr. HUTCHINSON. No, sir.

Mr. PASSMAN. Did you make the survey strictly on that part within Ethiopia?

Mr. HUTCHINSON. The survey was made of the water resources of the Blue Nile Valley in Ethiopia.

Mr. PASSMAN. But you did not have to go to the head of the streams and below?

Mr. HUTCHINSON. No, sir; you can take streamflow and an assessment of the water resources over a period of time.

Mr. PASSMAN. If we go to Ethiopia with a very expensive project like this without ascertaining whether or not other countries have a right to divert the waters——

Mr. HUTCHINSON. I am sure before we construct the dam or finance the construction of a dam that would cost anything like this amount of money, we would take into account the possible interference by any other country.

Mr. PASSMAN. Would that not necessitate another survey or check?

Mr. HUTCHINSON. It might necessitate another check with the country.

Mr. PASSMAN. The survey covers only Ethiopia?

Mr. HUTCHINSON. It just covers Ethiopia, but we would not have to conduct a comprehensive survey in other countries.

(Off the record.)

Mr. PASSMAN. How many countries does the Nile River flow through?

Mr. KLING. Three—Sudan, Ethiopia, and Egypt.

Mr. PASSMAN. Where does the river start?

Mr. KLING. In Ethiopia.

Mr. PASSMAN. Does it flow through Ethiopia?

Mr. KLING. Up toward the north.

Mr. PASSMAN. Would there be any way of cutting off the water supply?

(Off the record.)

MALARIA ERADICATION PROJECT

Mr. PASSMAN. Last year's justifications indicate the malaria eradication project would terminate in fiscal 1970. This year I note that the justifications indicate the project is now scheduled to terminate in 1976.

Mr. HUTCHINSON. 1976?

Mr. PASSMAN. That is right, sir.

Mr. HUTCHINSON. I will have to check that figure, sir.

Mr. PASSMAN. Take your time.

Mr. HUTCHINSON. I am sure that figure is in error.

Mr. PASSMAN. Let us check to see whether I am incorrect or the book is incorrect.

Mr. HUTCHINSON. You are correct that that is what the book says.

Mr. PASSMAN. To make it even worse, on page 98 it says the total program will require some 15 additional years.

Mr. HUTCHINSON. I will have to check this.

Mr. PASSMAN. Have I read it correctly?

Mr. MOSSLER. You read it correctly.

Mr. PASSMAN. Last year it was going to be completed in 1970, and according to this it will be 1976. It could not be a typographical error, because you mentioned the year as well as the line at the top of the book.

Mr. HUTCHINSON. There is something wrong in the figure.

Mr. MOSSLER. There may have been a mistyping in last year's book, because even though we had 1970 here, we had in the narrative of the book——

Mr. PASSMAN. It is too late to cut your bill last year.

Mr. MOSSLER. That is right, but it said for 15 or 20 years in last year's book.

Mr. PASSMAN. That would be from 1958.

Mr. HUTCHINSON. When did the project start? 1958.

Mr. MOSSLER. Twenty years from that would make it 1978.

Mr. HUTCHINSON. So, it appears to have been a misprint in last year's book at the top of the page when you take the text into account. Obviously, the 1970 figure and this year's book are inconsistent. You will notice it is not inconsistent with the text of the statement in last year's book.

It appears that the statement in this year's book and the textual statement in last year's book are consistent.

Look on page 436 of last year's printed book.

Mr. PASSMAN. You say the total program will require some 15 or 20 years. When you get to this year, page 98, you say the total program will require some 15 additional years. Which one—20 or 15?

Mr. HUTCHINSON. I am sure it will require some period of 15 or more years.

Mr. PASSMAN. The language you are referring to there says 15 or 20 years, and the other language says some 15 additional years.

Mr. HUTCHINSON. It seems to me 1 year has passed.

Mr. PASSMAN. A year added to 15 would be only 16. Now you are up to 15 or 20.

Mr. HUTCHINSON. On a program for the eradication of malaria obviously you are going to have some variation in your estimates. I agree with you on a technical basis you could pick me up on the years' estimate.

Mr. PASSMAN. Since this is the first malaria eradication project we have discussed so far this fiscal year, would you do a little research and ascertain what the testimony of 5 or 6 years ago indicated as to the length of time it would take to eradicate malaria and the estimated cost, and would you also update the table on page 643 of part 3 of last year's hearings, which indicated that the U.S. bilateral malaria eradication program through fiscal 1964 was estimated to cost $209,440,000? This is a general question. I am asking to have it updated.

Mr. TENNANT. Yes, sir; we will provide that for the record.

(The information supplied follows:)

Malaria eradication bilateral assistance

[In thousands of dollars]

	Cumulated total, fiscal years 1958–63	Estimated, fiscal year 1964	Estimated, fiscal year 1965	Total, fiscal years 1958–65
Far East	43,004	5,400	6,506	54,910
Near East and south Asia	74,239	9,139	9,543	92,921
Africa	2,946	433	730	4,109
Latin America	26,456	9,790	3,079	39,325
Technical backstopping	259	15	150	424
Research	1,061	355	300	1,716
Training	501	136	150	787
Special grants to WHO	17,500	0	0	17,500
Special grants to PAHO	12,500	2,000	2,000	16,500
Grand total	178,466	27,268	22,458	228,192

RECOMMENDATIONS OF WHO ON MALARIA ERADICATION

Mr. PASSMAN. What was the result of the recommendations of the World Health Organization worldwide study of the need for future funds to attain malaria eradication?

Mr. HUTCHINSON. What was the result of the World Health Organization recommendations?

Mr. PASSMAN. Yes, the recommendations of the World Health Organization worldwide study of the need for future funds to obtain malaria eradication.

Mr. HUTCHINSON. This was a worldwide study.

Mr. PASSMAN. Yes.

Mr. TENNANT. We will provide that, sir.

Mr. PASSMAN. We have to deal with this giveaway program in 99 or 100 nations. You might find it on page 643 of last year, if I may so refer you for particular reference. It was to be completed in January 1964, dealing with a subject matter a part of which is in your area. I should think you, too, would like to have a copy of the findings of the Organization.

Mr. TENNANT. I would be much interested in it, sir.

(The information supplied follows:)

FORECAST OF GLOBAL COST AND FINANCING OF MALARIA ERADICATION

The Executive Board of the World Health Organization, at its 31st session in January 1963, requested the Director General to prepare a further assessment of the full cost of the global program of malaria eradication and of the likely annual expenditure for the next 5 years. Pertinent portions of the Director General's report, which was presented to the 33d session of the Executive Board (January 1964), are as follows:

PREVIOUS FORECAST

In 1959, the Organization presented to the 12th World Health Assembly an estimate of the cost of eradicating malaria based on operational data then available. In this report the operational costs of country programs for completion of eradication were estimated to be $1,600 million and the cost of advisory services required from the Organization was calculated to be $57.5 million. Later, in mid-1960, the International Cooperation Administration of the United States of America, requested a group of American scientists to calculate the cost of global eradication from 1960 until completion of the task. This Panel[1] estimated the requirements at $952.9 million in local currencies and $389.6 in foreign exchange costs.

PRESENT FORECASTS

After 5 years of the global malaria eradication program, it is possible to make a more accurate estimate based on actual experience in countries with operating malaria eradication programs.

The corresponding figures for this estimate are as follows:

Period	Source of information	Cost of global eradication (millions of U.S. dollars)			
		Local	Imported commodities	Advisory	Total
1963–67	Governments and WHO	885	161	66	1,112
1968 to end	do	585	91	18	[1] 694
Total, 1963 to end	do	1,470	252	84	[1] 1,806

[1] These figures do not include an estimate of the malaria eradication costs for countries of Africa south of the Sahara for the period 1968 to the end (completion) of the program.

The following factors may have caused the increase in cost:

(i) Populations considered at risk to malaria have increased considerably because of redefinition of malarious areas or influx of population into malarious areas which had previously been avoided.

(ii) Labor and materials costs constantly rise at an average worldwide rate of about 4 percent per year.

(iii) Insistence on total coverage spraying has resulted in a marked increase in unit consumption of insecticide in many programs.

(iv) Vector resistance to cheaper and more effective insecticides in some parts of the world has necessitated the use of more expensive insecticides and more frequent applications.

(v) Operational setbacks have increased the average length of attack and consolidation phases for some countries.

CONCLUSION

The present revised estimate of global cost is based mainly upon the information received from countries in mid-1963 and upon the pattern of program development available and known at that time. It is also based on the best

[1] International Cooperation Administration Expert Panel on Malaria, 1961. Report and recommendations on malaria: A summary. Amer. J. Trop. Med. Hyg. 10, pp. 451–502.

judgment of the national and international staff as to the future development of the programs and duration and activities in each individual country.

It should be recognized, however, that as in the past, in programs such as these, problems may be encountered and delays and operational setbacks may occur which cannot be foreseen at this time. Furthermore, national and international events may cause more than normal rises in the cost of equipment and supplies or manpower needed for malaria eradication programs. On the other hand, there may be scientific advances that will simplify the task and reduce the total cost.

This forecast should, therefore, be regarded as a very crude estimate and the probable minimum of requirements based upon the evidence and conditions present at the time of its preparation, and it may, therefore, be subject to changes.

If the global malaria eradication program is to be brought to a successful completion, ways and means should be found to make available the required financial support in a generous way and, more important, in time.

EDUCATION PROJECTS FOR FISCAL YEARS 1964 AND 1965

Mr. PASSMAN. I note that you are proposing to spend $1,057,000 in the education sector in 1965. How does this amount compare with your program in fiscal year 1964?

Mr. HUTCHINSON. In the education sector, we are proposing to spend in fiscal year 1964, $907,000, as compared——

Mr. PASSMAN. As compared to how much for fiscal 1965?

Mr. HUTCHINSON. In the education sector, sir?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. For fiscal 1965, we are proposing $1,057,000.

Mr. PASSMAN. It is up by $150,000.

Mr. HUTCHINSON. Yes, sir.

LIBRARY FOR HAILE SELASSIE UNIVERSITY

Mr. PASSMAN. What is the status of the construction of the library for the Haile Selassie University? I note that $188,000 is in the pipeline, estimated as of June 30, and that the justifications indicate that this $188,000 was obligated in 1963. Is that correct?

Mr. HUTCHINSON. Yes. This $188,000, as I understand it, is for the final——

Mr. PASSMAN. It is in the pipeline, the same amount you had the year before.

Mr. HUTCHINSON. Yes, sir. It is for the final engineering on the library. We have had quite a discussion with the Ethiopians about the size of the library that is required. They had felt a much larger one was required than we felt any necessity for, which has delayed the project.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. How much did you request last year for the public safety project, on page 105?

Mr. HUTCHINSON. In the fiscal year 1964 request, $255,000.

Mr. PASSMAN. What sum did you allocate to the project?

Mr. HUTCHINSON. $430,000.

Mr. PASSMAN. Are you ever going to forgive this committee for not cutting the bill a little lower last year?

Mr. HUTCHINSON. But, sir; look at the total for the education sector that you were just asking about. Our 1964 country program

request for education was $1.9 million. We are actually putting only $907,000 in.

Mr. PASSMAN. That is an indication you did not need any more. You just asked for more than you needed. I am talking about if we could take out of this program the illustrative projects, the amount of the overfunding, not the underfunding, because you would have funded it if you needed it. I am talking about the amount that you allocated in excess of the request last year and the amount of the new projects, not just in your area, but worldwide. It indicates to me we could have cut out an additional $300 million and would have been making available all the money you needed.

NEW PROJECTS IN FISCAL YEAR 1965 REQUEST

Mr. HUTCHINSON. Sir, we are proposing only seven new projects in fiscal year 1965.

Mr. PASSMAN. I am talking about fiscal year 1964, now.

Mr. HUTCHINSON. I am talking about our fiscal year 1965 justifications now. There are only seven new projects. The rest is for the continuation of funding of existing projects, and the 1965 request is based on the experience which we have had in the past years that projects do not move as fast as we had hoped and expected they would.

Mr. PASSMAN. I am just saying that if across the board in this Agency you said, "We didn't allocate as much as we indicated we would," then I would say, "I salute you, Mister," because you did not need it.

Then if you came along and said, "We are turning back a lot of money and started no new projects because we felt the committee should have an opportunity to look at the illustrative projects before we allocated any funds," we would have said, "Now we are getting this thing back on the tracks."

Then if you should have said, "We didn't fund any projects to a greater extent than we indicated we would need," then I would say, "I salute you again. Now you are back on the tracks."

Mr. HUTCHINSON. What I am testifying to, Mr. Chairman, is that, based on the experience of the last few years of the slowness with which projects do move, we have reduced our fiscal year 1965 request. This is the whole basis for the very great difference.

Mr. PASSMAN. The request is higher this year than last year's appropriation, Mr. Hutchinson.

How many new projects are you putting in this year?

Mr. HUTCHINSON. Seven.

Mr. PASSMAN. We hope you do not repeat what you did last year. You started 27 new projects last year that you did not even justify illustratively to the committee, did you not?

Mr. HUTCHINSON. That is correct.

I do also want the record to show that there may be the necessity of undertaking a project in fiscal year 1965 that is not included in this presentation.

Mr. KLING. I might say the political situation of the world is not a static one and, therefore, it does become necessary at times to allocate funds to meet a contingency situation. I am sure you would recognize, sir, that we do live in changing times.

USE OF THE CONTINGENCY FUND

Mr. PASSMAN. Did you ever hear of the contingency fund, Mr. Secretary?

Mr. KLING. Yes, sir.

Mr. PASSMAN. For what purpose is that fund used?

Mr. KLING. For this purpose.

Mr. PASSMAN. For this purpose?

Mr. KLING. Yes.

Mr. PASSMAN. I would not want you——

Mr. HUTCHINSON. Mr. Chairman——

Mr. PASSMAN. How many of these projects are funded out of the contingency fund?

Mr. HUTCHINSON. I think I had better speak to this.

Mr. PASSMAN. Let the Secretary finish.

Mr. KLING. I do not know what percentage or number of those projects were funded out of the contingency fund.

Mr. PASSMAN. Do you know whether any of them were?

Mr. KLING. I would have to refer to Mr. Hutchinson for that.

Mr. PASSMAN. Thank you.

Mr. KLING. I make the point we do not live in a static world.

Mr. PASSMAN. Mr. Hutchinson?

Mr. HUTCHINSON. Mr. Chairman, as you know, when we have projects that meet our regular criteria and are eligible for financing with our regular funds, we would not resort to the contingency fund when there are funds available within the regular appropriation.

Mr. PASSMAN. Or you will not turn them back, either, will you?

REAPPROPRIATION OF UNOBLIGATED BALANCES

Mr. HUTCHINSON. I think it has been testified, sir, that if there are funds left over at the end of this fiscal year in these appropriations, if those unobligated balances are to be reappropriated, then this request can be reduced to that extent.

Mr. PASSMAN. I always like to discuss that possibility. The budget request is $3,391 million for the total program. Is that your understanding?

Mr. HUTCHINSON. That is my understanding.

Mr. PASSMAN. It is estimated that you will have a small unobligated balance. If you moved up to June 30, 1964, with $200 million unobligated, then there is a possibility that this budget request could be reduced by the $200 million; is that correct?

Mr. HUTCHINSON. If that eventuality were to occur, this is my understanding, sir.

Mr. PASSMAN. But if you had projects that you had finalized on the morning of June 30 and you allocated that $200 million, then it would not carry over until the next day and, of course, the request would be $3,391 million, would it not?

Mr. HUTCHINSON. Yes, sir.

I read your questioning of Mr. Bell's testimony in this connection.

Mr. PASSMAN. I thought you would be prepared for that one.

Mr. HUTCHINSON. Maybe I had better leave it at that.

Mr. PASSMAN. I think you had just as well. That is the way the fish is fried.

Mr. ANDREWS. Did you not ever serve in the Army?

Mr. HUTCHINSON. No, sir.

Mr. ANDREWS. The first thing they tell you is, don't you ever volunteer?

Mr. HUTCHINSON. You are absolutely correct.

I think the thing to do is to leave the record stand that if there are unobligated balances at the end of this fiscal year, then it is the Agency position that this request is reducible to the extent of those unobligated balances.

Mr. PASSMAN. According to the record, here is a project you could fund on June 30 or July 1. If you fund it on July 1, then you are going to reduce your appropriation request by $200 million. If you fund it on June 30, the request is still $3,391 million.

Mr. HUTCHINSON. Sir, I was hoping to avoid this.

Mr. PASSMAN. I can go to the record and show you what you did last year.

Mr. HUTCHINSON. I know. You put it in the testimony before.

Mr. PASSMAN. Let us just say we hope things work out.

Mr. HUTCHINSON. All right.

(Off the record.)

CLASSROOM EQUIPMENT FOR PUBLIC SAFETY PROJECT

Mr. PASSMAN. What specialized classroom equipment did you furnish for the public safety project at a cost of $217,000 in fiscal 1964?

Mr. HUTCHINSON. What page is that project on, sir?

Mr. PASSMAN. 105

Mr. HUTCHINSON. I do not have it, sir.

Mr. PASSMAN. You may put the information in the record.

Mr. HUTCHINSON. All right.

(The information supplied follows:)

CLASSROOM EQUIPMENT FOR PUBLIC SAFETY PROJECT

Equipment has not yet been provided for the police college. Negotiations are now underway between the Imperial Ethiopian Government and USAID to determine the minimum level of U.S. equipment support consistent with effective operation of the school. Specific amounts and types of equipment which are likely to be agreed upon are listed below. This listing is approximate and subject to some modification.

The new Aba Dina Imperial Police Staff College, comprising a 30-acre complex with an enrollment capability of 250 students, represents a serious attempt on the part of the Imperial Ethiopian Government to upgrade the entire Ethiopian police force of some 30,000 men. Built entirely with Imperial Ethiopian Government funds, the police college is to be partially equipped by AID in view of our interest in increasing the effectiveness of the Imperial Ethiopian Police.

Education building	$22,000
(Classroom furnishings for 23 classrooms to include desks, chairs, blackboards, cabinets, etc.)	
Dormitories	26,000
(Student dormitory furnishings, including beds, chairs, tables, lockers, and other dormitory equipment.)	
Mess and kitchen	17,000
(Cooking equipment and tables, chairs, utensils for mess facilities.)	
Instructor residences	33,000
(Household furnishings and equipment for instructor apartments and houses.)	
Administrative offices	37,000
(Office equipment and furnishings to include office machines, file cabinets, desks, tables, supplies, etc.)	
Library, clinic, and stores	21,000
(Bookshelves, books, medical equipment, lockers, etc.)	
Specialized educational equipment	61,000
(Intercom sets, PA system, walkie-talkies, slide and movie projectors, tape recorders, field telephones, etc.)	
Total equipment	217,000

THIRD HIGHWAY PROGRAM IN ETHIOPIA

Mr. PASSMAN. You approved a credit, sometimes referred to as a loan, in connection with the third highway program in Ethiopia. What is the total cost to construct this highway?

Mr. HUTCHINSON. $21.5 million, sir. This is the highway program.

Mr. PASSMAN. Do I read the record correctly that AID is financing $4 million and the International Development Association is financing $13.5 million?

Mr. HUTCHINSON. Yes, sir, that is correct.

Mr. PASSMAN. The same highway program?

Mr. HUTCHINSON. Yes, sir.

ETHIOPIAN EMPEROR'S "TRAINING VESSEL"

Mr. PASSMAN. With reference to Haile Selassie's yacht, did he ever get the air conditioning operating?

Mr. HUTCHINSON. Sir, that was not financed by AID. I would have to defer to the colonel on this.

Mr. PASSMAN. Did you get it air conditioned and operating?

Colonel HEFFNER. Yes.

Mr. PASSMAN. That is the Emperor's flagship?

Colonel HEFFNER. He uses it as such, sir.

Mr. PASSMAN. Does an American crew operate it?

Colonel HEFFNER. No, sir.

Mr. PASSMAN. Who operates it?

Colonel HEFFNER. The Ethiopians themselves.

Mr. PASSMAN. When did they take over?

Colonel HEFFNER. They have been operating it now for about the last year.

Mr. PASSMAN. Do they still have the Norwegians aboard?

Colonel HEFFNER. I think there are a few of them left aboard, sir.

Mr. PASSMAN. How many Ethiopians are there on the Emperor's flagship?

Colonel HEFFNER. I can tell you that in just a moment.

They have a ——— crew.

Mr. PASSMAN. How is the wallpaper holding up?

Colonel HEFFNER. Sir, I have not seen the wallpaper in about 2½ years.

Mr. PASSMAN. It was all right then?

Colonel HEFFNER. Yes.

Mr. PASSMAN. Does the Emperor use that ship frequently?

Colonel HEFFNER. No, sir. The Emperor has used that ship only four times in the last 2 years.

Mr. PASSMAN. Is this kind of like that first one we gave him? We gave them a ship one time, and they were not able to operate it. Do you remember the little deal he had? He has used it only four times?

Colonel HEFFNER. That is correct.

Mr. PASSMAN. They have four Norwegians and ——— Ethiopians on the ship. What else do they do with that ship?

Colonel HEFFNER. Sir, this ship is their training ship for the Ethiopian Navy, for training the midshipmen, the Ethiopian cadets, just the same as our own U.S. ships.

Mr. PASSMAN. How many have they actually trained?

Colonel HEFFNER. ———.

AIR CONDITIONING

Mr. PASSMAN. Are all of our ships in America air conditioned?

Colonel HEFFNER. Yes, sir; the bulk of them——

Mr. PASSMAN. I am talking about all of our ships.

Colonel HEFFNER. I cannot answer that.

Mr. PASSMAN. Is there anyone in the room who can answer that question?

Mr. FUNARI. All the ones operating in that area.

Mr. PASSMAN. Our ships go all over the world. I am speaking about the average ship of that type. Is it air conditioned? Do you know, sir?

Mr. FUNARI. The average ship of that type is air conditioned now.

Mr. PASSMAN. Air cooled or air conditioned?

Mr. FUNARI. Air conditioned.

Mr. PASSMAN. Do you actually know?

Mr. FUNARI. Yes, sir. They were when I left the Navy several years ago.

Mr. PASSMAN. Would you investigate again?

Mr. FUNARI. Yes, sir.

Mr. PASSMAN. I do not think you are going to find too many of our ships, if you put all the ships together, air conditioned. They might be air cooled with fans, but as far as air conditioning is concerned, I wish you would check.

I am particularly interested in knowing what percentage of our overall fleet, not the battlewagons as such, but the training ships which might be out for a few days at a time, is actually air conditioned.

Colonel HEFFNER. I have spent time in that part of the world——

Mr. PASSMAN. Let us talk about all over the world.

Colonel HEFFNER. I am talking about the Gulf of Aden, where the temperature in the summertime for a period of several months gets as high as 125° to 130°, with not 1 mile per hour of wind blowing.

Mr. PASSMAN. That condition is not something new over there, is it?

Colonel HEFFNER. No, sir.

Mr. PASSMAN. How did they get by without air conditioning? They have ——— on that ship, in the shade, air conditioned. How about all the other people in Ethiopia? You cannot air-condition the country, can you?

Colonel HEFFNER. No, sir. I would say a large portion of the country is high enough in elevation that it does not require air conditioning.

Mr. PASSMAN. We shall probably try to air-condition the whole thing if we stay there long enough.

ETHIOPIAN NAVY

Mr. ANDREWS. What size navy do they have in Ethiopia, Colonel, the number of ships, the number of men and officers?

Colonel HEFFNER. I have this information, sir, which I can provide for you, in my backup book. (Off the record.)

Mr. PASSMAN. Is that the one we agreed was Haile Selassie's flagship?

Colonel HEFFNER. No, sir; I did not agree it was a flagship.

Mr. PASSMAN. I thought you referred to it as such. We are referring to the same ship that Haile Selassie uses; is that right?

Colonel HEFFNER. Yes, sir.

Mr. ANDREWS. Is that what has been described as his yacht, Mr. Chairman?

Mr. PASSMAN. Yes.

Colonel HEFFNER. That is what is commonly referred to as his yacht.

Mr. ANDREWS. If it is a training ship, that is not what we consider a yacht, is it?

Colonel HEFFNER. No, sir. It is a converted seaplane tender that was provided specifically for the purpose of training the Ethiopian midshipmen and their cadets.

Mr. ANDREWS. If you do not have that information readily available, Colonel, you may supply it for the record.

Colonel HEFFNER. (Off the record.)

Mr. ANDREWS. That is a total of ———.

Colonel HEFFNER. Yes, sir.

Mr. ANDREWS. How many officers and men? You say they train ——— men on that seaplane tender, the so-called yacht.

Colonel HEFFNER. I do not have their strength figures for their navy broken down by officers and men, but I can provide this.

Mr. ANDREWS. Of course, that is not an effective navy, by any stretch of the imagination.

What is the primary mission of that Ethiopian Navy?

Colonel HEFFNER. Their primary mission is coastal patrol in the Gulf of Aden to ———. They prevent smuggling. They use their navy similar to our Coast Guard.

Mr. ANDREWS. How much coastline do they have?

Colonel HEFFNER. In miles, speaking from memory now, I would say it is roughly 1,000 miles.

Mr. ANDREWS. They could not do too good a job with that size fleet in patrolling that much shoreline.

Colonel HEFFNER. This is a question of degree. I cannot say that they apprehend every smuggling attempt that comes up there.

ARMS SMUGGLING

Mr. ANDREWS. What are they concerned about being smuggled into the country?

Colonel HEFFNER. Primarily arms.

Mr. ANDREWS. From where?

Colonel HEFFNER. From ———.

Mr. ANDREWS. Are we giving Ethiopia any military assistance?

Colonel HEFFNER. Yes, sir.

Mr. ANDREWS. How about ———?

Colonel HEFFNER. Yes, sir; ———.

Mr. ANDREWS. In other words, they need a navy to keep arms from being smuggled into Ethiopia; is that right?

Colonel HEFFNER. No, sir; not necessarily ———.

Mr. ANDREWS. (Off the record.)

Colonel HEFFNER. (Off the record.)

Mr. ANDREWS. Do any of those countries down there besides Ethiopia get arms from our country?

Colonel HEFFNER. No, sir.

Mr. ANDREWS. Do they get economic assistance in any form?

Colonel HEFFNER. I cannot answer that, sir.

Mr. ANDREWS. Do you know whether or not any arms that we furnish ——— have been smuggled into Ethiopia and sold?

Colonel HEFFNER. No, sir.

Mr. ANDREWS. Do you know whether any of them have been sold to other countries in that area?

Colonel HEFFNER. No, sir.

Mr. ANDREWS. But there is that danger?

Colonel HEFFNER. Yes, sir.

Mr. ANDREWS. Do our people keep a pretty close check on the arms that we furnish these countries?

Colonel HEFFNER. Absolutely.

Mr. ANDREWS. You ought to know whether or not any of them have been stolen or sold on the black market. You haven't had any reports to that effect?

Colonel HEFFNER. No, sir; we have not.

Mr. ANDREWS. That is all, Mr. Chairman.

Mr. PASSMAN. I might say it would interest you to read the testimony in part 1 of the calendar 1962 hearings for the fiscal 1963 appropriation. This is strictly political. You requested no funds that year. It was something between the Secretary of State and Haile Selassie.

You read it. It is interesting. Then you will know, Colonel, why we got into this thing. I think you will find we had given some other

type of vessel to Ethiopia previous to that, and they did not have the finances to operate it, and I think they turned it back.

We know what this is all about. They had Scandinavians operating that ship for a while on a paid basis.

Now we are glad to know that, with tongue in cheek, we can refer to it as training the Ethiopian Navy. This record, however, explains the whole situation. It was on a political basis, and I do not know that a thing has been accomplished. It is on a loan basis, and we could take it back if they ever got to where they could not afford to operate it. At least, that is in our favor.

Mr. Natcher?

PARTICIPANT TRAINING COSTS

Mr. NATCHER. I notice on page 103 of the justifications, Mr. Hutchinson, that a number of qualified Ethiopians are receiving advanced academic training in the United States at this time. Are we paying this bill?

Mr. HUTCHINSON. Yes, sir, we are paying for a number of the students receiving training in the United States.

Mr. NATCHER. Can you give me some idea of the total cost?

Mr. HUTCHINSON. I can give you an idea of the total cost of the participants we have in Ethiopia. I cannot break out those specifically in the United States at this particular point in time; $475,000, sir, is the total that we are spending in fiscal year 1964 for training of participants from Ethiopia.

Mr. NATCHER. Can you give me the number that this applies ito insofar as Ethiopia is concerned?

Mr. HUTCHINSON. Seventy-seven, sir, is the number in fiscal year 1964.

AID EDUCATION PROJECT AT HAILE SELASSIE UNIVERSITY

Mr. NATCHER. Ethiopia is one of the oldest countries in the world, is that not correct, Mr. Hutchinson?

Mr. HUTCHINSON. Yes, sir.

Mr. NATCHER. I see that we are setting up the curriculum and we have a 9-man team of instructor-advisers at Haile Selassie University at this time. Are they better qualified to set up the curriculum and program for this university than some of the people in Ethiopia, Mr. Hutchinson?

Mr. HUTCHINSON. Yes, sir, we think they are. Education in Ethiopia has been neglected for most of those many years that they have been an independent country. It has been restricted very definitely. The Emperor himself has taken a very active interest in education in that country in recent years. There is a very great shortage of qualified educational administrators, curriculum developers, and even teachers, within Ethiopia. It has been a neglected area of their society.

Mr. NATCHER. You feel that the curriculum that is in the process of being set up at this time is one that would be in the best interests of Ethiopians?

Mr. HUTCHINSON. I feel it would be, sir, yes, sir.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

SINO-SOVIET AID TO ETHIOPIA

Mr. RHODES. Mr. Hutchinson, how much Sino-Soviet bloc aid does Ethiopia receive? If you can break it down between economic and military, it would be helpful.

Mr. HUTCHINSON. There is no military assistance going into Ethiopia from the bloc. They gave a credit to the Ethiopians back in 1960 of $112 million, sir. There was about $2 million earlier than that, for a total of $114 million.

They have been extremely slow in drawing that credit down, however, and as far as we are aware, some perhaps $100 million of that has not been drawn down.

Mr. RHODES. In fact, did we not develop last year that they were drawing interest on it?

Mr. HUTCHINSON. On some part of this, they do, yes, sir.

Mr. RHODES. In other words, the U.S.S.R. actually turned the money over to them, they put it in a bank and they are now drawing interest on it.

Mr. HUTCHINSON. Yes, at a higher rate than they are paying the Soviets.

Mr. RHODES. This is the only case on record, as far as I know, in which somebody got ahead of the Soviet Union, as far as sharp dealing is concerned.

Mr. HUTCHINSON. I think in this case they did.

GOVERNMENTAL STRUCTURE OF ETHIOPIA

Mr. RHODES. How is this country governed? What is its governmental structure? Is it made up of provinces?

Mr. HUTCHINSON. Yes.

Mr. RHODES. And other political subdivisions?

Mr. HUTCHINSON. Perhaps Mr. Kling can speak to this better than I.

The fundamental governmental power, of course, is in the Emperor, the landed aristocracy, the military and the Coptic Church. These are the real power centers in the Government. They do have a Parliament.

Beyond that, for what the organizational structure of the Government is, I would have to refer to the Department of State.

Mr. KLING. As you know, the Ethiopian Government rests its power with the Emperor. They have a constitution which provides for a senate and a chamber of deputies, but the Emperor does have supreme authority.

He combines his powers with duties as chief of state and head of government. The members of the senate are appointed by the Emperor, as were the members of the chamber of deputies until 1955, when the Emperor promulgated a revised constitution which provided for the popular election of the members of the lower house, the deputies.

The first nationwide election was held in 1957, and the second in 1961.

Mr. RHODES. How does the Emperor preserve his absolute power in face of the fact that there is a legislative body? Does he have an absolute veto over their actions?

Mr. KLING. Yes, sir. As I said, he appoints the members of the senate to begin with, and the power structure of——

Mr. RHODES. Does that power to appoint include the power to remove at will?

Mr. KLING. I am not sure about that, but this power would be implicit.

Mr. RHODES. This is about the most absolute monarchy left in the world, is it not?

Mr. KLING. I think in all fairness, one would have to say that, while it is a form of monarchy wherein considerable power rests with the Emperor, the Emperor does have a moderate and, let us say, benevolent attitude toward the people and, as such, interestingly enough, although he is a monarch, he is regarded as a leader in Africa where, as you know, we have so many forms of advanced democracies, so to speak, or so many forms of more liberal tendencies than an absolute monarchy.

Mr. RHODES. Is the King of Libya classed as a leader in Africa?

Mr. KLING. Not nearly to the extent that the Emperor of Ethiopia is. I would not want to cast any aspersions on the King of Libya.

Mr. RHODES. There is a different race there, too.

Mr. KLING. Yes, sir. The Ethiopians are basically a Hamitic race, and the Libyans are Arabs or Semites.

WATER RESOURCES PROJECT—FINCHAA DAM

Mr. RHODES. Mr. Hutchinson, a study which is being conducted of the Finchaa River Basin is primarily intended to irrigate 15,000 hectares of land. I cannot determine from the justifications on page 91 whether there is to be hydroelectric power developed with the project.

Do you know?

Mr. HUTCHINSON. There is to be power developed with the project, and it could turn it into being a power project only. This is one of the things we are investigating now, whether or not power and irrigation should be combined. There is some question about the irrigation.

This is one of the things we are investigating. Power will be the fundamental aspect.

Mr. RHODES. I was about to ask if there had been any soil studies.

Mr. HUTCHINSON. There have been soil studies and streamflow studies and that sort of thing. This is the part of the job which the Bureau of Reclamation did under the Blue Nile survey. There is a very real question in our minds concerning the irrigation aspect of this project.

As you know better than I, these things are quite a problem. We have some real questions in our mind about the irrigation aspects.

Mr. RHODES. Following the line of questions of the chairman, I suspect you could have some international difficulties with the diversion of too much of the Blue Nile waters.

Mr. HUTCHINSON. For irrigation purposes, yes.

Mr. RHODES. Is the Bureau of Reclamation continuing to revise the studies of the Blue Nile Basin?

Mr. HUTCHINSON. This project is being finished this year. No funding is provided in fiscal year 1965. The report on the Finchaa

Dam itself has already been provided to us in advance, but the Bureau is completing the whole Blue Nile study this June. They have completed their field work, and they are now involved in writing their report.

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

GHANA

Mr. PASSMAN. What is the population of Ghana?

Mr. KLING. 7.2 million, sir.

Mr. PASSMAN. Is this country's attitude toward the West about the same now as it has been?

Mr. KLING. Are you addressing the question to me?

Mr. PASSMAN. Yes, sir.

Mr. KLING. Mr. Chairman, our relationship with Ghana has been strained at times. There have been a number of press attacks against the United States in Ghana. We have brought this to the attention of the Ghanaian Government. We have expressed our concern about the fact that there are these attacks in the press against the United States. We hope that by a constructive policy we can develop a mutual understanding eventually between the people of Ghana and the United States because there are a number of constructive forces in Ghana which cannot be overlooked.

Mr. PASSMAN. Thank you, Mr. Secretary.

STONING OF U.S. EMBASSY BY GHANAIANS

Are they not stoning our Embassy? Did they not do so recently, knocking out windows?

Mr. KLING. Sir, we protested this vigorously.

They had a demonstration in front of the U.S. Embassy and there were some rather unpleasant incidents.

Mr. PASSMAN. How many did they arrest?

Mr. KLING. So far as I know they didn't arrest anybody.

Mr. PASSMAN. I don't think we have to discuss it further. If the Government permits them to stone our personnel and Embassy and there were no arrests that seems to make it conclusive as to how they feel about us.

Thank you very much, Mr. Secretary.

Mr. RHODES. Were any members of the Embassy staff hurt?

Mr. KLING. So far as I know, no one was hurt. There was a rather unpleasant incident with regard to a Negro American attached to the Embassy who very courageously raised the American flag in front of the Embassy after it had been lowered by the Ghanaian crowd. This——

Mr. RHODES. Were the Ambassador and his family there at the time?

Mr. KLING. Yes, sir, the Ambassador was there.

Mr. RHODES. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I cannot use my imagination to the extent of thinking of Ghana as friendly toward the United States.

Who is the head of the Government of Ghana?

Mr. KLING. Kwame Nkrumah.

Mr. PASSMAN. He has been somewhat anti-Western ever since he has been in power, has he not?

Mr. KLING. He has varied considerably in his attitude. In his conversations with us at times he is friendly.

Mr. PASSMAN. At other times?

Mr. KLING. At other times he has shown a certain amount of sympathy for the other side.

Mr. PASSMAN. What effect does our aid program have in this regard?

Mr. KLING. I think it tends to improve the situation in Ghana.

If I may say so, I think the art of foreign policy is to make a friend out of an enemy and to bring someone who does not understand our position over to our side. This is the effect that we in the State Department are constantly trying to achieve.

Mr. PASSMAN. We are trying to buy them?

Mr. KLING. I didn't say that. I say we are trying to get them to understand our position.

Mr. PASSMAN. With our aid.

Mr. KLING. If we help them it certainly does not do any harm in getting them to realize that we are not against them, that we have their interests at heart.

Mr. PASSMAN. What have we given Ghana up to date?

Mr. HUTCHINSON. If I might make one short statement with regard to this. Our aid program, Mr. Chairman, is in the rural areas in which we think we have the ability to maintain a relationship over the years hopefully, even though the policy of the Government be subject to very considerable fluctuations.

UTILIZATION OF NEGRO TECHNICIANS IN AFRICA

Mr. ANDREWS. What effort has AID made to get some of our skilled and well-educated Negroes to go over to some of these African countries to help out with these programs? What success have you had in your effort to get them to go?

Mr. HUTCHINSON. We have had very considerable success. There is a considerable interest in the Negro community in work in Africa. We have had some very outstanding successes with a number of the Negro technicians who have gone over.

(Discussion held off the record.)

Mr. ANDREWS. I received the impression Negroes do not want to go there.

Mr. HUTCHINSON. My experience is quite the contrary, sir. There is a very significant interest shown in employment in Africa on the part of the Negro community and the Negro groups have shown special interest in the African program.

Mr. ANDREWS. Can they do more with the Africans than the white technicians and employees?

Mr. HUTCHINSON. I think the Negro, when he first goes over, probably has a difficult time in that the African probably takes a more careful look at him and his abilities, having read about the situation in the United States, than he does a white man.

I have the distinct impression and some experience to back this up, I think, that after this initial period, if the technician is a good one, that he probably ends up having a closer relationship than the white technician over a long period of time. This would be my impression.

Mr. ANDREWS. Why don't you concentrate more on trying to get more there?

Mr. HUTCHINSON. We are trying to get quite a number to go over, but we have the other problem which I mentioned.

Mr. ANDREWS. Are those who do go there happy or do they just want to serve a tour of duty and come back?

Mr. HUTCHINSON. They want to stay. I don't mean they want to stay as a permanent thing, but they want to return for more than one tour. They are happy and satisfied in their work in Africa.

Mr. ANDREWS. That is all.

Mr. PASSMAN. Are we carrying this AID program on people to people or government to government?

Mr. HUTCHINSON. We have to have the approval of the government.

Mr. PASSMAN. You deal through the government?

Mr. HUTCHINSON. We deal through the government.

But we try our best to have contact with the people and carry on——

Mr. PASSMAN. Contact or contract?

Mr. HUTCHINSON. Contact. This gives us personal relations with the people.

Mr. PASSMAN. It is a government-to-government proposition. You deal with the officials of the government on each and every contract that you have in effect in Ghana?

Mr. HUTCHINSON. We do.

Mr. PASSMAN. I remember the situation out in Indonesia, Mr. Hutchinson.

Their guessing did not pay off.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I do not know who makes the evaluations, but you have to work through the central government. You have to get approval at the top echelon level before you can go in?

Mr. HUTCHINSON. That is right.

TOTAL FOREIGN AID TO GHANA

Mr. PASSMAN. What have we given Ghana from all 16 spigots of foreign aid since the program was started?

Mr. MOSSLER. At the close of fiscal year 1963 it was $159.2 million.

Mr. PASSMAN. Through what year?

Mr. MOSSLER. Fiscal year 1963.

Mr. PASSMAN. Does that include Public Law 480?

Mr. MOSSLER. Yes.

Mr. PASSMAN. All types of aid? How about IDA?

Mr. MOSSLER. All U.S. Government aid.

Mr. PASSMAN. It does not include what they get out of international organizations?

Mr. MOSSLER. That is right.

Mr. PASSMAN. Can you give us an estimate on aid of that type?

Mr. HUTCHINSON. I can look at the figures from 1959. They have received $47 million from the International Bank for Reconstruction and Development, and they seem to have received about $6 million from the technical assistance agencies of the U.N.

Mr. PASSMAN. How about IDA?

Mr. HUTCHINSON. Nothing.

Mr. PASSMAN. What percentage of this did we put up?

Mr. HUTCHINSON. Thirty-eight percent I believe it is. I would have to check the figure to be absolutely sure of the IBRD.

Mr. PASSMAN. How about the U.N.?

Mr. HUTCHINSON. I think we have been trying to hold that to one-third.

Mr. PASSMAN. About 50 percent, is it not? We match all other contributions; is that not so?

Mr. HUTCHINSON. To the Technical Assistance Fund? I am not sure. I would have to check it.

Mr. PASSMAN. If we take only $20 million, that would be a conservative figure of U.S. aid they get through the international organization, that makes it $53 million.

Mr. HUTCHINSON. That would be consistent with the contributions.

Mr. PASSMAN. That would be $179 million we have given to Ghana. What is the population of the country, 7½ million?

Mr. KLING. 7.2 million.

Mr. HUTCHINSON. You know, sir, that the very great majority of this is concentrated in the one project.

Mr. PASSMAN. It still takes American dollars to buy this $180 million worth of whatever we gave Ghana.

Mr. HUTCHINSON. And our assistance there is on a loan basis.

Mr. PASSMAN. Paid back strictly in cash?

TERMS OF REPAYMENT ON LOANS TO GHANA

Mr. HUTCHINSON. Paid back in strictly cash, and the interest rate on this one is 3½ percent.

Mr. PASSMAN. All of this $180 million?

Mr. HUTCHINSON. The U.S. portion is paid back—the IDA portion is repayable at 3½ percent. The Export-Import Bank portion is repayable at 5¾ percent. The IBRD portion would bear at least 5¾ and perhaps slightly higher interest.

Mr. PASSMAN. Break it apart, what we expect to get and what is AID, the grant and technical assistance. Can you do that for us?

Mr. HUTCHINSON. I can do that for you. AID has made a loan——

Mr. PASSMAN. Is that one of the development credits or a loan?

Mr. HUTCHINSON. It is a loan repayable——

Mr. PASSMAN. Is it one of those——

Mr. HUTCHINSON. Not one of the development credits in the sense that you refer to.

Mr. PASSMAN. How much of that sum has been liquidated? Give us a recap in the record so as to save time.

Mr. HUTCHINSON. All right.

Mr. PASSMAN. Where all of this comes from and how much of it is grant or anything other than repayment in U.S. dollars.

Mr. HUTCHINSON. All right; $12 million is the grant portion.

TOTAL AID TO GHANA

Mr. PASSMAN. Put in the record all those other spigots.

Mr. HUTCHINSON. We shall be glad to.

(The information supplied follows:)

AID TO GHANA

The amount of direct U.S. aid to Ghana through fiscal year 1963 is as follows:

	Millions
Development loans	$82.0
Development grants	7.5
Food for peace	3.5
Title II	.6
Title III	2.9
Export-Import Bank loans	65.0
Other U.S. economic programs (Peace Corps)	1.2
Total	159.2

In addition, the Government of Ghana has received assistance from international agencies to which the United States is a contributor. Approximately $19.7 million has been furnished by the IBRD (37 percent United States) and the U.N. Technical Assistance and Special Fund (40 percent United States) activities.

FISCAL YEAR 1964 REQUEST

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

Mr. HUTCHINSON. $2,400,000.

Mr. PASSMAN. What sum did you allocate to Ghana last year?

Mr. HUTCHINSON. $1,466,000.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. How much are you requesting for fiscal year 1965?

Mr. HUTCHINSON. $1,132,000.

Mr. PASSMAN. That does not include Public Law 480?

Mr. HUTCHINSON. It does not, but we have not had any Public Law 480 program under consideration at this point and time.

Mr. PASSMAN. Have you had Public Law 480 aid in the past?

Mr. HUTCHINSON. I don't think there has been any large amount involved. There is a total of $3.5 million from the beginning.

Mr. PASSMAN. If there is any program in fiscal year 1965 you have no knowledge of it?

Mr. HUTCHINSON. We have no Public Law 480 program under consideration at this moment, sir.

AGRICULTURE AND EDUCATION PROJECT

Mr. PASSMAN. I note that the agriculture and education project, on page 117, combines two projects for which you requested a total of $411,000 last year. Is that correct?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. How much have you programed for this combined project in fiscal 1964?

Mr. HUTCHINSON. $449,000 is the estimate.

Mr. PASSMAN. So it has increased by $39,000 over the estimate of last year?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I believe you stated earlier that all of these projects are still on an illustrative basis?

Mr. HUTCHINSON. Sir, you asked——

Mr. PASSMAN. I refer to this type of project.

Mr. HUTCHINSON. This type of project is not illustrative when it is underway.

Mr. PASSMAN. The additional money is, is it not?

Mr. HUTCHINSON. The additional money is our estimate of what will be required to carry the project out. We do not have it to the very last dime but as was indicated we were close in our estimate in fiscal year 1964.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $324,000 for the technical support project, of which $170,000 was for the salaries and expenses of eight U.S. technicians and $154,000 for local expenses.

This year you request $410,000 for salaries of six U.S. technicians and $283,000 for local expenses.

Have I read that correctly?

Mr. HUTCHINSON. You seem to have, sir.

Mr. PASSMAN. What accounts for this tremendous increase?

Mr. HUTCHINSON. The number of U.S. technicians has gone down.

Mr. PASSMAN. I speak of dollars.

Mr. HUTCHINSON. Sir, as I look at the book I have the same question written in the margin which you have asked. I will get the answer and give it to you.

Mr. PASSMAN. Check that matter if you will.

(The information supplied follows:)

TECHNICAL SUPPORT PROJECT FOR GHANA

The principal reason for the increase in local expenses estimated for fiscal year 1965 is because most of the rents, including the office building and warehouse, are paid for 2 years at a time and become due in the odd-numbered years. Another factor will be our efforts to step up contracts with Ghanaians for more of the logistic support of the U.S. aid mission.

Mr. HUTCHINSON. Yes.

STATUS OF VOLTA RIVER DAM PROJECT

Mr. PASSMAN. What is the status of construction of the Volta River Dam project?

Mr. HUTCHINSON. It is running a bit ahead of schedule. It will probably start delivering power in September of 1965.

That is the latest estimate as to the time power will begin to be delivered.

Work already has started on the smelter. Kaiser has started that.

ALUMINUM SMELTER PROJECT FOR GHANA

Mr. PASSMAN. On the smelter project, AID committed $55 million on June 28, 1962, to reimburse the Export-Import Bank for 50 percent of its anticipated total expenditure. Is that correct?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. On this $55 million to Ghana what are the terms?

Mr. HUTCHINSON. The terms are 5¾-percent interest.

Mr. PASSMAN. On the entire project?

Mr. HUTCHINSON. On the entire smelter loan; yes, sir.

Mr. PASSMAN. $55 million?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Is any grace period allowed?

Mr. HUTCHINSON. Four years, sir. This is, in effect, the construction period. Grace period 4 years, repayment in 24 years.

Mr. PASSMAN. I note that the terms in this year's presentation are a little different from what was indicated in last year's justification. Is that correct?

Mr. HUTCHINSON. If so the justification last year must have been wrong. I don't think so, sir.

What were the terms indicated last year? I am sure these are the same that I have here.

Mr. PASSMAN. Nineteen years.

Mr. HUTCHINSON. On the dam or smelter plant?

Mr. PASSMAN. Smelter plant.

Mr. HUTCHINSON. I will have to check that, then.

Mr. PASSMAN. It has gone from 19 years to 24 years.

Mr. HUTCHINSON. Yes, I think if you will recall we indicated last year that this figure was wrong. You will notice the interest rate is shown as three-quarters of 1 percent which is definitely wrong.

Mr. PASSMAN. Which one is correct?

Mr. HUTCHINSON. Five and three-quarters percent.

SALE OF EXPORT-IMPORT BANK LOANS TO AID

Mr. PASSMAN. Is this considered a good, bankable loan?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Why didn't Export-Import Bank keep it?

Mr. HUTCHINSON. Export-Import Bank, as all financial institutions, likes to distribute its risk in a particular country among a number of creditors.

Mr. PASSMAN. They don't turn right around and distribute it back to the government, do they?

Mr. HUTCHINSON. Export-Import Bank acts as though it were a bank.

Mr. PASSMAN. Is it not unusual to have good, bankable loans and turn around and sell those loans back to some other agency of government?

Mr. HUTCHINSON. It is not unusual for Export-Import Bank and other agencies to participate in the financing of projects in order to keep——

Mr. PASSMAN. After the Export-Import Bank committed itself for $110 million, they began looking for a customer. They usually are looking for banks to take part of the loans. That is the way they operate?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. However, they came around and got the AID, the U.S. Government, to underwrite half of this loan. Is that right?

Mr. HUTCHINSON. This is not the way I understand it operated. I

understand there was an agreement, and I say I understand because I was not here at the time of the agreement, but I understand there was an agreement at the time the Export-Import Bank made the loan for $110 million; that AID would pick up half of the credit.

This is my understanding. I understood it would be better to have one agency negotiate the whole loan under its procedures and with its terms and have the other pick up half the credit.

Mr. GARY. When was that done? When was the agreement?

Mr. HUTCHINSON. My understanding is that the agreement was made back before February of 1962 when the Bank approved the loan. We didn't pick up half of it until later than that period.

Mr. GARY. February of 1962?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Specifically, please provide to us a list of all loans made by the Export-Import Bank in cases where they had approved the loan and then sold part of the loan back to AID.

Let us not confuse it with several Federal agencies participating to start with, but where they turned around and sold it back to AID.

Mr. HUTCHINSON. We will be glad to get that.

(The information supplied follows:)

EXPORT-IMPORT BANK LOANS SOLD TO AID

There has been no case in which Eximbank has, without AID's prior agreement to participate, made a loan and subsequently "sold" or transferred to AID a part thereof. Even with such a prior agreement, the only case of AID participation in a loan made by Eximbank was that of the smelter in Ghana referred to in the testimony. In that case, because of difficulties in negotiation, AID and Eximbank agreed for the latter to negotiate the loan and for AID to transfer to Eximbank funds amounting to 50 percent of the loan. Normally, however, when AID and Eximbank wish to participate in financing the same project, they do so by making separate loans.

Mr. PASSMAN. We are familiar with the fact that the Export-Import Bank sells loans. People look for those types of loans.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I want to read from page 121 of the justifications:

On February 8, 1962, the Export-Import Bank approved a $110 million loan to VALCO to cover U.S. procurement of goods and services for the construction of a smelter. On June 28, 1962, AID executed a memorandum of understanding with the Export-Import Bank to lend $55 million to the bank to cover 50 percent of the bank's loan to VALCO. AID will reimburse the Export-Import Bank 50 percent of each disbursement the bank makes under its loan agreement with VALCO. The AID participation in the Export-Import Bank loan to VALCO is being administered strictly as an interagency agreement. It is not expected that AID will have direct dealings with either VALCO or the Government of Ghana concerning the participation. The AID participation does not constitute additional U.S. Government assistance for the Volta-VALCO project beyond the agreements signed in Washington on February 8, 1962. Furthermore, the participation does not affect the terms of the Eximbank-VALCO loan agreement or the obligations of either party thereto. Disbursements of the Export-Import Bank loan to VALCO are estimated at $70 million in calendar year 1965 and $20 million in each year 1966 and 1967.

There are many projects going around the world where Exim comes in, you come in, IDA comes in, and perhaps others also, at the kickoff.

Mr. HUTCHINSON. Since you read this in the record, Mr. Chairman, I will have to say what you put in the record is the record of the formal agreements between Exim and AID. It is not the record of the substantive agreement made earlier.

Now may I go off the record?

Mr. PASSMAN. Certainly.

(Discussion held off the record.)

SUSPENSION OF AID TO GHANA

Mr. PASSMAN. Have we ever severed or suspended aid to Ghana, or threatened to do so, when they cut some of the capers they did, such as stoning the Embassy? What position do we take when such things happen?

Mr. HUTCHINSON. We have not threatened to suspend aid. We have made some very strong representations.

You can take a look at what is happening there in terms of the program.

I hope my State Department brethren will bear with me—I think the Ghanaians recognize this relationship.

SOVIET BLOC AID TO GHANA

Mr. PASSMAN. Are they getting any loans from the Sino-Soviet bloc countries?

Mr. HUTCHINSON. Yes, sir, they are getting credits.

Mr. PASSMAN. There is no record of which I am aware of Russia ever giving away a ruble. It is always a hard loan at a profitable rate of interest.

What does that information show?

Mr. HUTCHINSON. It shows $89 million in 1961.

Mr. PASSMAN. For what country, or countries?

Mr. HUTCHINSON. The bloc countries. It was $101 million in 1962 and $22 million in 1964 to date.

Mr. PASSMAN. What is the total commitment of 1964?

Mr. HUTCHINSON. We have no knowledge.

Mr. PASSMAN. You do not have the spread, do you? Is the information classified?

Mr. HUTCHINSON. I will have to check whether it is classified.

Mr. PASSMAN. If it is classified there is no use putting it in and taking it out.

Mr. HUTCHINSON. We could pick it out if you wanted to.

Mr. PASSMAN. What are the terms of the $89 million?

Mr. HUTCHINSON. I don't think we have the terms, sir.

We do have this much which supports your point in part, that these are lines of traffic tied to the country of origin and the grant portion is very, very small.

Mr. PASSMAN. What is the rate of interest?

Mr. HUTCHINSON. This we do not have.

Mr. PASSMAN. Of course, they make a profit on their commodities. They get something back.

Mr. HUTCHINSON. I would agree with you——

Mr. PASSMAN. We know the history of this type of transaction.

Mr. HUTCHINSON. I agree that countries would be very well advised to examine very carefully the terms involved.

Mr. PASSMAN. Ghana, Mr. Gary?

Mr. GARY. I have no questions.

Mr. ANDREWS. I have no questions.

Mr. PASSMAN. Mr. Rhodes?

RELOCATION OF VOLTA RIVER DAM

Mr. RHODES. This is perhaps a political question. Have we studied possibilities of locating the Volta River project in another country?

Mr. KLING. The Volta River, Mr. Rhodes, as you know, is in Ghana.

Mr. RHODES. No, not completely.

Mr. KLING. The main part of the river and the damsite——

Mr. RHODES. The present damsite, yes. I am asking if we have studied the possibility of relocating the project in some other country.

Mr. KLING. For one thing, we have not considered this to my knowledge because it would not be feasible. The entire project is conceived on the basis of the present damsite and is now in an advanced state of construction. The flow of water is primarily through Ghana.

Mr. RHODES. How can the flow of water be primarily through one country? If it flows through more than one, how can one be "primary"?

Mr. KLING. Because Ghana borders on the sea and the river rises not much beyond the confines of the State of Ghana.

Mr. HUTCHINSON. If I may speak on this.

Mr. RHODES. I wish you would.

Mr. HUTCHINSON. Looking at the technical problems associated with any kind of disassociation with this project we find this to be the situation:

As Mr. Kling has indicated, obviously the dam is well underway at this site in Ghana. This is a project which involves the production of power at the dam which will be used for the aluminum smelter, but it is not based on the use of Ghanaian bauxite.

The aluminum will be imported and processed.

Mr. RHODES. I am not referring to the smelter yet. You say the project is well underway. What percentage of it is completed?

Mr. HUTCHINSON. It is up to the point now where the lake starts forming.

Mr. RHODES. In other words, the dam has been closed?

Mr. HUTCHINSON. Technically you are ahead of me. I suppose this is correct, but the lake is just starting to form. If this means the dam has been closed, yes.

Mr. RHODES. I assume they build the dam as they do elsewhere. They must have cofferdams as——

Mr. HUTCHINSON. They built diversion tunnels rather than building the cofferdam in the usual way. They put in some sort of cofferdam, but they diverted the water through diversion tunnels rather than damming it up.

Mr. RHODES. Off the record.

(Discussion held off the record.)

Mr. HUTCHINSON.

(Off the record.)

Mr. RHODES. Do you want to add something?

Mr. KLING. If I may pass this map down to Congressman Rhodes which shows the Volta River and its course.

You will notice that the main part of the river is in Ghana and very little outside of Ghana.

(Off the record.)

Mr. RHODES. I think that is all, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

U.S. INTERESTS IN GHANA

Mr. KLING. Of course, Mr. Chairman, I think in approaching this situation we have to realize that we have made a very substantial investment in Ghana so far. I think the consensus of the American businessmen that I visited when I was in Ghana was that the Volta River project was a force for good in the country.

I think we do have an interest in having the Volta Dam in Ghana. I do think we have an interest in trying to preserve the very valuable resources of Africa for the free world. Africa does have a considerable amount of bauxite, electric power——

Mr. PASSMAN. Do they also have a demand for aluminum?

Mr. KLING. We have the demand for aluminum.

Mr. PASSMAN. Do the African countries have a need for aluminum?

Mr. KLING. They consume very little aluminum.

Mr. PASSMAN. Do they have a need for aluminum in Africa?

Mr. KLING. Yes, a potential need, but I agree there is an element of risk involved here. We certainly consider this very carefully, and it gives us sleepless nights, too.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

GUINEA

Mr. PASSMAN. What has been the total amount of aid to Guinea from all 16 spigots?

Mr. HUTCHINSON. Through 1963 it is $30.6 million.

Mr. PASSMAN. Does that include Public Law 480?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. IDA?

Mr. HUTCHINSON. No.

UNEXPENDED BALANCE

Mr. PASSMAN. No international organizations.

What do you have unexpended to the credit of the country of Guinea?

Mr. HUTCHINSON. $18,863,000.

Mr. PASSMAN. That is in the pipeline?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. That does not include Public Law 480?

Mr. HUTCHINSON. Title I program of $2.6 million, Public Law 480.

Mr. PASSMAN. Let us get all Public Law 480 and say so much of this is dollars. There are so many different titles.

Mr. HUTCHINSON. This seems to be all.

Mr. PASSMAN. Is this a hard cash program?

Mr. HUTCHINSON. No, sir; it is sales for local currencies.

Mr. PASSMAN. The giveaway category?

Mr. HUTCHINSON. Sales for local currency.

FISCAL YEAR 1965 PROGRAM

Mr. PASSMAN. Do you have anything planned for Guinea in 1965?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much? Give us the total.

Mr. HUTCHINSON. ———.

Mr. PASSMAN. How does that sum compare with fiscal 1964?

Mr. HUTCHINSON. ———.

Mr. PASSMAN. There is ——— in the asking price over the allocation of what amount?

Mr. HUTCHINSON. About ———.

Mr. PASSMAN. We shall now adjourn, gentlemen, until 1 o'clock tomorrow afternoon.

THURSDAY, APRIL 30, 1964.

SUPPORTING ASSISTANCE

Mr. PASSMAN. I believe you estimate that there will be ——— in supporting assistance for Guinea for fiscal year 1965?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. At one time we thought of supporting assistance, at least of defense support, which was succeeded by supporting assistance, as being for countries with a military establishment. Is that correct?

Mr. HUTCHINSON. I think this has been one element in supporting assistance, sir.

Mr. PASSMAN. At one time, only countries with military establishments received defense support, and then when they eliminated defense support they came in with supporting assistance. Am I correct?

Mr. HUTCHINSON. This precedes my time.

Mr. PASSMAN. How about it, Mr. Tennant?

Mr. TENNANT. I think that is a correct definition for defense support. Supporting assistance is a little different from defense.

Mr. PASSMAN. But supporting assistance is a successor to defense support in the bill.

Mr. TENNANT. There was at that time a special assistance category.

Mr. PASSMAN. I know, but when supporting assistance came in, defense support went out.

Mr. TENNANT. Defense support and special assistance.

Mr. PASSMAN. You had a lot of those under special assistance. We carried it for years. Anyway, I think the record is clear that supporting assistance succeeded, at least, in part, defense support.

When did Guinea gain its independence?

Mr. KLING. 1958, sir.

Mr. PASSMAN. What is the population of the country?

Mr. KLING. 3.4 million.

SITUATION BETWEEN GUINEA AND FRANCE

Mr. PASSMAN. It is a former colony of what nation?

Mr. KLING. France.

Mr. PASSMAN. Does Guinea still have strong ties with France, and trade agreements?

Mr. KLING. I would not say that, sir.

I would describe the situation between Guinea and France as strained but improving. As you know, Guinea elected not to associate with France at the time of independence and, as a consequence, has more or less been following an independent line from France in Africa.

Mr. PASSMAN. It is an independent nation?

Mr. KLING. Yes, but it has not had any close association with France.

DEVELOPMENT GRANT PROGRAM IN GUINEA

Mr. PASSMAN. I note your statement, on page 199 of the program justifications, that your development grant program is somewhat less than in previous years. However, it is less only because of the fact that you program more for technical cooperation than you requested last year. Is that correct?

Mr. HUTCHINSON. Yes, that is correct.

NUMBER OF PROJECTS FUNDED, FISCAL YEAR 1964–65

Mr. PASSMAN. How many projects do you propose to fund for Guinea in fiscal 1965?

Mr. HUTCHINSON. Twelve.

Mr. PASSMAN. What was the number of projects you requested of the Congress last year?

Mr. HUTCHINSON. Nine.

Mr. PASSMAN. How many did you fund?

Mr. MOSSLER. We requested seven and we funded nine.

Mr. PASSMAN. You funded two more than you requested. What are the projects you funded that you did not request?

Mr. HUTCHINSON. Palm oil extraction.

Mr. PASSMAN. What sum did you allocate to the project?

Mr. HUTCHINSON. $200,000.

Mr. PASSMAN. The other one, please?

Mr. HUTCHINSON. The other one is administration, $650,000——

Mr. PASSMAN. You allocated $650,000?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much do you anticipate it will cost to complete the project?

Mr. HUTCHINSON. The palm oil——

Mr. PASSMAN. Let us start over on the two projects that you started for which you did not request any funds last year. What is the first one?

PALM OIL EXTRACTION PROJECT

Mr. HUTCHINSON. The first one is the palm oil extraction, $200,000. Estimated to complete, $600,000.

Mr. PASSMAN. Now, the next one:

ENGLISH LANGUAGE TRAINING PROJECT

Mr. HUTCHINSON. The next one is the English language training project.

Mr. PASSMAN. And you allocated how much?

Mr. HUTCHINSON. $100,000.

Mr. PASSMAN. What do you anticipate it will cost to bring that project to completion?

Mr. HUTCHINSON. While I am finding the project sheet, I should say that that one was one which we did testify to in the fiscal year 1964 presentation.

Mr. PASSMAN. We are asking only for the two for which you did not testify.

Mr. HUTCHINSON. We did not testify to it in 1964, but we did testify to it in 1963.

Mr. PASSMAN. You requested no additional funds in 1963?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. But you did allocate funds to that project?

Mr. HUTCHINSON. That is correct.

Mr. PASSMAN. Let us get to the purely new projects that you started for which you did not testify.

Mr. HUTCHINSON. The palm oil extraction was a purely new project.

HIGHWAY IMPROVEMENT PROJECT

Mr. PASSMAN. What about your highway improvement program? Did you testify for any funds for that project last year?

Mr. HUTCHINSON. No, sir; we did not. That should be included. I do not see it on this list. We did not testify to it.

Mr. PASSMAN. How much did you allocate to this project for which you did not testify for funds?

Mr. HUTCHINSON. $339,000.

Mr. PASSMAN. What will it cost to bring it to completion?

Mr. MOSSLER. $1.25 million.

CONTRACT SERVICES

Mr. PASSMAN. I note that you are requesting $175,000 for contract services for the industrial growth contract, on page 127. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What is the man-year cost of U.S. technicians in Guinea, and what is the man-year cost of these contract technicians?

Mr. HUTCHINSON. On this contract, sir, it is three technicians plus 16 man-months of short-term consultant services. So, this would be 4⅓ years at $175,000; $37,000, something of that sort. So far as the average cost is concerned, 55 divided by 25, about $26,500.

I would say two things in connection with this, that this includes the 16 man-months of short-term consultants, which always runs higher because you have two-way travel associated with the man's short-term assignment which runs the total estimated cost up. This is a private firm contract which tends to run somewhat higher than the institutional contracts that we mentioned yesterday. Third——

Mr. PASSMAN. Private firms and institutions are the contracts outside of the AID Agency?

Mr. HUTCHINSON. Yes, sir; that is correct. But there is a difference, clearly——

Mr. PASSMAN. Certainly there is a difference.

TELECOMMUNICATIONS PROJECT

I note that you obligated $225,000 to the telecommunications project in fiscal 1963, and that you did not spend any of the money during that fiscal year. Is that correct?

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. PASSMAN. You estimate that you will spend only $75,000 in fiscal 1964. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. What was the date of the allocation?

Mr. HUTCHINSON. I do not think I have the actual date of the obligation. We will have to check that.

Mr. PASSMAN. Do you have that information, Mr. Controller?

Mr. TENNANT. I do not have that with me.

Mr. PASSMAN. Do you have it, Mr. Assistant Controller?

Mr. HUTCHINSON. I am sure he does not have it.

Mr. PASSMAN. How about you, Colonel, do you have it?

Colonel HEFFNER. No, sir.

Mr. PASSMAN. We wish you would get the information for us.

(The information supplied follows:)

Date of obligation for telecommunications project in Guinea: June 29, 1963.

CIVIL AVIATION PROJECT

Mr. PASSMAN. What was the date of the obligation of $705,000 for the civil aviation project, mentioned on page 131?

Mr. HUTCHINSON. I am not sure of the exact date. It was late in the fiscal year. That I am sure of.

Mr. PASSMAN. Did you justify the $732,000 when you were before the committee in 1964?

Mr. HUTCHINSON. We did not justify it on the project sheet.

Mr. PASSMAN. That is the question I am asking.

Mr. HUTCHINSON. But it was submitted, sir, as a part of Mr. Bell's testimony last year in connection with supporting assistance. This was started as a supporting assistance undertaking.

Mr. PASSMAN. But you did not have it as a project, even on an illustrative basis?

Mr. HUTCHINSON. No, sir; but it was submitted to the committee, and the report was submitted in connection with the use of supporting assistance which detailed the project.

Mr. PASSMAN. There was no indication of what you would allocate to the project at that time, is that correct, in Mr. Bell's statement?

Mr. HUTCHINSON. In the report submitted, the amount was indicated, sir.

Mr. PASSMAN. That sounds as if the money may have come out of the contingency fund.

Mr. HUTCHINSON. It did.

Mr. PASSMAN. What was the emergency nature of this project in Guinea?

Mr. HUTCHINSON. This was a project, sir———.

TECHNICAL ASSISTANCE CONTRACT WITH PAN AMERICAN FOR SUPPORT OF AIR GUINEE

Mr. PASSMAN. What is the purpose of the estimate of $215,000 for contract services in fiscal 1965, in view of the fact that you allocated $717,000 for this purpose in fiscal 1964?

Mr. MOSSLER. The combination of 1964 and 1965 money includes two elements. One, a contract with Pan American and, second——

Mr. PASSMAN. What kind of contract with Pan American?

Mr. MOSSLER. A service contract to work with them in their airline operations.

Mr. PASSMAN. Pan American has had around-the-world service?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. They have installations all over the world. This is one of their regular stops, is it?

What is the capital of Guinea?

Mr. HUTCHINSON. Conakry. I have forgotten the exact date they inaugurated service in Conakry, but it was within the last year.

Mr. PASSMAN. What does Pan American do for this money?

Mr. HUTCHINSON. Pan American will be providing technical assistance in connection with the operation of Air Guinee.

Mr. PASSMAN. Air Guinee, the national airline?

Mr. HUTCHINSON. The national airline.

Mr. PASSMAN. Does Pan American have any interest in Guinean airlines?

Mr. HUTCHINSON. In Air Guinee, they do not, sir.

Mr. PASSMAN. But you are paying Pan American——

Mr. HUTCHINSON. To provide technical assistance in the operation of this airline.

Mr. PASSMAN. Do they supply that assistance from the same place where they supply information for their own airlines going through?

Mr. HUTCHINSON. Sir, they will have personnel in the field teaching pilots, mechanics, and managers in the operation of the airline, teaching them how to establish rate schedules and advising on the types of planes, maintenance, and repair, and so on. You would not do this out of a ticket office.

Mr. PASSMAN. Out of what?

Mr. HUTCHINSON. You would not do this out of a ticket office.

Mr. PASSMAN. Do you not have technical facilities—towers, radar, and communications, and all that?

Mr. HUTCHINSON. To answer your question directly, they will not be providing this technical assistance in any way associated with the operation of Pan American Airlines.

Mr. PASSMAN. What is the amount of the contract?

Mr. MOSSLER. The total amount of money is $717,000 in 1964, plus $215,000 in 1965.

Mr. PASSMAN. Will that expenditure bring it to completion?

Mr. HUTCHINSON. No, sir; it will not.

Mr. MOSSLER. Of that amount, part of it is for the services——

Mr. PASSMAN. Let us find what it is going to cost to complete this thing.

Mr. HUTCHINSON. $8.2 million.

Mr. PASSMAN. This is a little country of 3½ million people where Pan American has inaugurated air service?

Mr. HUTCHINSON. Sir, I am emphasizing this is not done at Pan American's instigation.

(Off the record.)

Mr. PASSMAN. I am sure that it is, Mr. Hutchinson.

Mr. HUTCHINSON. It has to do with ———.

Mr. PASSMAN. I am trying to deal with the money.

Mr. HUTCHINSON. I want to emphasize that it was because of this policy that we have gone into this and gone into it in size.

Mr. PASSMAN. I am asking about the money, the cost, and some of the background.

How long has Air Guinee been in operation?

Mr. HUTCHINSON. Probably shortly after independence. I would have to check to be sure. Perhaps 5 years.

Mr. PASSMAN. Who provided this type of service before we went in with this program?

Mr. HUTCHINSON. The assistance provided to Air Guinee in the past has been provided by the Czechoslovak and bloc technicians.

Mr. PASSMAN. Then, are we in competition with them?

Mr. HUTCHINSON. (Off the record.)

Mr. PASSMAN. I hope you succeed.

Mr. HUTCHINSON. So do we, sir. It will be very important if we do.

(Off the record.)

CONTRACT SERVICES UNDER DEVELOPMENTAL TRAINING PROJECT

Mr. PASSMAN. Would you supply a breakdown for the record as to the various items of the $675,000 estimate for contract services under the developmental training project, on page 134?

Mr. HUTCHINSON. Yes, sir; I will be glad to.

(The information supplied follows:)

GUINEA—BREAKDOWN OF $675,000 ESTIMATED FOR CONTRACT SERVICES

This amount will finance a contract with the Afro-American Institute (AAI) from December 31, 1964, to December 31, 1965, for 6 administrative and clerical personnel and approximately 150 students. AAI coordinates and expedites selection and placement, arranges travel, disburses per diem, and provides guidance to these students. The contract cost breakdown is as follows:

1. Administrative costs (salaries, transportation, subsistence, insurance, miscellaneous)	$99,490
2. Student costs (maintenance, international and domestic travel, tuition and fees, books and supplies, insurance)	575,525
Total	675,015

Students are enrolled in courses ranging from vocational training of less than a year in length to 4-year bachelor's degree courses, in such fields as public administration, electronics, industry, management, mechanics, and engineering.

TECHNICAL SUPPORT TECHNICIANS

Mr. PASSMAN. Last year you requested $450,000 to finance 16 technicians under the technical support project, of which $350,000 was for salaries and $100,000 was for commodities. What is the basis for the rather substantial increase in the cost per U.S. technician, as your estimate last year was about $22,000 per technician, and it turned out to be $31,000, an increase of $9,000 over the amount that you testified for last year?

Mr. HUTCHINSON. I do not remember the number of technicians that we testified with respect to last year, sir.

Mr. PASSMAN. Let us look at the record.

Mr. HUTCHINSON. Sixteen technicians, right.

Mr. PASSMAN. Am I correct?

Mr. HUTCHINSON. You are correct.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. That is still the number that we are proposing for fiscal year 1965.

Mr. PASSMAN. You indicated last year the average cost would be $22,000 per technician, but it turned out to be $31,000. Am I correct there?

Mr. HUTCHINSON. Let us take a look.

Mr. PASSMAN. Please do.

Mr. HUTCHINSON. That is right, sir.

Mr. PASSMAN. Could you give us a little reason why this thing went up by that tremendous sum?

Mr. HUTCHINSON. I think I can tell you why the technician cost went up, sir. We found that it cost considerably more to support technicians in Guinea than we had anticipated, particularly because housing is difficult to find, and also because the furniture and facilities seem to wear out quite quickly in this climate. We found the cost of repair and replacement was higher than we had anticipated it would be.

DEAUTHORIZATION OF DIESEL GENERATORS PROJECT

Mr. PASSMAN. I note that you approved a credit for diesel electric generators and related equipment as of June 18. What is the basis for approving this credit almost a year ago, especially as the justifications indicate final site drawings for each of the 19 locations will have to be completed before equipment installation work can begin, and it is understood that the Guinea Government has hired a Swiss engineering company to undertake this work? Am I correct there?

Mr. HUTCHINSON. You are correct, sir. Two things on this. One, it is the practice to take a project down to what we call the 611 stage.

Mr. PASSMAN. What stage is that?

Mr. HUTCHINSON. Section 611. That is the provision of the law which requires that there be a demonstration of the economic and technical feasibility of the project and that the engineering has proceeded to the point that you can make a reasonable estimate of the

cost of the project. When that point is reached, we then agree to make the loan. The detailed engineering on the basis of which the work proceeds step by step is then done as the project progresses. That is the reason for this.

So far as this particular project is concerned, this one had reached that stage on the basis of a study by Tudor Engineering and an analysis by our own people. The Government of Guinea applied for a loan on the basis of that study. They then apparently began to change their minds as to what they wanted and temporized on going ahead.

This is the project I testified to earlier this week that we had just written them a letter telling them in view of their inability to decide that they wanted to go ahead on this basis, we were going to deauthorize the project.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. No questions, Mr. Chairman.

LIBERIA

Mr. PASSMAN. What has been the total amount of our aid for Liberia from all 16 of the spigots since the inception of the program?

Mr. HUTCHINSON. $176.4 million, sir.

Mr. PASSMAN. What sum do you have unliquidated in the pipeline to the credit of Liberia?

Mr. MOSSLER. On June 30, 1964, we expect to have $44.77 million.

Mr. PASSMAN. What is the population of Liberia?

Mr. KLING. 1 million.

MOUNT COFFEE ELECTRIC POWER PROJECT

Mr. HUTCHINSON. The single large element in this is the one loan which was made late in the fiscal year, of a little over $24 million.

Mr. PASSMAN. Is that the credit thing with three-fourths of 1 percent service charge and no interest?

Mr. HUTCHINSON. Yes, for the Mount Coffee electric power.

Mr. PASSMAN. Did you justify the project last year?

Mr. HUTCHINSON. This was included, yes, sir, in our loan projects.

Mr. PASSMAN. Have you anything at all in your 1965 request for Liberia, in view of the fact that you gave them so much in fiscal 1964?

Mr. HUTCHINSON. Yes, sir, we have.

Mr. PASSMAN. How much do you have in there for them?

Mr. HUTCHINSON. ———.

AGRICULTURAL ORGANIZATION PROJECT

Mr. PASSMAN. Since the agricultural organization project, on page 144, seems to have completed its objective, how do you propose to spend the $209,000 in fiscal years 1966 and 1968, or did you just forget to deobligate it?

Mr. HUTCHINSON. Mr. Chairman, I will have to investigate that.

Mr. PASSMAN. Have I made a statement of fact as the record indicates?

Mr. HUTCHINSON. You certainly have, sir.

Mr. PASSMAN. That might be one of those little pockets of recovery we could squeeze out, recoup, money which we might have coming in, do you suppose?

Mr. MOSSLER. There will not be any deobligation.

Mr. PASSMAN. There will not be any deobligation. The project has been completed. For what purpose are you going to spend the $209,000?

Mr. HUTCHINSON. That is the future year obligation after fiscal year 1965. Your point is well taken. It will not affect the 1965 program, but your point is well taken.

(Information supplied later follows:)

AGRICULTURAL ORGANIZATION AND TRAINING PROJECT

As indicated on page 144 of the "Program and Project Data" book, AID has completed its assistance on the organizational and extension service training aspect of the Liberian Agricultural Department. However, as indicated in the entry of fiscal year 1968 for "Scheduled Final Obligation," AID plans help for several additional years to the Liberian Department in the form of further agricultural guidance and training. The exact lines of such assistance will depend upon the outcome of the current AID study of Liberian agricultural problems.

PARTICIPANTS' COSTS FOR LIBERIA

Mr. PASSMAN. What is the annual cost of the participants that you propose to send to the United States for 1 year's training under the agriculture credit project, on page 147?

Mr. HUTCHINSON. $7,000, sir.

Mr. PASSMAN. How does that figure compare to the cost of participants from other parts of Africa?

Mr. HUTCHINSON. It is high.

Mr. PASSMAN. How much higher than the average? About $1,500?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. Why is it higher?

Mr. HUTCHINSON. There is no apparent reason, sir, that I am aware of.

Mr. PASSMAN. Thank you very much.

PUBLIC UTILITIES PROJECT

I note that you have programed $278,000 for the public utilities authority project, on page 148, for fiscal 1964. Is that correct?

Mr. HUTCHINSON. That is correct, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. HUTCHINSON. This is a new project, sir.

Mr. PASSMAN. We know it is new, but I say how much did you request for it last year?

Mr. HUTCHINSON. I am sorry. This was not included.

Mr. PASSMAN. You did not request anything for this project?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. This is another one of those for which you did not request any funds. Let us project it to completion. What is the cost?

Mr. HUTCHINSON. $583,000 is the estimate, sir.

Mr. PASSMAN. Gentlemen, maybe you should get someone to update your list, because we are running into projects that are not on your list.

Mr. HUTCHINSON. This is not on the list?

Mr. PASSMAN. No; it is not on the list. You ought to have a look at it.

Mr. MOSSLER. There is a very good reason that it should not have been on the list. This is one of those projects that we pulled out of a broader project that we had been operating for some years past.

Mr. PASSMAN. This is one of those subprojects to a subproject?

Mr. HUTCHINSON. It was, and in accordance with your own desires, we pulled it out to make an individual project of it.

RURAL PUBLIC WORKS PROGRAM

Mr. PASSMAN. I note that you have programed $547,000 for the rural public works program in fiscal 1964.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. HUTCHINSON. $202,000.

Mr. PASSMAN. As you have allocated $413,000 for contract services in fiscal 1964, why do you need an additional $250,000 for this purpose in fiscal year 1965?

Mr. HUTCHINSON. Sir, the 1965 funding is for the procurement of equipment and to finance the construction costs associated with the construction of the roads that are involved in the project, as indicated over on the last page of the project justification.

Mr. PASSMAN. Where you have a major project, let us say under "Education," and you have maybe a series of buildings in one town, maybe another type of facility in another town, and you wind up with, say, five different and distinct projects but under perhaps the caption "Education," should that not actually be broken down to show there is a prime project, but that you have so many projects, whatever number there may be, under this prime program?

Mr. HUTCHINSON. I think it should be, sir.

Mr. PASSMAN. Let us work in that direction.

Mr. HUTCHINSON. I agree entirely with your point, and we are doing it.

Mr. PASSMAN. Thank you, sir. I think we are up to about 4,000 projects around the world if you could break it out on that basis.

SCHOOL DEVELOPMENT PROJECT

I note that your school development project, on page 161, will have an unexpended balance on June 30, 1964, in the amount of $825,000. Is that correct?

Mr. HUTCHINSON. Yes, sir, that is correct.

Mr. PASSMAN. In what fiscal years and in what amounts were these funds obligated?

Mr. HUTCHINSON. I could only give you the total through 1963——

Mr. PASSMAN. If you will, insert the data in the record.

Mr. HUTCHINSON. All right, sir.

(The information supplied follows:)

SCHOOL DEVELOPMENT PROJECT ON PAGE 161 OF CONGRESSIONAL PRESENTATION BOOK—YEAR IN WHICH $825,000 BALANCE WAS OBLIGATED

The estimated unliquidated obligations as of June 30, 1964, represents funds obligated as follows:

Fiscal year 1962 and prior years	$16,000
Fiscal year 1963	674,000
Fiscal year 1964	135,000
Total	825,000

The major components of the pipeline are the unliquidated amounts of two construction contracts for 40 rural schools, and the amounts which will be disbursed for purchases of school equipment and supplies.

CORNELL UNIVERSITY CONTRACT

Mr. PASSMAN. How much of your unexpended balance of $1.401 million for the professional and higher education project is for advance funding of the Cornell contract, which provides 15 specialists to the University of Liberia?

Mr. HUTCHINSON. This is the one on page 163. It looks like $1,077,000 for contract services.

Mr. PASSMAN. Why would you need an additional $508,000 for these advisers in fiscal 1965?

ADVANCE FUNDING PRACTICE

Mr. HUTCHINSON. A part of this, sir, is equipment and other costs, but the greater part is for the services. The reason for the additional funding is, as we have indicated to you earlier, it has been the practice of the Agency to keep a contract funded for 2 years in advance in order to permit continuity, holding the staff together, and so on. So, in accordance with usual practice, we would add 1 year to the funding each year, keeping it funded 2 years in advance.

We are now funding only 18 months in advance, so we are adding enough to carry this until December 26, 1966.

Mr. PASSMAN. Are you working toward funding them for 2 years?

Mr. HUTCHINSON. No, sir, we are working toward reducing the funding from 2 years to 18 months.

Mr. PASSMAN. Will that practice be universal?

Mr. HUTCHINSON. We are trying it as an experiment in the African area to see how it works out.

Mr. PASSMAN. On a tight program you would have to use that same kind of formula in the entire area, would you not?

Mr. HUTCHINSON. If the experiment works out, we would expect that we would be using it.

Mr. PASSMAN. Aside from that matter, could you not encourage it to work out if you had a tight program?

Mr. HUTCHINSON. I think, sir, this is one reason it is possible to make our program as tight as it is, because we have reduced it in this way.

Mr. PASSMAN. This is just an experiment. You do not know whether it will be universal or not. This formula is not being applied across the board presently.

Mr. HUTCHINSON. No, sir, and we do not even know whether we will be able to continue it in Africa, but we are trying it on an experimental basis.

Mr. PASSMAN. If you go back to your figures, it appears to me, if we refer to the information on page 163, you have unexpended, of the total that we referred to, $1,401,000—$1,077,000 for these advisers, and that is a full 2 years. Then if we look under the contract services for fiscal 1965, you have asked for $508,000, which, it appears, gives you 3 years. Is that correct?

Mr. MOSSLER. No. Let me explain that, Mr. Chairman.

Mr. PASSMAN. It needs explaining.

Mr. MOSSLER. Of the $1,077,000 which you refer to in the pipeline——

Mr. PASSMAN. I referred to $1,401,000, of which you testified $1,077,000 was to fund these advisers.

Mr. MOSSLER. Of that $1,077,000 for contract services, a portion is for equipment.

Mr. PASSMAN. What are you doing with the difference between the $1,077,000 and $1,401,000?

Mr. MOSSLER. Of that, $129,000 is for participants, $21,000 for other costs——

Mr. PASSMAN. What other costs?

Mr. MOSSLER. These are local costs.

EQUIPMENT

Mr. PASSMAN. How much of the $1,077,000 is for equipment?

Mr. MOSSLER. $210,000.

Mr. PASSMAN. What kind of equipment?

Mr. MOSSLER. I do not have a detailed breakdown of it, but it is equipment that will be going into that project. We can supply that. It is primarily for laboratory equipment, sir.

Mr. PASSMAN. Do you know what it is, sir.

Mr. MOSSLER. Yes. It is in the book on page 164.

Mr. PASSMAN. Why do you not read it into the record?

Mr. MOSSLER. Books, library, and laboratory equipment.

Mr. PASSMAN. That is really a lot to put in. Thank you for that contribution.

TECHNICAL SUPPORT PROJECT

I note that you are requesting $452,000 for 25 technicians under the technical support project. Is that correct?

Mr. HUTCHINSON. $452,000, sir; that is correct.

Mr. PASSMAN. This would be an average of approximately $18,000 per technician. Is that correct?

Mr. HUTCHINSON. That is about right, sir.

TECHNICIAN COSTS

Mr. PASSMAN. What is the average cost per technician in this country?

Mr. HUTCHINSON. $30,000, sir.

Mr. PASSMAN. Are these second-rate technicians?

Mr. HUTCHINSON. These, sir, are technicians which include people working in the office, clerical-type personnel assigned to the project, as well as the——

Mr. PASSMAN. Are these technicians assigned to clerical jobs? These are chiefs, too, are they not?

Mr. HUTCHINSON. Some of the project chiefs are included; yes.

Mr. PASSMAN. We are not objecting to its being low, but when there is a difference——

Mr. HUTCHINSON. If you will look on page 181, you will notice that it includes, in addition to project chiefs, things like assistant training officer, general service officer, assistant supply adviser, and 11 clerk-stenographers.

Mr. PASSMAN. Do these clerks take care of all the others in the field?

Mr. HUTCHINSON. These clerks are associated with the technicians.

Mr. PASSMAN. How many technicians are there altogether?

Mr. MOSSLER. Seventy-four.

Mr. PASSMAN. The average cost is $31,000. But you take this category and scale them down to $18,000.

Mr. HUTCHINSON. Yes, sir; because of the type of personnel.

Mr. PASSMAN. We hope you made a mistake and the average for all of them is $18,000.

DEVELOPMENT LOAN PROGRAM IN LIBERIA

I note that as of December 1960, Liberia has received $31,640,000 in development credits alone; is that right?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Would you give us a brief statement as to whether Liberia has any chance to pay off the amount of credits that we have extended to her, as the statistics on the divider sheet do not seem to indicate any real growth since 1960?

Your statement also indicates, on page 185 of the justifications, "Liberia's inability to service additional medium- and short-term debt." That means it is just going to have to be this old long-term stuff?

Mr. HUTCHINSON. It surely does. It will have to be long-term stuff.

This is the reason we are confident of her ability to service it. It is long term and her long-term prospects for foreign exchange are very good.

Mr. PASSMAN. It is strictly problematical and speculative.

Mr. HUTCHINSON. Any long-term projection is speculative. In the case of Liberia there is real reason for optimism in this respect because of their great mineral resources.

Mr. PASSMAN. Do you go out to these countries occasionally, Mr. Secretary?

Mr. KLING. Yes, sir.

Mr. PASSMAN. (Off the record.)

(Discussion held off the record.)

DEFAULTED SAWMILL PROJECT

Mr. PASSMAN. Is the sawmill project still in default?

Mr. HUTCHINSON. The sawmill project is in default, sir.

Mr. PASSMAN. Is that the first development credit we made to them, the one for the sawmill?

Mr. HUTCHINSON. I don't recall whether it was the first one or whether the telecommunications was the first.

Mr. PASSMAN. Check whether or not that project was the first one.

Mr. HUTCHINSON. I think I should point out, sir, that the sawmill project was a small private project partially financed by American investors operating with very small capital.

Mr. PASSMAN. It is still in default, though; is it not?

Mr. HUTCHINSON. Yes. My point is that is in no way indicative of Liberia's ability to repay credits made to her.

Mr. PASSMAN. According to your statement that is not so. I read, "Liberia's inability to service additional medium- and short-term debts." This credit was long or short term?

Mr. HUTCHINSON. This was not a liability of Liberia. This was a liability of the private investors, sir.

Mr. PASSMAN. Uncle Sam loses, anyway, if it is not collected.

Mr. HUTCHINSON. Yes, sir; the way it now stands. We will make some efforts to rehabilitate the project. We hate to see a small private loan go bad for two reasons; we hate to lose our money.

Secondly, we would like the private project to be successful. We want the private sector to grow.

Mr. PASSMAN. Will you apply the rollover formula on this?

Mr. HUTCHINSON. I don't know what formula we will apply to this.

Mr. PASSMAN. You know what that means; do you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Bring them up to date whether they pay or not.

Mr. HUTCHINSON. I don't know what approach will be taken or whether any approach will be used.

Mr. PASSMAN. What has been the total amount of aid to Libya from all 16 spigots?

Mr. HUTCHINSON. $204.9 million.

Mr. PASSMAN. What is the population of that country?

Mr. KLING. 1.3 million people, sir.

Mr. HUTCHINSON. Most of the assistance here has been related to the base there.

Mr. PASSMAN. It is still assistance, is it not? It is still American taxpayers' money.

Mr. HUTCHINSON. Yes, sir. I wanted to indicate it was related to specific U.S. interests and a specific U.S. strategic facility rather than the population of the country.

UNLIQUIDATED CREDIT

Mr. PASSMAN. What sum is unliquidated to the credit of Libya?

Mr. HUTCHINSON. $2,014,000.

Mr. PASSMAN. When did Libya gain her independence?

Mr. KLING. 1951, sir.

Mr. PASSMAN. What is the amount of aid that we have given to Mali since she was born?

Mr. HUTCHINSON. $10.7 million.

Mr. PASSMAN. What is the population of Mali?

Mr. KLING. 4.4 million, sir.

VOCATIONAL TRAINING PROJECT

Mr. PASSMAN. I note that you are programing $551,000 for the vocational training project, shown on page 199; is that correct?

Mr. HUTCHINSON. Programed for 1964?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. $551,000.

Mr. PASSMAN. How much did you request for this project last year?

Mr. HUTCHINSON. $236,000.

Mr. PASSMAN. You are programing more than double the amount of the request.

Off the record.

(Discussion held off the record.)

Mr. HUTCHINSON. You are right, Mr. Chairman. The amount is $60,000.

Mr. PASSMAN. You allocated $551,000.

Mr. HUTCHINSON. Yes, sir.

COMMUNIST BLOC ACTIVITIES IN MALI

Mr. PASSMAN. I notice that the Communist bloc has technicians in Mali. Do they work independently of ours or do they wind up on the same projects?

Mr. HUTCHINSON. They work independently of ours, sir.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. RHODES. Did any of these people who attended this opening give up their Communist cards?

(Off the record.)

Mr. HUTCHINSON. When I say "give up their Communist cards" I use it figuratively. I am not saying any of them do or do not have Communist cards.

Mr. RHODES. I said that. You didn't have to.

Mr. HUTCHINSON. Thank you.

Mr. RHODES. The silliest thing we do is to provide aid for this country.

(Off the record.)

Mr. HUTCHINSON. However, as I see the way countries do in fact change their attitudes and their orientation, as has been happening in this country, my opinion changes.

I am convinced that the provision of aid to this Government has been a factor. I cannot prove this with statistics and this sort of thing, but based on observation I am convinced this is the case.

Mr. PASSMAN. I do not like to keep repeating the fact, but some of these nations actually take us for a pretty rough ride. The record is clear on that point.

CONTRACT SERVICES IN MALI

For what purpose did you obligate $431,000 in fiscal 1964 for contract services?

Mr. HUTCHINSON. Sir, this was the ORT contract which is for the installation of the equipment and training items within the school and providing the technical training to the Malians.

Of this $225,000 was the technical services and $206,000 was for equipment.

Mr. PASSMAN. Tieing that into fiscal 1963 justifications for this project indicates the obligation for 1962 covered a 2-year contract, for 1963 and 1964, and the 1964 justification requested only $60,000.

Mr. HUTCHINSON. That is correct, sir. I testified earlier we actually obligated $551,000, of which $431,000 was for contract services. It is broken down as I indicated.

Mr. PASSMAN. Over how long a period was this?

Mr. HUTCHINSON. Apparently the earlier technicians are on a 24-month basis and the later ones on an 18-month basis.

Mr. PASSMAN. As the costs of the contractual services for fiscal 1963 have been met with fiscal 1962 funds, the primary requirements for fiscal 1963 funds would be to meet local costs for the construction of additional shop facilities and procure specialized equipment. This was a 2-year contract for staff and equipment. Then you allocated $431,000 in fiscal 1964, which certainly would cover 1964 and 1965.

Mr. HUTCHINSON. All right, sir.

Mr. PASSMAN. Then why would you need this money for fiscal year 1965?

Mr. HUTCHINSON. To fund it through 1966, sir, through August of 1966. If we fund it only through 1965——

Mr. PASSMAN. It states August of 1965 here.

Mr. HUTCHINSON. All right.

Mr. PASSMAN. We are looking at the fiscal 1964 justifications.

Mr. HUTCHINSON. Sir, the fund——

Mr. PASSMAN. Read the language. It states fiscal 1965 year funds would be needed only through August of 1965.

Mr. HUTCHINSON. That is definitely a mistake.

Mr. PASSMAN. That is the point. I am trying to understand it.

Mr. HUTCHINSON. There was an error in putting 1965 where it should have been 1966.

Mr. PASSMAN. We do run into a lot of errors.

Mr. PASSMAN. If you were operating on a tight program on some of these projects, such as this $60,000 project which went up to $555,000, you would have had to allocate a lower figure. Is that right?

Mr. HUTCHINSON. We would have had to allocate a lower figure and the development objectives and the political objectives in Mali would have suffered.

Mr. PASSMAN. If this were on a line item basis, there would be a real overhaul of this program.

Mr. HUTCHINSON. It would totally destroy the effectiveness of it as an instrument of U.S. foreign policy.

Mr. PASSMAN. We have made a lot of progress here in the United States in reclamation, flood control, rivers and harbors improvements, and practically everything else, handling them in such manner.

Morocco

What has been the total amount of aid to Morocco since the inception of the program?

Mr. Hutchinson. $411 million.

Mr. Passman. What sum do you have unliquidated to Morocco's credit?

Mr. Hutchinson. As in the case of Libya, this also has been very greatly related to the U.S. strategic position in this country.

Mr. Passman. We have given up some of those bases. Some day we will give them all up, leaving them a lot of fine buildings and runways. It is still aid.

Mr. Hutchinson. We estimated on June 30, 1964, $43,279,000 as unliquidated.

Mr. Passman. Have you included Public Law 480 and all the other spigots of aid?

Mr. Hutchinson. The $411 million is the total.

Mr. Passman. But you have not included Public Law 480?

Mr. Hutchinson. That is right.

Mr. Mossler. If you add Public Law 480 it is another $21,710,000.

Mr. Passman. How about International Organizations? Do they get some aid there, too?

Mr. Hutchinson. In 1963 they got $17 million from the IBRD and $3 million from the U.N. technical assistance.

Mr. Passman. Give us a little recapitulation at this point in the record and see how high we can take this thing, even if we have to put a hole through the roof.

I think you will get up close to a half billion dollars.

Mr. Hutchinson. Total assistance from U.S. and international organizations?

Mr. Passman. All types.

You can supply the figure for the record.

Mr. Hutchinson. About $435 million is what it amounts to.

Mr. Passman. We have run it up from $411 million.

Bases in Morocco

What did it cost to build all those bases and facilities we are leaving?

Colonel, have you any idea?

Colonel Heffner. I don't know the exact cost.

Mr. Passman. Those permanent and semipermanent installations and facilities have value to Morocco. If the information is not classified, would you try to ascertain the cost of the bases in Morocco which we are now leaving?

Colonel Heffner. We shall provide that for you.

(A classified document was submitted to the committee.)

Mr. Passman. Off the record.

(Discussion held off the record.)

Nigeria

Mr. Passman. What is the population of Nigeria?

Mr. Kling. The population of Nigeria in the last census was 55 million, but this has been open to some dispute.

It has been open to some dispute in Nigeria.

Variations range from 40 million originally, to the last census which brought it up to 55 million.

Mr. PASSMAN. The cities and towns in my home State get part of the tobacco tax. The larger the population the greater the amount of aid.

I wonder if they work on that basis in Nigeria.

Mr. KLING. The political situation in Nigeria is not unassociated with the population figures.

Mr. PASSMAN. Inflated?

Mr. KLING. I will not pass judgment on it, sir, but I am saying that the size of the population in the different regions of Nigeria has a very crucial bearing on the political situation there, and therefore the latest census figures are being disputed by certain people in Nigeria.

I thought for the record I should make it clear. The census has come out with a figure of 55 million people.

Mr. PASSMAN. In what period of time?

Mr. KLING. The last census was taken about 2 years ago but the results were not published.

Mr. PASSMAN. If this thing had gone the other way there would be 25 million out there rather than 55 million?

Mr. KLING. I do not want to pass judgment——

Mr. PASSMAN. 15 from 40 would be 25?

Mr. KLING. That is right.

Mr. PASSMAN. 15 on top of 40 is 55?

Mr. KLING. I cannot dispute that.

TOTAL AID TO NIGERIA

Mr. PASSMAN. What has been the total amount of aid to Nigeria since the inception of the giveaway program?

Mr. HUTCHINSON. $83.1 million, sir.

Mr. PASSMAN. What is the unliquidated total to the credit of Nigeria?

Mr. MOSSLER. $76.7 million.

You have to add to Mr.——

Mr. PASSMAN. You are not getting the population mixed up with the dollars, are you?

Mr. MOSSLER. He gave you the total obligations at the close of fiscal year 1963.

Mr. PASSMAN. Let us go back again.

Mr. HUTCHINSON. You are giving the pipeline as of the end of 1964?

Mr. MOSSLER. Yes.

Mr. PASSMAN. What has been the total amount of the giveaway program to Nigeria, estimated through June 30 of 1964?

Mr. HUTCHINSON. June 30, 1964?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. We will have to add the anticipated 1964 program to it. It would be $113.7 million.

Mr. PASSMAN. That would be the total.

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. What would be the unliquidated amount to the credit of the spigots in your category only through June 30?

Mr. MOSSLER. $76.7 million.

Mr. PASSMAN. Does that include Public Law 480 or any of the other giveaway programs?

Mr. MOSSLER. It does. This figure does not include Public Law 480 since we have no Public Law 480 to speak of there.

Mr. HUTCHINSON. No Public Law 480 pipeline.

Mr. PASSMAN. Do they participate in the international organizations?

Mr. MOSSLER. Yes, sir.

Mr. HUTCHINSON. They certainly do.

Mr. PASSMAN. That aid is not included in the figures you have given us?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. I think you are planning for Nigeria in fiscal 1965 the asking figure of ———, of which ——— is the estimate for development credits and $17,620,000 is the estimate for development grants. Is that correct?

Mr. HUTCHINSON. That is correct, sir.

TRAINING PARTICIPANTS PROGRAM

Mr. PASSMAN. I note, from page 225, that you have programed a total of 494 participants, an increase of 58 above what you requested last year. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How about the technicians? How many did you request last year?

Mr. HUTCHINSON. These are technicians?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. 190, sir.

Mr. PASSMAN. In many different categories?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Strong in agriculture?

Mr. HUTCHINSON. Agriculture and education.

Mr. PASSMAN. How about field endeavors, such as barns, outhouses, and so on? Do they go in for that type of construction, deep wells?

Mr. HUTCHINSON. General construction, but——

Mr. PASSMAN. This is an agricultural country?

Mr. HUTCHINSON. Yes, this is in agricultural extension——

Mr. PASSMAN. In what kind of work do they participate?

Mr. HUTCHINSON. First in the establishment of agricultural extension services and educational institutions, teaching people methods of increasing production, for example, in poultry as the Governor indicated with respect to "Chicken" Davis; establishment of teacher training institutions; getting the University of Nigeria into operation, and so on.

Mr. PASSMAN. Do they get into personal hygiene, sanitation, and so on?

Mr. HUTCHINSON. Perhaps some of this is involved but we do not have a public health program of any magnitude in Nigeria, sir.

Mr. PASSMAN. What are the main agricultural commodities there?

Mr. KLING. Cocoa, cotton, and peanuts.

Mr. PASSMAN. You have technicians in those fields?

Mr. HUTCHINSON. I am not aware we have any technicians working in the field of cotton. We have one working in the field of cocoa. I am not familiar with any in either peanuts or cotton.

Mr. PASSMAN. Of the $225 million under the 202 commitment——

Mr. HUTCHINSON. How much is that?

Mr. PASSMAN. $225 million is not in 202.

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. Out of the $225 million commitment how much have we allocated to date?

Mr. HUTCHINSON. At the end of fiscal year 1964 we expect to have allocated $104.2 million, sir.

Mr. PASSMAN. Over how many years?

Mr. HUTCHINSON. Over 3 years.

PEACE CORPS PROGRAM IN NIGERIA

Mr. PASSMAN. Does the Peace Corps have any personnel in Nigeria?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How many?

Mr. HUTCHINSON. They have a very large program in Nigeria, sir.

Mr. PASSMAN. Put the figure in the record.

Mr. HUTCHINSON. All right, sir. This is one of their larger programs.

I see it is 523.

DEVELOPMENT LOANS TO NIGERIA

Mr. PASSMAN. Do you have any projects in mind at this time that might qualify for development credits in fiscal 1965 for Nigeria?

Mr. HUTCHINSON. Yes, sir; we do.

Mr. PASSMAN. Would you put that information in the record?

Mr. HUTCHINSON. All right, sir.

Mr. PASSMAN. Give the project and amount and whether it is being funded in its entirety.

(The information, being classified, was furnished to the committee.)

NUMBER OF PROJECTS

Mr. PASSMAN. And also a table showing all the projects in operation in Nigeria, including the amount of funds that have been obligated through June 30, 1964. Show it by project, and whether or not you have had to amend the original estimate to a higher or lower figure.

Mr. HUTCHINSON. All right, sir.

(The information supplied follows:)

Estimates of fiscal year 1964 funding for Nigeria projects

[In thousands of dollars]

	Cumulative through fiscal year 1963	Estimate in fiscal year 1965, congressional presentation	Estimate in fiscal year 1964, congressional presentation
Agricultural education	3,560	2,084	1,474
University agricultural education	2,056	279	1,653
Agricultural production and distribution, west Nigeria	2,860	1,213	1,335
Agricultural production and distribution, east region	1,128	584	685
Agricultural production and distribution, north Nigeria	3,285	1,222	1,215
Agricultural credit and cooperatives	123	40	57
Agricultural supervisory and advisory services	560	486	378
Fisheries development	259	42	148
Hadejia Valley development	354	54	279
Agricultural statistics	301	130	111
Water supply investigations	472	154	690
National telecommunications survey	376	1,000	
Industrial development:			1,552
Industrial development support	399	231	
Investment promotion	2,693	1,183	
Indigenous industry	1,206	55	
Feasibility studies	1,300	960	1,500
Industrial credit			150
Vocational and technical education	1,546	395	417
Comp. secondary schools	3,212	208	1,752
University of Nigeria (higher education)	4,788		1,469
Teacher training	6,278	664	2,095
Education planning	562	627	477
Engineering education		500	524
North Nigeria teachers			504
Higher education	4,788	1,046	
Nigeria teacher training superintendents	59	186	
Modern aids to education	921	184	319
University publications and business administration	1,528	473	578
Economic and financial statistics	161	112	54
Government services training	340	178	127
Public service staff superintendents	5		200
Industrial housing	94	149	96
Communications resources	1,349	153	163
Independence gift	280		
Book publishing		302	
Technical support	5,041	1,759	1,498
Total	51,884	16,653	21,500

DEOBLIGATION OF FUNDS

Mr. PASSMAN. Also include any deobligations covering the same period of 3 years the program has been operating.

Mr. HUTCHINSON. All right, sir.

(The information supplied follows:)

Deobligations for Nigerian projects

	Development grant
Fiscal year 1961	0
Fiscal year 1962	$36,000
Fiscal year 1963	509,000

STAFF HOUSING

Mr. PASSMAN. How much money have you obligated through fiscal 1964 for staff housing in Nigeria?

Mr. MOSSLER. I cannot give it to you except for 3 years, what we did in 1963 and what we plan to do in 1964 and 1965.

Mr. PASSMAN. That is all right . Put it in the record.

(The information supplied follows:)

STAFF HOUSING IN NIGERIA

Following is a breakdown of staff housing for Nigeria which has been or is expected to be covered under section 636(c) of the Foreign Assistance Act.

	Number of houses	Amount
Fiscal year 1963	17	$262,000
Fiscal year 1964	4	50,000
Fiscal year 1965		
Total	21	312,000

There are an additional six houses which are part of a larger construction contribution to AID-assisted institutions and these houses are funded under the following projects:

	Number of houses	Project	Amount
Fiscal year 1963	3	Agriculture education	$45,000
Fiscal year 1964	1	Agricultural production, western region	15,000
Fiscal year 1965	2	do	30,000
Total	6		90,000

CONTRACT SERVICES

Mr. PASSMAN. I note that you have several projects in the agricultural natural resources sector in the amount of $6,861,000, and included in that amount I see a request for funds for contract services for the last half of fiscal year 1966 and the first half of fiscal 1967; is that correct?

Mr. HUTCHINSON. Sir, I haven't an analysis of the contracts by sectors. I can pull out that information project by project.

Mr. PASSMAN. It would appear that you are forward-funding some of these contracts considerably in advance.

Mr. HUTCHINSON. Sir, we are forward-funding these contracts to December of 1966 unless there is, in some particular instance, some special reason for going beyond that.

Mr. PASSMAN. Calendar 1966?

Mr. HUTCHINSON. Yes.

This represents a 6-month shortening of the pipeline over what has been standard.

Mr. PASSMAN. I think you had better have a look at this item; $6,600,000 is a lot of money.

Mr. HUTCHINSON. That is for the whole sector.

Mr. PASSMAN. I refer to this whole sector. Give us the spread on that matter.

Mr. HUTCHINSON. I would be glad to give you a spread, contract by contract. I am sure we will find they are funded to December of 1966. This is from fiscal year 1965 money.

(The information supplied follows:)

INSTITUTIONAL CONTRACTS UNDER THE AGRICULTURAL PROJECTS IN NIGERIA

Included in the $6,861,000 for agricultural activities are the following institutional contracts for which fiscal year 1965 funds are required to cover the period December 1965 to December 1966.

Contractor	Project	Contract funding requested
University of Wisconsin	University agricultural education	$445,000
Kansas State University	do	480,000
Colorado State University	Agricultural education	565,000
Research Triangle Institute	Agricultural statistics	85,000
Total		1,575,000

PROJECTS IN INDUSTRY AND MINING

Mr. PASSMAN. In the industry and mining sector I note that you have four projects with an estimated cost of $2,797,000 for fiscal 1965. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is it really our responsibility to distribute an industrial newsletter with a circulation of over 2,700 to Nigerian businessmen under industrial development projects, development support projects?

Mr. HUTCHINSON. We feel very strongly, sir, that one of the important aspects of the AID program ought to be something to try to develop the private sector, to try to get some foreign investment in.

Congress also has laid upon us a very strong mandate——

Mr. PASSMAN. This letter is going to the Nigerian businessmen, is it not?

Mr. HUTCHINSON. Is there not an interest in developing the Nigerian private sector?

The development of the indigenous private sector we think is one of the most important aspects of any developing country's approach to its development problem.

Mr. PASSMAN. It would appear to me that maybe this activity would be the responsibility of the Nigerian Government.

Mr. HUTCHINSON. I would hope, sir, you would not feel that we and the Nigerian Government—that we can work with the Nigerian Government on governmental projects but not take any role of stimulation or trying to help the private sector.

Mr. PASSMAN. Have you a copy of one of those newsletters?

Mr. HUTCHINSON. I would be glad to get you one, sir.

Mr. PASSMAN. We wish that you would.

Mr. HUTCHINSON. Very well, sir.

INVESTMENT AND PROMOTION PROJECTS

Mr. PASSMAN. Why do you need $700,000 for contract services for investment and promotion projects, on page 246? It appears that the pipeline on June 30 contained $1,633,000 to forward-fund the contract through December of 1964. That is for a field staff of 13 men and 8 man-years for short-term consultants. Is that correct?

Mr. HUTCHINSON. Yes, sir. Again this is the usual situation with respect to the addition of enough money to carry the contract another year forward. This likewise should fund this contract until December of 1966.

FEASIBILITY STUDIES IN NIGERIA

Mr. PASSMAN. I note that you are requesting $1 million for the feasibility study project shown on page 249.

Mr. HUTCHINSON. That is what I am saying. The pipeline will fund it through December of 1965.

The additional funds for 1965 will carry it to December 31, 1966.

You will notice that the amount for that contract service is considerably less than the amount that is in the pipeline. This indicates we are cutting back on the forward funding.

Mr. PASSMAN. But, you are requesting $1 million for a feasibility study contract, on page 249, even though you do not have readily identifiable projects to utilize the entire amount?

Mr. HUTCHINSON. That is correct, sir. One of the greatest difficulties in moving ahead with development in Nigeria is the inability to get their projects ready to be actually carried out.

Mr. PASSMAN. Why rush into just about every project conceivable in 1 year?

Mr. HUTCHINSON. It is not rushing into every project.

Mr. PASSMAN. Do you know of anything you can think of that is not here?

Mr. HUTCHINSON. If you start with the assumption on which the whole program is based, that it is in the U.S. interest to see these countries grow and develop, and to see them grow and develop more quickly than they would without U.S. assistance, then it is clearly a legitimate and integral part of that program to help them with the development of the projects to the point where they can move ahead with them.

Mr. PASSMAN. I wonder who figures it out that the programs and the various projects are in the interest of the United States. That is the stock answer. I am not putting this at your door.

Mr. HUTCHINSON. I know.

Mr. PASSMAN. I would like to know what frame of mind a man has to get into in order to actually think it is in the interest of the United States for us to be in 100 nations of the world, every type of nation, with this program, which includes projects of every conceivable type.

INTERESTS OF UNITED STATES IN HAVING FOREIGN AID PROGRAM

Mr. HUTCHINSON. I would like to state why it appears to me, as a simple man, to be in the interest of the United States to carry on these kinds of programs.

First, they are in many aspects clearly related to the maintenance of specific strategic facilities which have been determined to be in the security interest of the United States.

Second, they are directed toward the development of a higher level of the economic activity throughout the world which I think is clearly in the interest of the United States as a commercial nation.

Third, I think they are clearly directed toward the attainment of a certain amount of political stability in this extremely unsettled time, which I also think is in the security interest of the United States.

Fourth, I think there is an element, and an appropriate element, of a humanitarian creative interest on the part of the United States in participating in the process which is going on in the world.

I don't think the United States can afford to withdraw itself from all the historical events which are going on in our time.

That is a very simple and short statement of reasons on my part for feeling this is in our interest.

Mr. PASSMAN. I can document, I believe, to the satisfaction of any person who will look at the figures that this thing is seriously damaging our economy. It is contributing substantially to the outflow of gold from the United States and to our dangerous balance-of-payments deficits; it is contributing to our loss of world markets; and it is a load which our taxpayers cannot continue indefinitely to carry.

EDUCATION PROJECTS IN NIGERIA

In the education sector, I note that you have seven projects with an estimated cost of $5,131,000. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is there any way to project these projects to completion?

Mr. HUTCHINSON. I can go through and add them up project by project.

Mr. PASSMAN. Let us do this just one time.

Give us a list in the record.

Mr. HUTCHINSON. All right, sir.

(The information supplied follows:)

Cost to completion for education projects in Nigeria

[In thousands]

Program title and number	Obligations				
	Through 1963	Estimate 1964	Estimate 1965	Estimated future	Estimated total
Northern Nigeria teacher training support (620-12-640-710)	$59	$186	$484	$1,285	$2,014
Comprehensive secondary schools (620-11-650-601)	3,212	208	1,064	5,215	9,699
Vocational and technical education (620-11-610-100)	1,546	395	417	706	3,064
University of Nigeria (620-11-660-602)	4,788	1,046	1,243	3,875	10,952
Teacher training (620-11-660-605)	6,278	664	1,072	4,756	12,770
Education planning (620-11-690-207)	562	627	427	3,431	5,047
Modern aids to education (620-11-690-208)	921	184	424	1,000	2,529
Total	17,366	3,310	5,131	20,268	46,075

PROJECT COSTS

Mr. PASSMAN. Let us take all projects and show the allocation and the estimated cost to completion.

(Off the record.)

Mr. PASSMAN. When we have finally funded the total amount of this $225 million, could you state to the committee that this is it, that we have made this contribution and we then are pulling out, or would we give some consideration to a request for additional money?

Mr. HUTCHINSON. We would give consideration to requests for additional assistance. It is not our anticipation at this point in time that we would make another long-term commitment.

Mr. PASSMAN. Last year you requested $1.498 million for the technical support project in fiscal year 1964 and stated that less funds would be required in fiscal year 1964 than in fiscal year 1963 because the original housing leases which required considerable advance funding were effective through 1964.

How much do you estimate you will obligate for this project in fiscal year 1965?

Mr. HUTCHINSON. $1.951 million.

Mr. PASSMAN. If you will, project that cost to completion.

Mr. HUTCHINSON. Sir, you cannot project this to completion as a project because it will continue on as long as there is a program there.

Mr. PASSMAN. I am trying to tie it into the $225 million.

SECTION 202(B) COMMITMENTS COMPARED TO EXECUTIVE COMMITMENTS

Mr. HUTCHINSON. It is related to the $225 million, but I cannot project it to completion.

Mr. RHODES. This is not a 202(b) country?

Mr. HUTCHINSON. No; although it is a long-term commitment country.

Mr. RHODES. What is the difference?

Mr. HUTCHINSON. The difference technically is this: Section 202(b) commitments are decided to be made under the authority of section 202(b) of the act, which provides that the executive branch is authorized to make commitments subject to appropriations. The argument has been that that kind of a commitment tends to have more of a moral backing and more of a backing of the Congress than the commitment made solely by the executive branch.

Mr. RHODES. You did not want to give Nigeria that greater sanctity?

Mr. HUTCHINSON. May I go off the record?

Mr. RHODES. Sure.

Mr. HUTCHINSON. Off the record.

(Off the record.)

Mr. PASSMAN. Last year, when you were testifying for funds for fiscal year 1964 on this technical support project, and I repeat, you said you would need $1,498,000. It was stated that less funds would be required in fiscal year 1964 than 1963 because the original housing leases which required considerable advance funding were effective through fiscal year 1964; but, when you come back, we find you have allocated not $1.498 million, but $0.759 million.

Then you state the item for rent is significantly higher in 1964 and 1965.

Mr. MOSSLER. Last year we said our total support would be——

Mr. PASSMAN. Read what you said you would do.

Mr. MOSSLER. In fact, we programed more, but the reason for that increased cost is in the U.S. technicians component, which amounts to $615,000 compared to $415,000 we had last year. The contract service component in fact went down from $200,000 to $28,000.

Mr. HUTCHINSON. What he is saying is, the number of people went up over what we anticipated would be the case.

RHODESIAS AND NYASALAND

Mr. PASSMAN. When did Northern Rhodesia gain independence?

Mr. KLING. They have not yet gained their independence. They are still——

Mr. PASSMAN. Of what nation are they a colony?

Mr. KLING. The United Kingdom, sir.

Mr. PASSMAN. You had to get the United Kingdom's permission before you could start an aid program?

Mr. KLING. We had to have an agreement with them.

Mr. PASSMAN. Does permission and agreement mean the same thing?

Mr. KLING. I will not dispute the point.

Mr. PASSMAN. It is the same thing. We just express it differently?

Mr. KLING. We speak the same language.

Mr. PASSMAN. We did have to have their permission.

What is the population of this colony of Great Britain?

Mr. KLING. 3.5 million.

TOTAL U.S. AID

Mr. PASSMAN. How much have we given this colony of Great Britain since we started the aid program?

Mr. HUTCHINSON. I have the two Rhodesias and Nyasaland, combined.

Mr. PASSMAN. Are the three possessions of Great Britain?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You have three of Great Britain's possessions here, and they were all together?

Mr. KLING. They dissolved in December of 1963.

Mr. PASSMAN. You have three possessions lumped together?

Mr. HUTCHINSON. Yes, because they were together in a federation up until about December 1963.

Mr. PASSMAN. Let us see what you gave these three possessions.

Mr. HUTCHINSON. $38.2 million through 1963.

Mr. PASSMAN. What sum do you have unliquidated to these three colonies of Great Britain?

Mr. HUTCHINSON. If we are going to make a comparison, do you want me to add to this $38.2 million the anticipated for fiscal year 1964?

Mr. PASSMAN. Yes, and in every other instance also add fiscal 1964.

Mr. HUTCHINSON. It looks like it would be $40.3 million.

Mr. PASSMAN. What amount do you have unliquidated——

Mr. HUTCHINSON. I gave you a wrong figure earlier. I will have to check.

Mr. PASSMAN. What do you show for the total figure?

Mr. HUTCHINSON. The total would be $40.3 million.

Mr. PASSMAN. What sum do you have unliquidated to these three British possessions?

Mr. MOSSLER. $4.772 million.

BUDGET ESTIMATE, 1965

Mr. PASSMAN. What is the estimate for these three British possessions for fiscal year 1965?

Mr. HUTCHINSON. $2.001 million.

Mr. PASSMAN. Do you have to get the United Kingdom's permission on each contract, or do you just get an overall agreement to have an aid program?

Mr. HUTCHINSON. We get an overall agreement to get an aid program.

Mr. PASSMAN. You do not have to go to them in each individual case?

Mr. HUTCHINSON. No, but you do let them know what you are intending to carry out.

PROJECT COST-SHARING AGREEMENTS

Mr. NATCHER. At any time under these agreements do you ever get the other country to agree to go along on maybe 50 percent of the cost of the program, or 25 percent, or any portion of it?

Mr. HUTCHINSON. Yes, sir; particularly in cases such as this in which the country, like the United Kingdom, is supporting the local government's budget. When they agree to go ahead and have the country contribute a certain percentage to the project, they are in effect also contributing to the support.

SIERRA LEONE

Mr. PASSMAN. How much have we given to Sierra Leone, total?

Mr. HUTCHINSON. $7.4 million through 1963, and I will have to add the anticipated for 1964.

Mr. PASSMAN. Put it in the record.

Mr. HUTCHINSON. It will be a little over ———. It would be in the order of ———.

Mr. PASSMAN. What amount do you have in the pipeline, unliquidated?

Mr. MOSSLER. $3.553 million.

NJALA COLLEGE PROJECT

Mr. PASSMAN. With reference to the Njala College project, page 298, I note that obligations through June 30, 1963, are $700,000. Inasmuch as the justifications last year indicated you had obligated only $25,000 through fiscal year 1962 and your estimated obligations in fiscal year 1963 were $370,000, would you comment as to where and when this project received the additional $305,000?

Mr. MOSSLER. That came from 1963 funds, sir, and it happened after the time that last year's book was printed.

Mr. PASSMAN. You increased the allocation by $305,000 after the printing of the book and the justifications to the committee?

Mr. HUTCHINSON. It would seem so, sir.

SOMALI REPUBLIC

Mr. PASSMAN. Did you state the amount, total, that we have given Somali?

Mr. HUTCHINSON. Including the estimated through 1964——

Mr. PASSMAN. First, give us through fiscal 1963, and then add fiscal year 1964.

Mr. HUTCHINSON. $36.4 million through 1963, plus $3.4 million.

Mr. PASSMAN. Is that the total from all spigots of aid?

Mr. HUTCHINSON. That should be all spigots.

Mr. PASSMAN. With the exception of international organizations?

Mr. HUTCHINSON. Yes, sir; which would give you $39.8 million.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. What amount are you requesting for Somalia for fiscal year 1965?

Mr. HUTCHINSON. $3.366 million for development grants——

Mr. PASSMAN. The total, please.

Mr. HUTCHINSON. ———.

Mr. PASSMAN. This is a very substantial increase for fiscal year 1965 over fiscal year 1964.

Mr. HUTCHINSON. Because of possible loans, sir.

Mr. PASSMAN. Loans, or development credits?

Mr. HUTCHINSON. Development credits.

POLITICAL ATTITUDE OF SOMALI GOVERNMENT

Mr. PASSMAN. Is this the country that got a little peeved at us and turned to the Communist bloc for military assistance?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

If Somali is receiving substantial assistance from Soviet Russia and Communist China and, in addition, has accepted an offer to buy military equipment from Russia, does that not sort of put us in an embarrassing position?

Mr. KLING. Sir, we, of course, are somewhat concerned about the infiltration or penetration of the Chinese.

Mr. PASSMAN. I should think that we would be.

Mr. KLING. The Chinese Communists and the Russians are in Somalia. We wish to help maintain a course of moderation in the country. I think to some extent the Somalis went to the Russians for military aid because they felt frustrated.

Mr. PASSMAN. Did they get mad at us?

Mr. KLING. They did not get mad at us so much as they were mad at the Ethiopians with regard to a border dispute. They were seeking to have arms with which, they would say, to defend themselves and to attain their "just position" in the area. We would consider

that the U.S. position in Somalia is a steadying one. We do not consider the cause lost to the Communist bloc, the Chinese or the Russians, and we feel it is quite important in the Horn of Africa to maintain an aid program in Somalia despite the fact they are getting aid from the bloc too.

Mr. PASSMAN. If I read the record and justifications correctly, Somalia's relations with Ethiopia and Kenya are still somewhat strained. Both of these countries are receiving military and/or economic assistance from the United States; is that right?

Mr. KLING. I am not sure Kenya is not receiving U.S. military assistance.

Mr. PASSMAN. I said economic and/or military aid.

Mr. KLING. The Ethiopians are, sir.

Mr. PASSMAN. How about Somalia?

Mr. KLING. Somalia is not receiving U.S. military assistance.

Mr. PASSMAN. They are getting economic aid?

Mr. KLING. They are getting economic assistance from us.

AGRICULTURAL SERVICES PROJECT

Mr. PASSMAN. I note that you have programed $810,000 in 1964 for the Agricultural Service project, on page 315; is that right?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much did you testify for with relation to this project last year?

Mr. HUTCHINSON. $975,000, sir.

Mr. PASSMAN. Page 315 indicates that the pipeline on June 30 included $310,000 to fund the university contract to June 30, 1966. Is that correct?

Mr. HUTCHINSON. That is right, until June 1966.

Mr. PASSMAN. The way I read the record, the university contract is still under negotiation. If that be true, I wonder why you would need an additional $122,000 for fiscal year 1965. Is the contract still under negotiation?

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. PASSMAN. Why do you want to add an additional $122,000 for fiscal year 1965?

Mr. HUTCHINSON. I would like to check that.

Mr. PASSMAN. Certainly you may check it.

Mr. HUTCHINSON. Your point seems well taken.

Mr. PASSMAN. Thank you.

PORT DEVELOPMENT PROJECT

I notice that you are requesting $45,000 for the port development project, on page 317, despite the fact that last year the justification indicated that the project would be completed with the estimate of $210,000.

Do you want to check on this one, too?

Mr. HUTCHINSON. No. I took a look at this one when I was in Somalia, and I would have to say this is one of those projects that has not moved along as quickly as we had hoped. Somalis have not been able to—have not learned as quickly as we expected the techniques and ways

of administering the port and carrying out the operations of the port.

Mr. PASSMAN. So there is an underestimate?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. How much do you have unliquidated to the credit of the project?

Mr. HUTCHINSON. We expect to have $100,000 as of the end of 1964.

ANTICIPATED COST TO COMPLETION

Mr. PASSMAN. Can you state for the record again this year your belief that this increased amount will complete the project?

Mr. HUTCHINSON. We indicate here we would expect we can complete it in fiscal year 1966, sir.

Mr. PASSMAN. With the cost reaching what total?

Mr. HUTCHINSON. $1.616 million.

Mr. PASSMAN. Compared to the original estimate in what amount?

Mr. HUTCHINSON. I do not see that here.

Mr. PASSMAN. You will find it on page 317, $1.541 million.

Mr. HUTCHINSON. Yes, sir; if we had closed it off, yes, sir.

Mr. PASSMAN. You are adding the $122,000 more, are you not?

Mr. HUTCHINSON. We are adding that additional, yes, sir. We are adding $45,000 additional in 1965, plus $35,000——

PUBLIC SAFETY PROJECT

Mr. PASSMAN. I notice that you have obligated $724,000 for the public safety project, on page 322, out of 1964 funds; is that correct?

Mr. HUTCHINSON. $724,000.

Mr. PASSMAN. How much did you request for this project last year?

Mr. HUTCHINSON. $380,000.

Mr. PASSMAN. I note also that you are requesting $388,000 for commodities for this public safety project. Furthermore, I note that you have requested $200,000 for the same purpose in fiscal year 1964, but you are allocating $441,000. Is that correct?

Mr. HUTCHINSON. Yes, sir; that is the estimate of obligations for commodities in fiscal year 1964.

Mr. PASSMAN. Would this fact not indicate that you have almost fully funded your requirement for commodities for this particular project.

Mr. HUTCHINSON. Sir, this project is the one we are putting our greatest emphasis on in Somalia. The situation there partakes of many of the elements you indicated earlier in the country as a whole.

(Off the record.)

Mr. PASSMAN. Thank you.

TECHNICAL SUPPORT PROJECT

I note that your technical support project requires, according to your estimates, $515,000 in 1965 to finance the salaries and expenses of 8 U.S. technicians and 85 local and third-country personnel. It would appear that this is a rather substantial number of personnel compared to the size of the technical cooperation program.

Mr. HUTCHINSON. It is a sizable number.

I want to say two things about it: One, we have been concerned about the size and are making a thorough examination of the necessity for locals and are developing a plan which I think—I do not want to testify that definitely we know—will permit us to reduce somewhat the number of locals over the coming years. But the fundamental problem we are faced with in Somalia is, this country has a very low level of skills and we find it takes a large number of people to carry out simple tasks. We find that maintenance and repair is extremely difficult to get accomplished and requires a large number of people to stay on the job in view of the very low level of skills, so the numbers of people it takes to man the program are greater in proportion to the size of the program than they are in some of the other countries with a somewhat higher level of development. Somalia is lagging in this respect.

DEFICIENT ADMINISTRATION OF DEVELOPMENT BANK LOAN

Mr. PASSMAN. My attention is brought to a development bank credit of $2 million which you approved in August of 1958.

Now, I would like to indicate for the record that the loan was signed in March 31, 1959, and through fiscal year 1961 only a small portion of the loan had been utilized, largely due to the inability of the bank management to establish and train a staff for the new development loan sector of the bank.

Subsequently, in fiscal year 1962, the aid agency set up a technical cooperation project, which is estimated to cost $342,000 at completion, designed to assist the bank in developing its lending operations and train the development loan section staff. It would appear to me that this should have been done prior to the approval of signing the development credit in fiscal year 1958.

Mr. HUTCHINSON. Your point has considerable validity, Mr. Chairman.

However, when that loan was first made, there were quite a number of Italians who were involved in the bank's management. It so happens that I was here in another capacity when that loan was made and we talked to them at considerable length before the loan was made. Subsequently, there was a change in the bank management, with those managers no longer there.

The deficiencies became immediately apparent and after some passage of time it was found necessary to put this kind of contract in.

Mr. PASSMAN. There is a question of this item having been approved prematurely?

Mr. HUTCHINSON. I think if the management which was in the bank at the time the loan was made had continued, there is the real possibility the loan would have been more effectively utilized.

Mr. PASSMAN. Thank you.

Mr. Natcher, Somali.

Mr. NATCHER. No questions at this time, Mr. Chairman.

COSTS PER TECHNICIAN

Mr. CONTE. On page 313, you have $25,000 for a U.S. technician assigned to this project. Is that for one individual?

Mr. HUTCHINSON. Yes, sir.

Mr. CONTE. Quite a bit of money; for 1 year?

Mr. HUTCHINSON. For 1 year.

Actually, this is a little less than the average cost of a technician. This includes his salary, housing allowances, and other costs of supporting him there in Somali.

Mr. CONTE. What would be his salary?

Mr. HUTCHINSON. I could break it out for you.

Mr. CONTE. That seems high.

Mr. HUTCHINSON. There is transportation of household effects and all that. That is all involved.

Mr. CONTE. Airplane fare?

Mr. HUTCHINSON. Yes.

Mr. CONTE. And what kind of a technician is this?

Mr. HUTCHINSON. This would be a soil conservationist, probably an agronomist.

What his salary would be—$18,000. You have his base salary, plus his allowance, plus his transportation, plus the transportation of his household effects, and so forth. This $25,000 is less than the average.

ROLE AND COST COMPARISONS—PEACE CORPS AND AID EDUCATIONAL PROGRAM

Mr. CONTE. Do we have any Peace Corps in Somali?

Mr. HUTCHINSON. Yes, sir; I think we have a few Peace Corps men. In fact, we are carrying on some projects cooperatively with the Peace Corps there.

Mr. CONTE. How many Peace Corps members do you have there?

Mr. MOSSLER. Twenty-nine.

Mr. CONTE. I notice you have an educational program in Somali. I am wondering where we have one of these contracts on education and we also have Peace Corps, why could not the Peace Corps handle the job at a much lower cost?

Mr. HUTCHINSON. I agree with you entirely, where the program is just the provision of teachers, and particularly the provision of primary and secondary school teachers.

I think basically this should not be our business. When you get into teacher training, and this is basically what our training is in education in Somali, the manning of a teaching training institute, it then becomes difficult to get through the Peace Corps the person with the degree of training that is required to train the teacher. Even here it is possible on occasion, but it is a different type of person involved.

Mr. CONTE. The National Teachers Education Center is there. You have eight U.S. teacher advisers and training for approximately 40 Somali faculty members.

Mr. HUTCHINSON. This is basically for the upgrading of teachers, but they come to this institute and stay there for a course of training. It is providing teachers within the institute who are fundamentally training teacher trainers. They are working on the job to train these teachers.

COSTS FOR AID EDUCATOR

Mr. CONTE. What are we paying those eight teachers?

Mr. HUTCHINSON. Those eight are expected to get in fiscal year 1965 $215,000. They would be getting about $23,000 per teacher.

Mr. CONTE. This seems like a lot of money.

Mr. HUTCHINSON. Again, you have the problem of salaries, transportation, household effects, and you are back up to a large amount of money.

Mr. CONTE. Those teachers are a lot better off than domestic teachers. I figure they are getting $27,000 per teacher.

Mr. HUTCHINSON. That is right. This agricultural technician for $25,000 is lower than average in Somalia.

Mr. CONTE. Let's break this down. Let's take these eight teachers here at $27,000 each. Let's break down the $27,000.

Mr. HUTCHINSON. I will have to do it for the record. I do not have the data with me.

(The information follows:)

NATIONAL TEACHER EDUCATION CENTER PROJECT

The breakdown of contract services cost of $235,000 involving the funding of eight technicians is composed of approximately the following prorated costs per technician.

Base salary	$12,820
Oversea differential	2,200
Post allowance	1,323
Educational allowance	440
Travel of persons	3,488
Transportation of effects	2,526
Retirement and benefits	1,820
University backstopping and training in the United States	3,891
Equipment such as teaching aids and office supplies	937
Total	29,444

Mr. HUTCHINSON. Take a look up above, U.S. technicians on the project. We had two for $50,000. You see, it is running the same average. It costs money to get people and get them overseas and to maintain them overseas.

SUDAN

Mr. PASSMAN. When did the Sudan gain its independence?

Mr. KLING. 1956, sir.

Mr. PASSMAN. What has been the amount of our aid to this country since the inception of the program?

Mr. HUTCHINSON. You want it through 1963?

Mr. PASSMAN. That is only your spigot?

Mr. HUTCHINSON. That includes AID and food for peace.

Mr. PASSMAN. Is food for peace under Public Law 480?

Mr. HUTCHINSON. Public Law 480.

(The information supplied follows:)

Total aid to Sudan from all sources through June 30, 1963, is $74.5 million.

Mr. PASSMAN. How about the spigots from international organizations?

Mr. HUTCHINSON. None included.

UNLIQUIDATED CREDIT BALANCES

Mr. PASSMAN. What sum do you have in the pipeline unliquidated to the credit of Sudan?

Mr. MOSSLER. $13.646 million.

FISCAL YEAR 1964 PROGRAM

Mr. PASSMAN. They have over a full year's pipeline. What amount did you allocate to them in fiscal year 1964?

Mr. MOSSLER. $3.318 million.

Mr. PASSMAN. What was the original asking price?

Mr. HUTCHINSON. The estimate when we were before you in 1964 was $34,865 million.

Mr. PASSMAN. And you gave them how much?

Mr. HUTCHINSON. $3.318 million.

Mr. PASSMAN. Congratulations.

Mr. HUTCHINSON. This was a very special circumstance with the difficulty arising out of one project, the Sudan Road—fundamentally out of one project—which we anticipated would be made in fiscal year 1964, but about which a question developed as to the economic justification in relation to the railroad.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. How much are you requesting, total, for Sudan in fiscal year 1965?

Mr. HUTCHINSON. ———.

U.S. PARTICIPATION IN 10-YEAR DEVELOPMENT PLAN

Mr. PASSMAN. I note that the World Bank is forming a consultant group to help implement the 10-year development plan for the Sudan, and your statement is that it is in the interest of the United States to participate actively in this program.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Is that the basis for your development credit estimate of ———?

Mr. HUTCHINSON. The basis for our estimate is the projects we are considering. It is not our participation in this group. We do not expect to make any pledges, or anything of that sort, in participation in this group.

We do fully expect that by participation and an indication of our analysis of the program, we can get others to come into this program to a degree that would not be the case otherwise.

There has already been some indications of this very real possibility.

IDENTIFICATION OF U.S. AID CHANNELED THROUGH INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. When projects are funded for the underdeveloped nations through an international organization, then that aid is not identified as U.S. aid, is it?

Mr. HUTCHINSON. That is correct.

I think countries usually understand who is financing the international organization to the greatest extent.

Mr. PASSMAN. I doubt that they do.

Mr. HUTCHINSON. The Government officials usually understand. So far as participation in this consultive group is concerned it is totally unrelated to——

Mr. PASSMAN. The trend is toward getting our aid into international organizations, where it cannot be identified and where we do not have the right of examination on these projects, because we are not the only one who is putting it in.

Now, if you fragmentize this thing by getting it into international organizations, how are we going to protect the U.S. interests as such?

Mr. HUTCHINSON. I have to agree that some bilateral assistance is in the U.S. interests.

Mr. PASSMAN. I did not narrow it down that much.

Mr. HUTCHINSON. I do not believe that the U.S. aid program can be completely administered through international organizations. We would not contribute to an international organization here. We would make loans——

Mr. PASSMAN. I did not say that you would.

I merely made a statement that when you get our aid money mixed up in international organizations, the U.S. interest is not protected, because they do not know this money is coming from us.

That is my point.

Mr. HUTCHINSON. I am not quarreling with that.

Mr. PASSMAN. I believe the Secretary agrees.

Mr. KLING. I agree up to a point with you.

Mr. PASSMAN. Tell us how far you will go on this point.

Mr. KLING. Judge for yourself.

Mr. PASSMAN. We do not have a way of judging unless you make a statement.

Mr. KLING. I would say it is in the U.S. interest that we be identified with our aid, but the U.S. interest is also identified with a stable and peaceful world, and if we achieve stability through an international loan I think the U.S. interest is being served.

Mr. PASSMAN. You know that Russia, for example, is in on the U.N. technical aid program, for instance.

Mr. KLING. The U.S.S.R. is not a member of the World Bank.

Mr. PASSMAN. I did not say anything about the World Bank. You are not hearing as well today as you were yesterday. I said that Russia is a member of the U.N. technical aid program.

Mr. KLING. Yes, sir.

Mr. HUTCHINSON. In working with the other countries under the sponsorship of the IBRD, we are able to get others to contribute and relieve us.

Mr. PASSMAN. We covered that point yesterday, did we not?

Mr. HUTCHINSON. Yes, but I just wanted to be sure that there is no confusion that participation in a consultive group might mean contributions to the international organization. This is not what we are talking about.

Mr. PASSMAN. I think all of us know what we are talking about.

SUDAN TECHNICAL EDUCATION PROJECT

Regarding the $600,000 for contract service for the technical education project, on page 348, for the same project you requested $666,000 in the fiscal year 1964 budget; is that correct?

Mr. HUTCHINSON. We asked for $666,000, sir, in the 1964 budget.

Mr. PASSMAN. Is this for the same purpose for which you requested $666,000 in fiscal year 1964?

Mr. HUTCHINSON. We requested $666,000 in 1964, and did not put anything in, sir.

Mr. PASSMAN. Is this the same project number we find on page 348 of the fiscal year 1965 justifications?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Then you are coming back and asking for $600,000 for fiscal year 1965?

Mr. HUTCHINSON. $791,000.

Mr. PASSMAN. For contract services?

Mr. HUTCHINSON. $600,000; yes, sir.

Mr. PASSMAN. Your request last year was premature?

Mr. HUTCHINSON. Sir, we found that many projects could not move as quickly as we anticipated in past years, and this is the basic reason this year's request is as low as it is. It is because we find, unfortunately——

Mr. PASSMAN. You are requesting $400,000 above what the Congress appropriated last year?

Mr. HUTCHINSON. It is considerably less than our request last year——

Mr. PASSMAN. You are talking about this project?

Mr. HUTCHINSON. Which is what we are comparing.

Mr. PASSMAN. This project?

Mr. HUTCHINSON. That is right, and I am making the general point because we have found it is more difficult to move on projects than had been anticipated is the reason we are asking for as little money this year as we are.

Mr. PASSMAN. What do you mean by "little money"?

Mr. HUTCHINSON. The reason the request is reduced over what it was last year is because of this——

Mr. PASSMAN. You had $666,000 last year, and you did not obligate it, but you are asking for $600,000 now. If you want to get the total under that category, it is $791,000, is it not?

Mr. HUTCHINSON. The total; yes, sir.

Mr. PASSMAN. Which is only $33,000 less than you had, total, last year?

Mr. HUTCHINSON. That is right.

Mr. PASSMAN. I used the word "substantial," and I want to get the record straight.

Mr. HUTCHINSON. But a whole year has passed, Mr. Chairman.

I submit $791,000, the request in 1965, as compared with an $824,000 request in 1964, with no money put in in fiscal year 1964, is a very substantial reduction over what would otherwise be the case.

Mr. PASSMAN. How much money did you put in, in previous years?

Mr. HUTCHINSON. What did we put in in previous years?

Mr. PASSMAN. For the same project.

Mr. HUTCHINSON. $6,986,000.

Mr. PASSMAN. If you had needed this money this year, you would have put it in, would you not?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. Conte?

FOOD FOR PEACE PROGRAM IN SUDAN

Mr. CONTE. What is the size of the food for peace program there? Is it a self-help project?

Mr. HUTCHINSON. Sir, we would not have any self-help project under the food for peace program in the Sudan. It is very small. It has been only a voluntary relief agency program of $100,000 for the entire period.

Let us back up on that. I take that back.

We have a title I program out there. It is basically a sales program for local currency. It is a title I sales program. The local currency is utilized for local costs of projects we are associated with and some for U.S. uses.

Mr. CONTE. It is not a Food for Peace program?

M. HUTCHINSON. That is correct.

Mr. CONTE. No further questions.

Mr. HUTCHINSON. It is not "Food for Work."

Mr. MOSSLER. The whole program is "Food for Peace." Part of title II is "Food for Work."

Mr. CONTE. As I understood it, they were not getting any food to eat.

Mr. HUTCHINSON. Yes, they get the food to eat, but they buy the food with their own currency, rather than its being given to them.

TUNISIA

Mr. PASSMAN. When did Tunisia gain independence?

Mr. KLING. 1956, sir.

Mr. PASSMAN. How much of our wealth have we dispensed in that country since the inception of the program, on a dollar basis?

Mr. HUTCHINSON. Through fiscal year 1963, $374.1 million.

Mr. PASSMAN. Please add fiscal year 1964 to that figure.

Mr. HUTCHINSON. I am going to add to that, 1964.

Mr. PASSMAN. Do so, please.

Mr. HUTCHINSON. 23.9.

Mr. PASSMAN. You mean last year?

Mr. HUTCHINSON. $408 million. Mr. Mossler says it is 23.8 instead of 23.9.

Mr. PASSMAN. Is that just for your spigots, or does it tap some of the others?

Mr. HUTCHINSON. That does not include any assistance from international organizations. It includes all direct assistance.

Mr. PASSMAN. How much do you have——

Mr. HUTCHINSON. $398 million instead of $408 million, I am sorry.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What is the amount of the unliquidated credits?
Mr. MOSSLER. We expect it to be $76.5 million.
Mr. PASSMAN. What is the population of Tunisia?
Mr. KLING. 4.3 million.
Mr. PASSMAN. You say we have given them how many millions?
Mr. HUTCHINSON. $398 million, sir.
I would point out that of this, $184 million will have been in Public Law 480 food.
Mr. PASSMAN. It still cost U.S. tax dollars to get that food to give to them, did it not?
Mr. HUTCHINSON. It did. It is a part of our price-support program, sir.
Mr. KLING. We save a lot of storage costs.
Mr. PASSMAN. To save storage costs. Thank you very much.

INCREASE IN TUNISIA'S TRADE DEFICIT

Notwithstanding this tremendous sum that we have given to Tunisia, their international trade balance has gone from a deficit of $11 million in 1959 to a deficit of $95 million in 1963; is that right?
Mr. HUTCHINSON. That sounds right, yes, sir. They have an enormous trade deficit.
Mr. PASSMAN. The Central Government finances have gone from a deficit of $56 million in 1961 to a $106 million deficit in 1963. Is that correct?
Mr. HUTCHINSON. Yes, sir.
Mr. PASSMAN. Did they just quit work and start utilizing our aid and let things go to pot, or is there some other reason that this thing got fouled up?
Mr. HUTCHINSON. Two things happened. The French got out of their Bizerte Naval Base, and they lost a very significant amount of earnings as a result of that. They have undertaken a development program which is diverting many of their resources to investment. They have gotten into budgetary and balance-of-payments difficulties as a result of these two things.
There were also significant crop failures in 2 years in the recent period which also has complicated their problem very severely.
Mr. PASSMAN. Maybe I should not say very much about their deficit, because that is the way we have been running this Government for a long time. I think our average deficit has been $9 billion a year for 30 years, with only four or five balanced budgets in 32 years.

ADDITIONAL FUND COMMITMENTS

What is the status of our commitment to provide Tunisia up to an additional $180 million, or is that the total beginning with 1964?
Mr. HUTCHINSON. The $180 million started with fiscal year 1963.
Mr. PASSMAN. How much have we obligated against that amount?
Mr. HUTCHINSON. We anticipate by the end of this fiscal year we will have obligated $50.4 million, sir.

MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Why is the military assistance program for Tunisia classified?

Mr. HUTCHINSON. Would you like to speak to that, Colonel?

Colonel HEFFNER. It is classified because ———.

Mr. PASSMAN. Is it classified to indicate that Tunisia is getting military assistance?

Colonel HEFFNER. No, sir.

The major military assistance effort has been completed, sir, for Tunisia. A small training program is still in existence.

PROLONGATION OF PROGRAM PHASEOUTS

Mr. PASSMAN. Do you have any unliquidated funds for Tunisia?

Colonel HEFFNER. Yes, Mr. Chairman.

Mr. PASSMAN. We were talking about cutting out nations. We no longer have an aid program in Ireland, Switzerland, or Sweden. Also, we thought other nations had been cut off, and we were getting ready to give them a party until we found out they had large unliquidated balances they would be disbursing in fiscal 1965 and in future years, too, and of course they could always supplement that money.

UNION AFRICAN AND MALAGASY STATES AND BURUNDI

The next program is the estimate for the Union African and Malagasy States and Burundi. How many States are involved?

Mr. KLING. Fourteen, sir.

Mr. PASSMAN. Do they all have their independence?

Mr. KLING. Yes, sir.

Mr. PASSMAN. Could you prepare a statement for the record as to when each one got its independence, Mr. Secretary?

Mr. KLING. I will be glad to.

(The information supplied follows:)

DATES OF INDEPENDENCE FOR "UAM" STATES, AND BURUNDI

Country and date of independence
Cameroon, January 1, 1960.
Togo, April 27, 1960.
Senegal, August 20, 1960.
Malagasy Republic, June 26, 1960.
Dahomey, August 1, 1960.
Niger, August 3, 1960.
Upper Volta, Aug. 5, 1960.
Ivory Coast, August 7, 1960.
Republic of Chad, August 11, 1960.
Central Africa Republic, August 13, 1960.
Republic of Congo (B), August 15, 1960.
Gabon, August 17, 1960.
Mauritania, November 28, 1960.
Rwanda, July 1, 1962.
Burundi, July 1, 1962.

Mr. PASSMAN. Fourteen, including Burundi?

Mr. KLING. No; it does not include Burundi, sir. The Union of African and Malagasy States includes 13 ex-French tropical states and Rwanda. In this particular subheading in the books it is the UAM and Burundi.

Mr. PASSMAN. What is the total of them?

Mr. KLING. This organization we are referring to consists of 14 states. In addition to that, there is Burundi.

Mr. PASSMAN. You are lumping it in the book?

Mr. KLING. You are lumping it in the book.

TOTAL FOREIGN AID PROGRAM

Mr. PASSMAN. What has been the total aid to these 15 "lumped" states since the inception of the program?

Mr. HUTCHINSON. We would have to tally that and submit it for the record, sir.

(The information supplied follows:)

AID TO "UAM" STATES AND BURUNDI

The amount of direct U.S. aid to the "UAM" States and Burundi through fiscal year 1963 is $49.6 million distributed as follows:

Country	*Amount (millions)*
Burundi	0
Cameroon	$15.3
Development loans	9.2
Development grants	6.1
Central African Republic: Development grants	1.0
Chad: Development grants	1.3
Congo (Brazzaville): Development grants	1.7
Dahomey: Development grants	3.3
Gabon: Development grants	1.0
Ivory Coast	6.1
Development loans	1.7
Development grants	4.4
Malagasy Republic: Development grants	1.5
Mauritania	1.6
Development loans	1.4
Development grants	.2
Niger	4.2
Development loans	.5
Development grants	3.7
Rwanda	0
Senegal: Development grants	6.7
Togo: Development grants	2.7
Upper Volta: Development grants	3.2

Mr. PASSMAN. Could you tell us how much you had for these 15 states? These are nations, are they not?

Mr. KLING. Yes, sir, they are.

FISCAL YEAR 1964 REQUEST

Mr. PASSMAN. How much did you request for these 15 nations in fiscal 1964?

Mr. HUTCHINSON. $22,155,000.

Mr. PASSMAN. What sum did you allocate?
Mr. HUTCHINSON. $17,674,000.

FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. How much are you asking for them in fiscal 1965?
Mr. HUTCHINSON. $15,185,000, sir.

LEVEL OF PROJECT OBLIGATIONS FOR FISCAL YEAR 1963

Mr. PASSMAN. I note the first five projects in the Central African Republic started in fiscal 1963. At the end of fiscal 1963, all the funds which had been obligated for each of these five projects were unexpended. Am I right there?

Mr. HUTCHINSON. All of them had been unexpended as of the end of fiscal year 1963. I believe that is right, sir.

Mr. PASSMAN. You presented them prematurely?

Mr. HUTCHINSON. As we run through, we find the amounts of the obligations in fiscal 1963 were quite small.

Mr. PASSMAN. Nevertheless, all the funds for all the projects were unexpended.

Mr. HUTCHINSON. That is true, but it does not necessarily mean the projects were entered into prematurely.

Mr. PASSMAN. You did not need any money for them. You did not spend it. All you did was obligate the money.

Mr. HUTCHINSON. But you have to start contracting in advance of making expenditures, sir.

Mr. PASSMAN. Had you delayed this transaction for 1 year, what harm would have been done?

Mr. HUTCHINSON. I am sure the projects would have been delayed in getting underway, sir.

Mr. PASSMAN. Let us get the date of the obligation of each one. Do you have it?

Mr. HUTCHINSON. I do not have it with me. We will be glad to submit it.

Mr. PASSMAN. Mr. Controller, what do you have on this matter?

Mr. TENNANT. I do not have that with me. We can supply it for the record.

(Off the record.)

Mr. PASSMAN. You are going to supply for the record, as we requested a moment ago, the date of the obligation or allocation for each one of these projects on which you have expended no money?

Mr. HUTCHINSON. Yes.

(The information supplied follows:)

CENTRAL AFRICAN REPUBLIC, PROJECT OBLIGATIONS

Agricultural development, June 10, 1963.
Wildlife management, May 22, 1963.
Expansion of Agricultural Extension Service, May 22, 1963.
Livestock disease control, May 22, 1963.
Telecommunications maintenance improvement, June 27, 1963.

TECHNICAL ASSISTANCE PROGRAM IN GABON

Mr. PASSMAN. I notice that you are programing $1,021,000 for a technical assistance program in Gabon in fiscal 1964. How much did you justify for this program last year?

Mr. HUTCHINSON. $520,000, sir.

Mr. PASSMAN. You allocated $1,021,000. Did I state the figure correctly?

Mr. HUTCHINSON. You stated the figure correctly.

Mr. PASSMAN. Thank you, sir.

RURAL SCHOOL CONSTRUCTION PROJECT

I note that you have allocated $236,000 to the rural school construction project, on page 446. How much money did you request for this project last year?

Mr. HUTCHINSON. $50,000, sir.

Mr. PASSMAN. $50,000, but you allocated $236,000. Thank you.

TECHNICAL ASSISTANCE TO THE MALAGASY REPUBLIC

I note that you have programed $680,000 for technical assistance to the Malagasy Republic. How much did you request for this project last year?

Mr. HUTCHINSON. $500,000.

DISASTER RELIEF FOR MAURITANIA

Mr. PASSMAN. I note that you are programing $50,000 in supporting assistance to the Mauritania——

Mr. HUTCHINSON. Disaster relief, sir.

Mr. PASSMAN. Is that a grant?

Mr. HUTCHINSON. Yes, sir.

Mr. NATCHER. Can you give us some figure as to the total amount of the damage that was caused?

Mr. HUTCHINSON. I cannot here this afternoon. I will be glad to provide that for the record.

(The information supplied follows:)

MAURITANIA—EXTENT OF DISASTER FOR WHICH AID GRANTED

The disaster was drought along the southern coastal area of Mauritania which threatened 30,000 persons with famine. Title III commodities were sent to relieve the food shortage.

GRANTS WORLDWIDE FOR DISASTER RELIEF COMPARED TO ALASKA RELIEF PROGRAM

Mr. PASSMAN. Have you any idea of the total amount of aid we have given countries around the world which have had real catastrophies?

Mr. HUTCHINSON. No, sir. I could give it to you for 1964.

Mr. PASSMAN. How much is it for 1964, dealing with catastrophies? I think we had about $50 million in Yugoslavia this year, in local currency, did we not?

Mr. HUTCHINSON. In local currency, yes.

Mr. PASSMAN. That is the same thing. We owned it and it buys something in Yugoslavia.

Mr. HUTCHINSON. It buys something in Yugoslavia. I think you know the situation with respect to our owning these local currencies.

Mr. PASSMAN. I get a different answer every time I ask somebody a question.

How about this, Mr. Controller? Have you the total figure for what we have given for emergencies where there have been real catastrophies?

Mr. TENNANT. Out of the contingency fund this year we programed $2 million for disaster relief.

Mr. PASSMAN. For just one country?

Mr. TENNANT. No, that is a number of countries.

Mr. PASSMAN. We did have $50 million in Yugoslavia, did we not, out of local currency?

Mr. TENNANT. Yes.

Mr. PASSMAN. Would you give us a table, if it is available, showing the different countries which have had a catastrophe, similar to Yugoslavia, and, of course, Mauritania, and get the grand total?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. So far we are talking only about grant aid, something we have given them; is that right?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Should we not be ashamed of ourselves as a government and as a Congress to pour hundreds of millions of dollars into other countries and, at the same time, set up such a formula as has been done for Alaska? Just look at the formula that we apply to other countries, and look at the formula that is being applied to Alaska.

It is disgraceful that we are acting in such manner.

(The information supplied follows:)

List of countries and AID funds contributed for disasters, fiscal year 1964 as of Apr. 30, 1964

	Thousands		*Thousands*
Brazil	$20	Libya	$20
Costa Rica:		Martinique	10
Volcano and flood	1,000	Nepal	1
Flood	10	Pakistan	10
Dominican Republic	1	Saudi Arabia	40
Fiji Islands	10	Thailand	5
Haiti	250	Trinidad-Tobago	63
India	5	Yugoslavia	11
Italy	5		
Korea	35	Total	1,486

SENEGAL

In connection with the first four projects in Senegal, for which you allocated funds in fiscal year 1964 in the amount of $470,000, how much did you request for these projects last year?

Mr. HUTCHINSON. The first four?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. $300,000, sir.

Mr. PASSMAN. I knew we had not cut this appropriation low enough last year. I am speaking of the overall program now.

Mr. HUTCHINSON. You notice the big reductions which were pointed out.

Mr. PASSMAN. You made the reductions simply because you did not need the money, as the record also indicates, because you asked for more money than you needed last year. I do not say you knew you would not need it, but the fact is that you did ask for more money than you needed for certain projects.

Mr. HUTCHINSON. But the explanation of this is very simple—a few very large projects which we testified when we were before you would determine basically the size of our development lending program. Specifically, the dam and the road are the big ones.

Mr. PASSMAN. With reference to projects for which you did not need additional money, which you did not fund, which you justified on an illustrative basis last year, speaking of the entire AID on a worldwide basis, if you had taken the increase of projects over and above what was testified for, then we could have cut this bill another $500 million.

(Off the record.)

HEALTH IMPROVEMENT PROJECT IN UPPER VOLTA

Mr. PASSMAN. I note that you are programing $190,000 for the health improvement project in the Upper Volta. How much did you request for this project last year?

Mr. HUTCHINSON. I am not sure. The one I see is the endemic disease control project, which shows $65,000.

Mr. PASSMAN. Let us see if that is correct.

Mr. HUTCHINSON. We provided $190,000. That is the project you have in mind?

Mr. PASSMAN. That is right.

AFRICAN REGIONAL PROGRAM

The next item is the African regional program, for which the 1965 estimate is $10,465,000.

How does this fiscal year 1965 estimate compare with the fiscal 1964 program?

Mr. HUTCHINSON. The $10,067,000 is the estimated fiscal year 1964 program, sir.

Mr. PASSMAN. I note that you have allocated $600,000 to the pest eradication project on page 51. How much did you request for this project last year?

Mr. HUTCHINSON. $300,000, sir.

Mr. PASSMAN. If I read the record correctly, there are no results available yet regarding the study that the CCTA has undertaken on the management training center project, shown on page 513. However, I note that you are requesting $190,000 on the assumption that the CCTA study will underscore the need for improved facilities for wildlife conservation, management and training in west Africa; is that correct?

Mr. HUTCHINSON. Yes, sir.

MEASLES CONTROL PROJECT

Mr. PASSMAN. Last year you requested $700,000 for a new project, which began in fiscal 1964, entitled "Measles Control." However, I note on page 515 of this year's justification that you obligated $230,000 to the project in fiscal 1963.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. And you have allocated $1,750,000 in 1964; is that correct?

Mr. HUTCHINSON. This is what we anticipate. Yes; we have made this allocation.

Mr. PASSMAN. There was a new project last year?

Mr. HUTCHINSON. It was new last year. It proved to be very very successful. It seems to be particularly adapted to the conditions we face in these countries and to the AID strategy and objectives.

Mr. PASSMAN. We are talking about a measles-control project.

Mr. HUTCHINSON. Sir, there is a vaccine recently developed which is very effective in the control of measles which in this part of the world is quite a different disease from the variety that we experience. The infant mortality rate from it is extremely high, and by immunization with this vaccine you can control it very well.

We undertook a project on this basis last year, basically an experimental basis in the Upper Volta, which was extremely successful. It was carried out with very few personnel, and with the provision of the vaccine and the gun with which to inject it——

Mr. PASSMAN. This is a new project in fiscal 1964?

Mr. HUTCHINSON. It is a regional project which was new. It was so successful in Upper Volta and made such an impact upon the people in the country that we decided to carry it out on a more general basis throughout the region because it does have such a favorable impact in these countries where our programs are limited and where we do not want programs requiring great numbers of personnel.

LIMITATIONS OF U.S. PROGRAM IN AREAS OF FRENCH RESPONSIBILITY

Mr. PASSMAN. I am afraid to ask the question as to why the programs are limited in these countries.

Mr. HUTCHINSON. Why the programs are limited in these countries?

Mr. PASSMAN. Yes.

Mr. HUTCHINSON. For a number of reasons. First, they are very heavily dependent upon the French for budget support. As you have indicated, they have their trade relations; they have their cultural relations with the French; and we feel it is clearly a French responsibility to continue the great burden of support.

Their resources—this is hard to generalize—their resources are limited in some cases, and in these cases their prospects for development are minimal.

Mr. PASSMAN. Were these countries former possessions of the French?

Mr. HUTCHINSON. Not all of them. Rwanda and Burundi were Belgian.

Mr. PASSMAN. How about the others?

Mr. HUTCHINSON. French.

Mr. PASSMAN. They have very strong ties with France?

Mr. HUTCHINSON. Yes.

Mr. PASSMAN. They naturally would have strong trade agreements with France?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. I believe France is probably enjoying the greatest prosperity in the history of its existence. Is that correct?

Mr. HUTCHINSON. It is at a high level.

Mr. PASSMAN. Why do we not leave to France the responsibility for this aid? When you put together the total amount of money we have given these countries it is substantial.

It seems, however, that we have to get into everybody's business.

Mr. HUTCHINSON. We feel, sir, that first our being there makes it easier for the French to continue.

Mr. PASSMAN. Thank you.

Mr. HUTCHINSON. We also feel that while by and large the U.S. interests parallel the French, and while by and large the Western interests will be carried by the French——

(Off the record.)

Mr. PASSMAN. We know that somebody thinks so.

Mr. HUTCHINSON. I will only say "Look at the record in that respect."

Mr. PASSMAN. That is exactly where I am looking.

Mr. HUTCHINSON. Look what was put in in 1963, look what was put in in 1964 and look at what is proposed in 1965.

Mr. PASSMAN. You talk about $10 million here, $50 million here, $200 million, $173 million, and you say it so fast that you apparently do not think of it as money.

Mr. HUTCHINSON. I am talking about your remark, Mr. Chairman, that big trees from little acorns grow. Look at the direction of movement——

Mr. PASSMAN. Even if that were a fact, I think you could drain the largest water tank in Washington with just a few drops a day if you should drain long enough.

Mr. HUTCHINSON. I think the record will show the direction of movement in these programs.

Mr. PASSMAN. How about the fiscal year 1964 program? The 1963 allocation is shown here.

(Off the record.)

(Discussion held off the record.)

MEASLES CONTROL PROJECT

Mr. PASSMAN. It is a 1964 program but you allocated funds in 1963. You allocated funds in 1963 and it was new in 1964.

Mr. HUTCHINSON. Talking about what, sir?

Mr. PASSMAN. Measles control.

Mr. HUTCHINSON. I was talking about the total assistance to the countries involved.

Mr. PASSMAN. The measles project was a new one for fiscal 1964?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. But you allocated funds for it in fiscal year 1963.

Mr. HUTCHINSON. We started the project in fiscal 1963, sir.

Mr. PASSMAN. Not according to the book.

Mr. HUTCHINSON. $230,000 worth of obligations.

Mr. PASSMAN. Look at page 790. Get the locomotive back on the track.

Mr. HUTCHINSON. We did this after the book was printed, sir. This is no different from some other projects we are talking about.

Mr. PASSMAN. It was new for fiscal year 1964. You justified funds for 1964. Yet we find——

Mr. HUTCHINSON. This is a project for which we did not include in our estimates for fiscal year 1963 any money.

Mr. PASSMAN. That is right. Go back to page 790 of last year's justifications. You testified for $700,000 for fiscal year 1964. There is nothing mentioned about fiscal 1963.

Then we look at page 515 of this year's justification and we see where you allocated $230,000 in fiscal year 1963.

Mr. HUTCHINSON. Yes, sir; that is correct.

Mr. PASSMAN. What kind of bookkeeping is that?

Mr. HUTCHINSON. Sir, as you well know, we are involved in printing these books and presenting them before the end of the fiscal year.

Mr. PASSMAN. And you guessed?

Mr. HUTCHINSON. We put in the books all the information we have as to projects we expect to undertake during the fiscal year at the time the books are printed.

Mr. PASSMAN. One of us is confused.

Mr. HUTCHINSON. That is possible, and it is possible it may be I.

(Discussion held off the record.)

Mr. PASSMAN. You were testifying before the committee last year, if I remember correctly, in July. The fiscal 1963 curtain had been dropped, but you said you would need $700,000 for this project for fiscal 1964. Fiscal 1963 had closed.

Now when you come in for fiscal year 1965 funds we look here and we find that you obligated $230,000 for fiscal 1963.

Then it shows that you closed fiscal 1963 with every dime of the money on hand unliquidated.

Mr. HUTCHINSON. Mr. Chairman, even though the fiscal year had closed, these books are still printed long before we are here testifying. These books are still printed long before the close of the fiscal year and it is impossible to bring the material that is included in these books up to date to reflect the situation which in fact exists as of the end of the fiscal year even though we are tesifying afer the end of the fiscal year. It is just a straight physical impossibility to run through and get the information on actual obligations and post these books even though we were testifying in July.

Mr. PASSMAN. You were testifying for this project in July, the first month of fiscal 1964, and the curtain already had been dropped on fiscal year 1963. No one said anything about it. At a subsequent date, we learn that you obligated $230,000 for a project in fiscal year 1963 which you show as new in fiscal 1964, and you carried over the complete amount, unexpended.

Just tell us the date of the obligation.

Mr. HUTCHINSON. I don't know the date.

Mr. PASSMAN. Mr. Tennant?

Mr. TENNANT. I haven't that with me.

Mr. PASSMAN. My point is valid?

Mr. HUTCHINSON. It is——

Mr. PASSMAN. This, we were told, is a new project. At a subsequent date we see it was not a new project. It seems it could have been made retroactive, and if you could do it on 1 project it could be done on 1,000.

Mr. HUTCHINSON. I can only testify that as with any bookkeeping system you have to have a cutoff date, and particularly in a system where you are estimating what is going to happen.

Once that cutoff date is past then it is impossible to bring yourself up to date to the cutoff date when you have to make your projections considerably in advance.

This is a very practical problem we are faced with.

I sympathize with the point you make because it troubles me, too, that these books cannot be up to the date of the time we are testifying. It is one of the dilemmas we find ourselves faced with.

Instead of getting excited about anything you are saying here I basically sympathize with you because it is a dilemma we face.

Mr. PASSMAN. I appreciate your sympathy very much.

There was no program in 1963. Nothing was mentioned that you had any project of this nature previous to 1964.

We find you obligated $230,000, and the same $230,000 you obligated for a project you did not justify as such in 1963, or show on page 790 of the justifications for fiscal 1964, we find all of it on hand unliquidated.

The only way this matter can be straightened out is not to have a double standard.

You may find a lot of projects which you feel should be funded, but you should stick by those estimates as the other agencies of our Government are forced to do.

Mr. HUTCHINSON. We are forced to stick by our appropriation, too. We cannot obligate funds in excess of the appropriation.

Mr. PASSMAN. You obligate for purposes you justify on an illustrative, and not a positive, basis.

I will admit you have a law which protects you with the looseness of it.

AFRICAN SCHOLARSHIP PROGRAM

Last year in connection with the African scholarship project, on page 519, the justification stated in fiscal 1961—AID provided $416,000 in fiscal 1962; $1,203,000 was provided. The estimate for fiscal 1963 was $2,381,000, a grand total for 3 years of $4 million.

However, page 519 now indicates that through June 30, 1963, you have obligated $5,339,000. Is that correct?

Mr. HUTCHINSON. We would have to check the figures to be sure exactly how they conform, Mr. Chairman.

Mr. PASSMAN. Have I read them correctly?

Mr. HUTCHINSON. Your implication that we apparently——

Mr. PASSMAN. I read it as you gave it to us. It is in the book.

Did I read the figures correctly?

Mr. MOSSLER. We cannot check one figure, but we agree with the cumulative obligation figure.

Mr. HUTCHINSON. And what I was trying to say is that it appears we did obligate more than the book indicated we were going to obligate. That seems to be clear.

Mr. PASSMAN. About $1,400,000 more.

Mr. HUTCHINSON. This is the figure I would want to check to be sure. This is how it appears.

Mr. PASSMAN. I am reading your book.

Mr. HUTCHINSON. Yes, I understand.

Mr. PASSMAN. Unless there is a misprint that was done.

Mr. HUTCHINSON. It is easy sitting here at the table to get lost in the figures.

Mr. PASSMAN. It seems that a lot of people are "lost" in these figures.

I note that through June 30, 1964, you will have obligated $8,195,000 for this project.

NUMBER AND COST OF STUDENTS TRAINING

How many students will have received training from that amount of money?

Mr. HUTCHINSON. 800.

Mr. PASSMAN. What is the average cost per student?

Mr. HUTCHINSON. That is the number who will have been participating in the program.

Mr. MOSSLER. Average cost runs between $3,600 to $4,000 a student.

Mr. PASSMAN. Is that about a 10-percent differential?

ADMINISTRATIVE EXPENSES FOR THE AFRICAN-AMERICAN INSTITUTE

How much have you paid the African-American Institute for administering the program?

Mr. HUTCHINSON. I would have to get that figure for you, sir.

(The information supplied follows:)

ADMINISTRATIVE EXPENSES—AFRICAN SCHOLARSHIP PROGRAM OF AMERICAN UNIVERSITIES PROGRAM

For the current year, the African-American Institute expenses for administering the ASPAU (African Scholarship Program of American Universities) program amount to $272,988. This covers AAI's services, both in the United States and in Africa, for selection, travel, orientation, maintenance of the 800 students, attending 215 American universities which have provided tuition-free scholarships.

AMERICAN UNIVERSITY OF BEIRUT TRAINING PROJECT

Mr. PASSMAN. I note that you have allocated $600,000 in fiscal 1964 to the American University of Beirut training project, on page 525.

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. You also obligated $75,000 to the training and improvement of the public service project, on page 529.

And $55,000 to come from OAMCE headquarters equipment project on page 530 and $60,000 from the ECA Institute project on page 511. Is that correct?

Mr. HUTCHINSON. Yes, sir.

Mr. PASSMAN. How much did you request last year for each of these four projects?

Mr. HUTCHINSON. I have the figures.

Mr. PASSMAN. Insert them.

Mr. HUTCHINSON. I will do so.

(The information supplied follows:)

AMOUNTS REQUESTED FOR REGIONAL PROJECTS IN FISCAL YEAR 1964

AMERICAN UNIVERSITY OF BEIRUT TRAINING

Up to fiscal year 1964, all of the scholarships under this program were justified in the section on Near East-South Asia programs even though some students were from African countries (reference, p. 367). During the current year it was decided to charge to African programs a fair share of the costs based upon the number of African students.

TRAINING AND IMPROVEMENT OF THE PUBLIC SERVICE (EACSO)

Requested was $75,000 in the fiscal year 1964 congressional presentation for this project, shown on page 802 as public administration training.

OAMCE HEADQUARTERS EQUIPMENT

No funds were requested for this project in the fiscal year 1964 congressional presentation. The request for assistance was not received from the OAMCE until December 1963.

ECA ECONOMIC DEVELOPMENT SEMINAR

No funds were requested for this purpose in the fiscal year 1964 congressional presentation. The request for assistance was not received from the ECA until January 1964.

Mr. PASSMAN. Is Beirut in your area?

Mr. HUTCHINSON. No, sir. These funds——

Mr. MOSSLER. These funds are for African students going to the University of Beirut.

Mr. PASSMAN. I understand that students from some 47 nations are attending the American University at Beirut. Is that your understanding?

Mr. MOSSLER. I don't know how many——

Mr. PASSMAN. How many countries in your region have students there?

Mr. MOSSLER. Six countries who are sending students there.

Mr. PASSMAN. Do you have the total number?

Mr. MOSSLER. 138.

Mr. PASSMAN. That is the part that AID is financing.

Mr. HUTCHINSON. Just the part our region is financing.

Mr. PASSMAN. I was thinking about whether you had the idea of the total number.

Mr. HUTCHINSON. I would not have any idea of the total number.

Mr. PASSMAN. Talking about the American University of Beirut.

Mr. HUTCHINSON. Not outside this region.

Mr. PASSMAN. It is my understanding that their standards are very high.

Mr. HUTCHINSON. They are very good, yes, sir.

Mr. PASSMAN. A prerequisite to entrance is that you must be able to speak and read English. Is that your understanding?

Mr. HUTCHINSON. I didn't realize you had to be English-speaking, sir. This could well be.

Mr. PASSMAN. I think that is true.

MEDICAL AND RESEARCH CENTERS IN BEIRUT

You know, President Kennedy became very interested in this medical center for Beirut, the American University at Beirut. It was planned in two sections, the research center and the medical center.

He allocated out of his contingency fund $5 million for the medical center as a first step.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. $5 million was for the research center as part one of the total research and teaching hospital.

In your opinion, knowing that many of the young men and women from your region will want to go to a medical school, a lot will want to be M.D.'s, if they had a first-class teaching hospital in that vicinity do you think it would be an asset to the program in this country?

Mr. HUTCHINSON. I am sure it would, sir.

Mr. PASSMAN. Do you have any feelings on that matter, Mr. Secretary?

Mr. KLING. I agree with you. I think American institutions abroad——

Mr. PASSMAN. I am not using my reference here in the plural.

Mr. KLING. An institution such as this can do a tremendous amount of good.

Mr. PASSMAN. For humanity, as well as training people?

Mr. KLING. For humanity, for training people, for the good name of the United States and the interest of the United States.

Mr. PASSMAN. Mr. Hutchinson, with respect to your region, as I indicated earlier, there are several hundred other questions that we intend to ask about the program and projects in Africa; but as there is a time limitation for these hearings, which has been strongly suggested by higher authority, it will be necessary for us to dispense with much of the examination this year.

It is regrettable that we have to curtail, or abbreviate, these hearings, but in the circumstances existing, we must do so.

Mr. HUTCHINSON. Let me say for the record I well recognize the complexity of the problem you are faced with in trying to review this program, and I sympathize in that respect. We will be glad to be available for any testimony you may find it necessary to take.

Mr. PASSMAN. We thank you, Mr. Hutchinson, but, if we are to meet the deadline which has been fixed for us, I hardly see how we will have an opportunity to meet with you further.

Good luck, gentlemen, and thank you very much for being with us.

The committee will now adjourn until 1 p.m. Monday.

MONDAY, MAY 4, 1964.

FAR EAST

WITNESSES

HON. WILLIAM P. BUNDY, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS, DEPARTMENT OF STATE
HON. RUTHERFORD M. POATS, ASSISTANT ADMINISTRATOR FOR FAR EAST, AID
HENRY SANDRI, FOREIGN ASSISTANCE PROGRAMS ADVISER, DEPARTMENT OF STATE
ROBERT SMITH, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, FAR EAST, AID
JONATHAN MOORE, SPECIAL ASSISTANT, DEPARTMENT OF STATE
JEREMY HODSON, PROGRAM OFFICER, OFFICE OF DEVELOPMENT PLANNING, FAR EAST, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
DAVID BRITT, STAFF COORDINATOR, AID
STEPHEN A. LOFTUS, JR., DEPUTY DIRECTOR, FAR EAST REGION, OASD (ISA)
MATTHEW J. HARVEY, CONGRESSIONAL LIAISON STAFF, AID

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon the Honorable William P. Bundy, Assistant Secretary of State for Far Eastern Affairs, and Mr. Rutherford M. Poats, Assistant Administrator for the Far East, Agency for International Development, succeeding Mr. Janow, the former Assistant Administrator, who, as I understand it, tendered his resignation for reason of health. Mr. Janow was able, conscientious, and he was dedicated to his job. And, while welcoming Mr. Poats, we also want to extend our best wishes to Mr. Janow. Which of you gentlemen wishes to present his statement first?

Mr. BUNDY. Perhaps it would be more appropriate if I did, Mr. Chairman. I will cover the foreign policy aspects of the Far East area.

Mr. PASSMAN. You may proceed, sir.

GENERAL STATEMENT

Mr. BUNDY. Mr. Chairman and members of the committee, I welcome the opportunity to appear before you in support of the foreign assistance program for 1965.

The Far East assistance program envisaged for fiscal year 1965 will require appropriations of $494.1 million for military aid and some $379–$384 million for economic assistance.

(A breakdown of the above figures may be found in annex A on p. 378.)

Mr. Poats will testify in more detail about the economic programs, which you will find summarized on page 143 of the AID presentation book. I understand that on the military side, you have already heard from witnesses of the Department of Defense.

For my part, I want to spell out our overall policy in the area and why both the military and economic aid programs are vital to that

policy, and then to go into the policy factors that affect the nature and amount of our programs in specific countries.

OBJECTIVES OF FAR EAST POLICY

The objectives of our Far East policy are clear. They are, as they have been for many years under both parties, to preserve and strengthen the will and capacity of the peoples of the area to resist Communist aggression, and thus to produce a situation of strength from which we may in time see a rollback of Communist power.

Some of the non-Communist countries in the Far East are our allies—Japan, Korea, the Republic of China, Thailand, and the Philippines (plus, of course, Austraila and New Zealand, which stand on their own feet, do not need our assistance programs, and are in fact becoming increasing contributors in their own right). One, South Vietnam, is not our ally but is embraced in the territory covered by SEATO and we are, of course, deeply committed to its support against the North Vietnamese backed aggression of the Vietcong. The others, Laos, Indonesia, Burma, and Cambodia, have adopted in varying degrees a neutralist stance, while Malaysia has looked primarily to the British for help.

Our policy must take account of these differences. They affect our degree of influence; they affect the degree of involvement that it is wise and useful for the United States to assume. But the objective remains the same, and we must think constantly in terms of what President Johnson eloquently called our Pacific partnership, in his November 27 message to the Congress.

The heart of the matter is, as always, our own national security. The loss of any of these countries to Communist control, whether through military or subversive action or through economic setbacks that opened the way to domestic Communist forces, would inevitably have a most serious impact on the security and welfare of the United States. No one stands alone; all affect us deeply.

NATURE OF THE THREAT

The major threat is, of course, the overhanging sheer mass of Communist China. Despite its domestic failures, it remains under firm Communist control, with its 700 million people, an army far larger than any other in the area, an also large though obsolescent air force, a significant submarine capability, and an incipient, though surely for many years only token, nuclear capability.

But the threat of Communist China is not by any means the only one the non-Communist countries of the area confront. In Korea, the South Korean Government is confronted by a North Korea that maintains an army of ——— men, well equipped and intensively trained, and North Korea has enormous economic advantages over the South.

And in southeast Asia, North Vietnam is, to some extent, a separate threatening force in its own right. Although Ho Chi Minh has taken the Chinese Communist side in the Sino-Soviet dispute and has great propaganda backing from the Chinese Communists and to a lesser extent from the Soviets, he is conducting the great bulk of the effort in South Vietnam on his own, in pursuit of the unification ambitions that the Communists of North Vietnam have had ever since the Geneva

accords of 1954. North Vietnam has by far the largest army in southeast Asia, comprising approximately ——— men, and has large military stocks, inherited in part from the conflict with the French and almost entirely adequate in themselves to maintain and even to sharply increase the tempo of action in South Vietnam.

These, then, are the military threats to the area. They are extremely formidable, and make it absolutely vital that we help to maintain the defenses of the non-Communist countries at acceptable levels. All of our military assistance programs, and our economic assistance programs, have a direct relationship to this military threat.

ECONOMIC DEVELOPMENT PROGRAMS

But there is another threat that we cannot afford to neglect. In virtually all the countries of the area, economic progress is an uphill struggle, in the face of primitive social organization and rapid population growth. The modest sums in the program before you that provide for technical assistance and economic development are just as vital as the defense-related military and economic programs. Unless we can help the people of these countries to see that progress is possible—in which, of course, their own efforts are vital and are in fact improving in quality—the certain result will be, in the not distant future, a political turning away in the direction of totalitarian and specifically Communist methods. We can lose this struggle through the back door just as readily as through the front.

Like the rest of the aid programs before you, the Far East program is an extremely tight and austere one. From my past position I can assure you that the military side has been cut to the absolute minimum consistent with our national security. And from my review since assuming my new position, I can likewise assure you that this is true on the economic side.

MILITARY AND ECONOMIC ASSISTANCE PROGRAM LEVELS

In taking up the individual countries of the area, I should like to divide them in terms of the amounts in the program before you. In this sense, there are three major countries—Vietnam, Korea, and the Republic of China—which account between them for two-thirds of the economic program and nearly 80 percent of the military.

The next group, in order of magnitude, comprises Laos, Thailand, and the Philippines, which have 24 percent of the economic programs for the area and 15 percent of the military.

And thirdly, the far smaller programs in Burma, Japan, and Indonesia—affected in each case by special factors which I shall explain—account for a total of 8 percent on the economic side and 6 percent on the military side.

Lastly, I will say a brief word about the situation in Cambodia, where our programs have been suspended and no amounts are shown in the tables before you.

SOUTH VIETNAM

The programs for South Vietnam call for ——— million of economic assistance, and ——— million of MAP. The AID program is made up of ——— million in balance-of-payments support and ——— million of counterinsurgency support together with ——— mil-

lion of technical cooperation and development grant activities. In effect, with supporting assistance and Public Law 480 sales, we will be covering South Vietnam's deficit in balance of trade; from counterpart we will give substantial support to South Vietnam's budget; and our technical and economic activities will contribute to the strengthening of the social and economic fabric of Vietnam.

Since your committee has discussed this subject in detail with Secretary McNamara and General Taylor, as well as others, I shall not elaborate on the importance of the stakes or the present situation. I accompanied Secretary McNamara on his last three visits to Vietnam, and am prepared to respond to any questions that you may have.

KOREA

Korea is the second largest beneficiary of U.S. assistance in the Far East. In 1965, we propose an economic assistance program amounting to ——— million; proposed MAP is ———. In 1963, these two figures were respectively $127.9 and $204.7 million.

(Discussion off the record.)

Mr. BUNDY. Developments on the political and economic side in Korea have been encouraging and the reduction of our economic assistance over recent years reflects the increasing capacity of the Koreans to utilize effectively their economic potential. In 1963 Korean exports reached a postwar peak of $86 million. Exports should reach $110 million in 1964. The magnitude of this accomplishment is seen when we recall that the average prior to 1960 was between $20 and $30 million a year. There was a 13.7-percent increase in industrial production in 1963—a 40-percent rise above 1960 levels. Per capita GNP, however, is only $85, and much of the increase in industrial and agricultural productivity is being consumed by a population growing at the rate of 2.5 percent annually.

The year 1964 should see, I believe, two or three encouraging developments in Korea. Korea's relations with Japan should move forward toward a better footing. If the relations of Korea and Japan are normalized, we can expect the beginning of a flow of some $500 million of grant and concessional loan funds to Korea, increased foreign investment—both Japanese and Western European—and a general forward push in Korean capacities to participate competitively in world markets.

We are encouraged, too, by the competence and realism of Korean economic planners who are working with our representatives in Seoul on an effective economic stabilization program.

Since this statement was written, the Koreans have been able to announce the actual putting into effect of a devaluation program. That was announced yesterday.

Mr. PASSMAN. Are you reading or elaborating?

Mr. BUNDY. I am elaborating at this point. This information has come in from our Embassy since I sent the statement up to you last week. I wanted to bring you up to date on it.

Mr. PASSMAN. Thank you.

Mr. BUNDY. What is now being developed is a program intended to curtail low-priority imports, expand exports, achieve internal price stability, and contribute to the welfare of the Korean people. As this program is implemented the integrity and resolution of the Korean

Government and its agencies will be severely tested. We believe that if this test can be survived, both the welfare of Korean people and the stability of Korea's democratic institutions will be well served.

We stand on the threshold, therefore, of a period when Korea's political and economic institutions may be greatly strengthened, Korea's ties with Japan regularized, and a significantly expanded area of strength in northeast Asia created. If a continuing U.S. aid contribution can bring about these results, the long-term advantage for U.S. security interests in the Far East will be profound.

REPUBLIC OF CHINA

For the Republic of China, it is our intention to extend about one-half million dollars in economic assistance, plus a possible ——— million in development loans, and ——— million in MAP in fiscal year 1965. Our economic aid in fiscal year 1963 amounted to over $38 million; our MAP to $82.5 million.

(Discussion off the record.)

Mr. BUNDY. On the economic side, Taiwan is a success story. Owing to the amounts and forms of U.S. economic assistance, the close relations between our AID mission and the GRC planners, and above all to the initiative, industry, and frugality of the Chinese population itself on Taiwan, Taiwan's performance in the economic field has been excelled only by that of Japan in the Far East. Real GNP has increased by 6 to 8 percent annually, per capita GNP by 3 to 4 percent. Reserves have risen to over $200 million—in part because of windfall earnings from sugar exports—and Taiwan exports are now moving to over 66 countries around the world. The Government is encouraging movement of more and more productive activity from public to private enterprise. In many areas, it is making Taiwan an interesting and profitable area for foreign investment. Per capita GNP, however, is still only about $160—that is, about one-third of Japan's or one-twentieth of that of the United States.

Economic trends are most promising, but will be only so long as Taiwan's large military expenditures can be so managed as to not deprive the economically productive sectors of the society of the confidence they need to engage in investment and trade activities. Our MAP and Public Law 480 contributions to Taiwan serve that end, as well as the purpose of reinforcing Taiwan's overall defense capabilities.

THAILAND

For Thailand, we are proposing a ——— million program of economic assistance in fiscal year 1965; ——— million of MAP.

(Discussion off the record.)

Mr. BUNDY. Thailand has been a loyal and effective ally in SEATO, and has welcomed U.S. and other SEATO forces and facilities needed to preserve our military posture in southeast Asia.

Having a base of considerable natural and human resources, the Thai Government has maintained a high level of exports, accumulated large reserves, and is moving forward a promising development program. Recent developments in Vietnam, Cambodia, Laos, and Indonesia have, however, developed anxieties amongst the leaders of Thailand. Their national policy must be based not only upon an

assessment of the relative strength of the Communist and anti-Communist forces locked in struggle around them, which can spill over into Thailand itself, but also on their reading of U.S. determination to support those opposing the spread of communism. A new Government has come into power in Thailand. It has shown promising ability to cope with the problems it faces, but it is still immature and looks to the United States not only for assistance to meet its priority needs, but also for solid moral support.

Our military and economic assistance to Thailand is intended to serve these purposes. We are placing increasing emphasis in our MAP upon civic action and counterinsurgency missions of the Thai forces. We are also helping to maintain a Thai conventional capability sufficient to withstand an initial external assault and to carry out the various missions envisaged in SEATO contingency plans. The establishment of Thai special operations centers and mobile development units reflects the current emphasis of our program, as does the existence of U.S. mobile training teams which are training officers and enlisted men in counterinsurgency techniques.

On the economic side, I would point particularly to such projects as the security roads project in north and northeastern Thailand ———. These roads will increase the security of the area and also can bring great economic benefits as an extra dividend. Another important project is that intended to develop roadbuilding capability at the provincial level in key border areas. In connection with internal security we are retraining and re-equipping 6,300 men in the border patrol police and 8,000 of the provincial police.

(Discussion off the record.)

Mr. Bundy. Nowhere more than in Thailand is it clear that a military assistance program is no more effective than the social and political environment in which it is going to play its role.

LAOS

For Laos, we are proposing an economic assistance program of ——— million, and a MAP program of ——— million. The Geneva agreements of 1962 prohibit the presence of American military personnel in Laos. Consequently, our assistance has been extended in response to the Prime Minister's request for help in supplying the needs of the non-Communist military forces in Laos, principally the forces of General Phoumi but also the neutralist forces of Kong Le. Upon them depends the capacity of the royal Lao Government to contain and turn back the nibbling tactics of the Communist Pathet Lao.

Our economic assistance has been devoted to a number of significant projects. It has supported a comprehensive rural development and security plan which, if successful, will be a key element in halting the Pathet Lao's capacity to erode loyalty to the Government in the countryside. Our assistance has contributed to the effectiveness of a multilateral stabilization program which already has shown success in bringing spiraling inflation under control. We have given up open ended cash grants. Our present commodity import program and our contribution to the Foreign Exchange Operations Fund are, we believe, just about the minimum required to prevent runaway in-

flation which, we fear, would bring down the government of Souvanna Phouma.

There is, of course, always a danger that a coalition government like that operating in Laos could be the forerunner of a Communist regime. As of now, however, almost 2 years after the signing of the Geneva agreements, the non-Communists have managed to hold off the Pathet Lao without serious loss of territory or control. While it is impossible to guarantee the outcome of developments in Laos, we must continue to support its non-Communist Government with economic and military assistance, if the Pathet Lao is to be contained without the commitment of American troops, and if we are to forestall the development of a dangerous flanking threat to our crucial involvement in the defense of South Vietnam, and our position in Thailand.

PHILIPPINES

Our links with the Philippines are strong. Our alliance with the Philippines—and our bases there—are fundamental to the U.S. strategic position in southeast Asia and the western Pacific.

In fiscal year 1965 we propose to extend to the Philippines ——— million in economic assistance and ——— million in MAP. Of our economic assistance, ——— million will be in developmment loans, and $3 million in technical cooperation. Our lending program comes after a long period of review of development projects by the Philippine Government, during which the Philippines have been gaining increasingly ready access to funds from the World Bank, the Export-Import Bank, and other free world sources. It is envisaged that a substantial part of these loans will begin to carry into the rural areas of the Philippines the benefits of the remarkable economic advances seen in urban areas.

The present health of the Philippine economy may be attributed to the Government's exchange rate reform along with the windfall profits which have come with strengthening of sugar and copra prices in the world markets. Philippine credit standing is good. Problems ahead, however, include uncertainty about the Philippine attitude toward foreign investment and the still incomplete and underway reform of its customs and tax administrations. A rate of population growth exceeding 3 percent presents serious problems of schools, hospitals, housing, and so forth, at a time when national saving is also needed for new roads, railroads, ports, communications facilities, et cetera.

Under the leadership of President Macapagal, the Philippines has played an increasingly active and often most constructive role in moderating conflict between the countries of southeast Asia. It is not sufficient for the United States, with such an ally, to be content with having brought it this far along toward economic self-support. Uniquely representing the American position among the Asian countries, we must continue to afford it our moral and material support. We can at the same time be gratified that the forms of AID assistance which have been extended in the past are becoming less and less essential for that purpose.

BURMA

For Burma we are planning a $19.3 million program of economic assistance, limited to completing outstanding commitments made during the previous administration. We also have a military sales ar-

rangement begun in 1958 and renewed in 1961 as a planned ——— million materiel and training program over a period of 3 to 5 years.

Lying between India on the one side, Communist China to the north, and Thailand to its east, Burma is particularly sensitive to fluctuations in policies of other countries. However, we are not going to be able to mold Burma's internal affairs to suit our desires and it is a wise course to get along with the present government rather than take steps which might drive it into the hands of the Communists.

The Ne Win government is not in any sense dependent upon our assistance to stay in power. Ne Win is fiercely nationalistic and opposed to all foreign influences, Communist or otherwise. He is combating Communists at home. His socialistic military dictatorship pursues domestic and foreign policies which often offend us. However, our assistance is intended to support Burma's national unity and independence.

JAPAN

No economic assistance has been given to Japan since 1962. On the contrary it is our expectation that there will be a total flow of Japanese financial resources to the less developed countries, and through multilateral agencies concerned with economic assistance, well in excess of its 1963 level of over $280 million—net.

We can be highly gratified, I think, with Japan's activity in the aid-giving field. It is a member of the Colombo Plan and the OECD Development Assistance Committee (DAC). It participates in the multilateral consortia for India and Pakistan. According to DAC standards of what constitutes aid, its foreign assistance places it fifth among doners to the LDC's. I might mention parenthetically that Japan has extended $10,000 as a contribution to Alaska's current relief program.

Let me explain briefly the ——— million MAP projected for Japan in fiscal year 1965. This is in fact the delayed fulfillment of a commitment going back approximately to 1961, which we entered into in order to produce the necessary air defense ground environment not only for Japanese aircraft but for our own aircraft stationed in Japan. In a sense, the program is thus comparable to the infrastructure program in Europe.

Specifically our contribution will amount to about 25 percent of the cost of some of the equipment involved. This program will have no adverse balance-of-payments impact on the United States because most of the equipment will be procured from U.S. sources. After fiscal year 1965, MAP funds will be used for Japan, if at all, only in connection with special orientation programs for Japanese military leaders. In view of the great strategic importance of the U.S. facilities in Japan and Okinawa, it is, we think, clearly to our interest to move forward with this program. The Japanese must be reassured as to the reliability of our commitments. The Japanese must be encouraged, by programs of this sort, to move more quickly and effectively toward an expansion of their own defense capabilities.

INDONESIA

It is not easy to judge what is the wise policy for the United States to pursue toward Indonesia at this moment in its history. Here is the fifth most populous country in the world, rich in natural resources,

accommodating peoples with a long and proud history and now seeking national identity. Indonesia geographically occupies a crucial area where two continents and two oceans meet. In every sense a key strategic area, Indonesia's role and capacities can affect the balance of power in the entire free world.

Strategically, it is extremely important to the Communists; the amount of Communist economic and military aid testifies to this fact. We could not rest easy if the Communists were to obtain air and sea bases in this vital area.

During the spring and summer of 1963, trends in Indonesia were toward rational foreign and economic policies. In May 1963, the Government of Indonesia brought to a conclusion longstanding disputes which they had had with American and British oil companies. They devalued the rupiah. They accepted a rigorous program of economic stabilization worked out with the International Monetary Fund. More fundamentally, these developments indicated a disposition to deal with the economic growth and the human welfare aspects of their national situation—and to do so in collaboration with the advanced countries of the free world.

It is, quite literally, a tragedy that the events of September 16, 1963, reversed these promising trends. You will recall that that was the day when the independence of Malaysia was announced, when riots ran rampant in Djakarta, the British Embassy burned, and other British properties destroyed. That was the day when a long-simmering Indonesia-Malaysian confrontation gathered alarming momentum.

(Discussion off the record.)

Mr. BUNDY. Fiscal year 1965 plans for aid to Indonesia amount to $10 million in economic assistance—entirely in technical and educational assistance and malaria eradication. On the MAP side, we propose ——— million ———.

(Discussion off the record.)

Mr. BUNDY. I feel obliged to make clear several aspects of the program of aid to Indonesia. It has never been intended to underwrite the operation of the economy.. It has never, either in volume or in kind, competed with aid given by the Soviet bloc. In fiscal year 1963 the volume of our aid amounted to $36.5 million in economic assistance, and $15.3 million in MAP.

What remains is, even more clearly than before, an investment in people and institutions rather than in the purposes of the Government itself. We have already trained under AID 4,000 Indonesian civilians in various fields in the United States. Under MAP we have trained some 1,200 military officers.

Officers we have trained include the Chiefs of Staff of the Army and Air Force plus about two-fifths of the Army staff. Our assistance has helped to increase the output of medical school graduates from 30 in 1954 to 150 in 1960. (This is significant in a country whose ratio of doctors to population is 1:49,000.) Our assistance to the Indonesian national police and to the mobile brigade—a well-trained paramilitary arm that has primary responsibility for purely internal security—has been so well appreciated.

Mr. Poats will go fully into the contemplated program.

(Discussion off the record.)

Mr. BUNDY. I do maintain, however, that our assistance has been such as to diminish likelihood of easy Communist exploitation of Indonesia's difficulties.

(Discussion off the record.)

CAMBODIA

Mr. BUNDY. Our AID–MAP fiscal year 1964 programs of $5.5 million for Cambodia have been terminated, and our mission withdrawn. We did this at the request of Prince Sihanouk, who has come to associate the United States in his bitter and longstanding antagonism against Thailand and South Vietnam. The sole remaining U.S. aid project is to continue financing 200 Cambodian students in the United States; we expect that this can be done from previously appropriated funds.

At the moment, Cambodia's future policy is uncertain, and perhaps the clearest thing about it is that it depends heavily on the progress of the war in South Vietnam. If the war should go better, and if Cambodia should turn back again toward the West, I do not exclude the possibility that at some point they might request restoration of some part of our aid programs, and it might then be wise for us to do this.

CONCLUSION

In conclusion, I return to my central point—that both the military and economic assistance programs for the Far East before you are vital to the successful pursuit of our policies in the area. The situation in the Far East is serious and uncertain. I urge the committee strongly that it not reduce the authorization that includes these essential programs.

(Annex A to Mr. Bundy's statement follows:)

[Annex A]

Fiscal year 1965 totals

[In millions of dollars]

	Economic	Military
Vietnam		
Korea		
Republic of China		
Thailand		
Laos		
Philippines		
Burma	19.3	
Japan		
Indonesia	10.0	
Regional	3.0	
Ryukyus		
Total	379.7 to 384.7	[1] 494.1

[1] Includes supply operations, and certain regional costs, prorated in the country programs.

Mr. PASSMAN. Thank you, Mr. Secretary.

The situation has of course, been serious ever since I have been on this committee. I have been on this subcommittee for 12 years, and this is my 10th year as chairman, and certainly we are all working to protect our own great country.

But, and I think this fact should be pointed out to you, the statements which have been made by the witnesses with regard to this program are basically of the same nature year after year.

MAINTENANCE OF ADEQUATE PROGRAM DESPITE CUTS IN MILITARY ASSISTANCE

You mentioned something about both economic aid and military aid. We have a new sheet out showing the appropriations reductions Congress has made in the past, the economic separate from the military, the military separate from the economic. Then we have the total together.

We find that when your request was for $1,225 million for military assistance in fiscal year 1956, Congress cut it by 37.33 percent and you still had money left over. If we take the average, fiscal 1956 through 1964, inclusive, you will find that the cut has been about 21 percent, aggregate, across those years. Yet plenty of money was always provided for the program more than enough, I should say.

TOTAL FUNDS AVAILABLE FOR MILITARY ASSISTANCE FROM ALL SOURCES

In addition to the billion-dollar MAP request for fiscal 1965 there is $135 million that is going to be available from deobligated funds from previous years. You are familiar with that fact, I am sure.

Mr. BUNDY. Yes, sir. That is the estimate for recoupments in fiscal year 1965.

Mr. PASSMAN. You will add to that figure unobligated funds of $25 million. Then in the event of emergency the President, under section 510, could transfer out of the military stocks up to $300 million. Then the President has a right, of course, to transfer up to 10 percent in and 20 percent out, I believe, of any appropriation other than development credits. He could transfer the entire contingency fund in, a minimum of $150 million. You have it up to $1,610 million that could be available in an emergency. To that amount you would add the excess stocks that go in without cost, other than a rehabilitation charge. You have certain recoveries from Public Law 480.

TOTAL FUNDS AVAILABLE, FISCAL YEAR 1965

It would appear that under this so-called tight program in an emergency, without any amendment to the law, the President would have almost $1,700 million that could be used for military assistance. Have I stated the situation correctly as you understand it?

Mr. BUNDY. May I comment, sir?

Mr. PASSMAN. Have I stated it correctly so far as the figures are concerned?

Mr. BUNDY. Section 510 would require appropriation in a subsequent year.

Mr. PASSMAN. I qualified my statement by saying "in an emergency." If it should become necessary, the President could exercise the authority given him in section 510 and use immediately for this fiscal year or obligate for this fiscal year up to $300 million. Is that your understanding?

Mr. BUNDY. That is correct. He can transfer it from existing stocks.

CLASSIFICATION OF INFORMATION

Mr. PASSMAN. Will this information on page 370 be secret?

Mr. BUNDY. I am sure we will make every effort to declassify everything we possibly can. I will specifically declassify this.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. GARY. Since this statement has been marked secret and has been read into the record, what will be the situation when it is published?

Mr. PASSMAN. It will probably be lifted out.

Mr. GARY. The whole statement?

Mr. BUNDY. We only take out the figures that have to remain classified. Actually, very little of this statement will have to remain classified. We do continue to classify specific program figures because it simply creates an untenable situation with the country if we have to indicate the exact amount we are requesting.

Mr. GARY. You will go through the record and mark out and take out the secret portion?

Mr. BUNDY. Yes, sir.

Mr. GARY. But the major portion of your statement will remain in the record?

Mr. BUNDY. That is correct, sir.

Mr. FORD. Would the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. It seems to me that some of these observations and comments concerning certain governments and individuals might well fall in that same category if it is the same classification pertaining here as pertains in the Defense Subcommittee.

Mr. BUNDY. That is quite correct, Mr. Ford. I told you very frankly what we think of ——— perhaps I understated it. These are not the terms we would like to be quoted in public as using about him. It is that kind of thing.

SITUATION IN VIETNAM

Mr. PASSMAN. On page 2 of your statement, Mr. Bundy, you state, with reference to the nations in the Far East:

> One, South Vietnam is not our ally but is embraced in the territory covered by SEATO and we are, of course, deeply committed to its support against the North Vietnamese-backed aggression of the Vietcong.

If South Vietnam is not our ally, what is it?

Mr. BUNDY. Sir, the 1954 Geneva accords——

Mr. PASSMAN. We are not a party to that accord.

Mr. BUNDY. That is correct, but we did undertake not to upset that accord. That was the format. That accord provided that South Vietnam could not adhere to an alliance. What was done thereafter was when the SEATO treaty was signed and ratified by the Senate, a protocol was added bringing the territory of South Vietnam under the protection of the alliance.

COMMITMENTS BY OTHER NATIONS IN VIETNAM

Mr. PASSMAN. You state here that South Vietnam is not our ally but is embraced in a territory covered by SEATO and that we are deeply committed to its support against North Vietnamese-backed aggression of the Vietcong. How many other nations are in South Vietnam with us militarily?

Mr. BUNDY. Militarily in the form of advisory units?

Mr. PASSMAN. I am talking about being on those helicopters, going out to get shot down. How many other nations have troops there?

Mr. BUNDY. Advisers get shot at.

Mr. PASSMAN. How many other nations have troops there serving in the same manner as our forces?

Mr. BUNDY. Australia has forces.

Mr. PASSMAN. How many?

Mr. BUNDY. About 30 is their present strength.

Mr. PASSMAN. We have tens of thousands?

Mr. BUNDY. Yes; we have tens of thousands.

Mr. PASSMAN. In reality there is only one flag flying and that is the U.S. flag; is that right?

Mr. BUNDY. On the military side, sir. There are substantial other efforts being undertaken.

Mr. PASSMAN. It is only the U.S. flag flying there and you say they are not an ally?

Mr. BUNDY. That is correct, sir.

AID PROGRAM IN REPUBLIC OF CHINA

Mr. PASSMAN. Thank you. You say on page 9:

For the Republic of China, it is our intention to extend about one-half million dollars in economic assistance * * *.

I would assume that is to phase out the present program?

Mr. BUNDY. That is correct, sir.

Mr. PASSMAN. Then:

* * * plus a possible ——— million in development loans—

or credits, but I will read it verbatim—

development loans, and ——— million in MAP in fiscal year 1965. Our economic aid in fiscal year 1963 amounted to over $38 million, our MAP to $82.5 million ———.

That was an executive determination to cut it back?

Mr. BUNDY. Yes, but we were compelled to do so by reduction in the appropriation by the Congress.

Mr. PASSMAN. Why did you let the money that was obligated lapse, and we had to reappropriate it? You had money.

Mr. BUNDY. The amount that lapses, sir, is on the order of $25 million. I think you are very familiar with the reasons that they have certain small amounts that remain unobligated at the end of each fiscal year.

Mr. PASSMAN. There is no record to back up your statement. I happen to know that you had country after country after country where the program was increased. I am talking about worldwide. A lot of programs were 1½ to 2 times as much as they had requested. Furthermore, there was money in the contingency fund that was getting ready to lapse. You did have money.

Mr. BUNDY. Mr. Chairman, let me say——

CONTINGENCY FUND AVAILABILITY FOR MILITARY AID

Mr. PASSMAN. Let me finish so you will not be trying to defend an inaccurate statement. They had money proposed to transfer out of of the President's contingency fund. A four-star general testified that

this request had gone up. Subsequently a person with a higher rank testified that this was not so. I have a copy of the correspondence that there was submitted to the presidential level, I believe, the request for approval to transfer out of the President's contingency fund into the military program. Just before they got ready to do it they decided they did not need the money and withdrew the request. You check on that matter, and you will find it is true.

Mr. BUNDY. May I comment on that?

Mr. PASSMAN. Yes, you may comment on it.

Mr. BUNDY. A proposal was made about May or June last year to transfer an amount from the economic to the military side under section 610. As to whether that could have come from the contingency fund, frankly, prior to the legislative history of the fiscal 1964 legislation, which on the floor of the Senate particularly did make clear that the contingency fund was available on the military side, it was the unanimous judgment of the lawyers in every corner I could find that it was not proper to transfer from the contingency fund for the military aid appropriation.

Mr. PASSMAN. They were getting ready to do it. They are going around the bush. You and I know they testified they could transfer from the contingency fund into any of the economic accounts.

Mr. BUNDY. Yes, sir.

Mr. PASSMAN. You could transfer then into military.

Mr. BUNDY. No. You should use your contingency fund properly.

Mr. PASSMAN. They did not do it that way, but I happen to know they said they could do it. They had prepared the letter. There was a question. They decided they did not need it. It was withdrawn at the very last moment.

You had section 510 available if you needed it?

Mr. BUNDY. We have and can use section 510 under an explicit congressional provision when it is "vital" to the national security.

Mr. PASSMAN. Was this program considered vital?

Mr. BUNDY. Yes, sir. However, we thought it correct to read the intent of Congress that that should not be used to restore cuts of the Congress. I think you would agree, sir, that was a fair interpretation of the congressional intent.

ILLUSTRATIVE NATURE OF FOREIGN ASSISTANCE BUDGET PRESENTATION

Mr. PASSMAN. You have in many instances, through the contingency fund, and deobligated funds, started many projects that you never justified them to Congress.

Everything you do here is strictly illustrative. You do justify a railroad for Argentina and take the same money to build a brick building in Pakistan. That is how loose it is. All of it is illustrative. You have literally hundreds of projects started that have never been justified to Congress. They had some extra money. They would go ahead and start a project that had never been mentioned to Congress. You are familiar with the looseness of the program, are you not?

Mr. BUNDY. I realize every course——

Mr. PASSMAN. Have I made a statement of fact? These things are all illustrative; is that correct?

Mr. POATS. That is correct, sir.
Mr. PASSMAN. Thank you.
You can do anything you want to with it.

UTILIZATION OF CONTINGENCY FUND AUTHORITY

Mr. BUNDY. It is perfectly clear in the Far East, sir, it would not have been proper to use section 510 and we did have to make very substantial reductions in the military programs of that area as a result of the congressional reduction in the appropriations.
Mr. PASSMAN. I do not believe you could prove that claim.

THE 1954 GENEVA AGREEMENT

We are not a party to the 1954 Geneva agreement, are we?
Mr. BUNDY. Of the 1954 agreement, we are not, sir.
Mr. PASSMAN. You dwell quite a bit on Indonesia. Sukarno, who has been elected President for life, is commander in chief, is he not, of the Armed Forces, the same as our President?
Mr. BUNDY. I am quite certain he has the same power.
Mr. PASSMAN. Let me say he is commander in chief.
Mr. BUNDY. I will accept that.

TOTAL AID FUNDS FOR INDONESIA

Mr. PASSMAN. He has the same right as the commander in chief of our country, the same right to continue an aid program. I think the record will show that we have given already to Indonesia approximately $1 billion. I thought we were told, subject to correction, that we had no program for Indonesia for fiscal year 1965.
Mr. BUNDY. No, sir, that is incorrect.

UNEXPENDED BALANCE CREDITED TO INDONESIA

Mr. PASSMAN. What sum do you have unexpended for them, still to be disbursed?
Mr. BUNDY. Mr. Poats can answer that on the economic side.
We may have previous year funds but I believe they are very minor.
Mr. POATS. As of March 31, the unexpended AID balance was $22.5 million, including development grant, supporting assistance and development loan funds.
Mr. PASSMAN. That is the total?
Mr. POATS. That is the total of AID funds. There was an additional MAP balance of $9.6 million as of the same day.
Mr. PASSMAN. How about Public Law 480?
Mr. POATS. Public Law 480 pipeline does not respond to quite the same kind of calculation, but we have undelivered procurement authorizations of a very small amount.
Mr. PASSMAN. There are about 16 aid spigots. You want to drain from each of them and put them in the record? You do not have to put it in now. I think you will find the total is very substantial.

(The information supplied follows:)

Unliquidated obligations for Indonesia

[In thousand of dollars]

Source of funds	June 30, 1963	Apr. 30, 1964
Technical cooperative development grants	18,353	10,954
Supporting assistance	2,038	1,895
Contingency funds	19,692	9,078
Development loans	5,434	4,687
Public Law 480	5,940	3,710
Military assistance program	21,800	[1] 21,100
Total	73,257	51,424

[1] Mar. 31, 1964.

Status of deobligations by fund category for Indonesia

Deobligations from the Indonesia program during the period July 1, 1963, to April 30, 1964, were as follows:

Technical cooperation/development grants	$1,197,927.09
Supporting assistance	15,635.56
Contingency fund	2,094.87
Total	1,215,657.52

PRESENT POSTURE OF INDONESIAN LEADERSHIP VERSUS CONTINUED U.S. ASSISTANCE

Mr. PASSMAN. This is from the Washington Post, dated May 4:

"Sukarno Calls 21 Million Into Malaysia Fight."

I wonder why we would give Indonesia another dime of aid if he is truly intending to take our aid money and do these things.

Did you happen to see this item?

Mr. BUNDY. No, sir. I read the speech. It certainly is an inflammatory speech.

Mr. PASSMAN. Is there anything wrong with not giving a man like that any money until we make up our minds whether he is with us or against us?

Mr. BUNDY. I think we have to watch this very closely.

(Discussion off the record.)

Mr. PASSMAN. Did we not know that before we started this billion dollar giveaway program to Indonesia? As long as 5 years ago I put similar information in the record.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. When a head of a government tells us to "go to hell," and, "We don't want your aid, we don't need your aid," and he insults our Ambassador, what does he have to do to get us to cut off this aid?

Mr. BUNDY. I think one reason he makes a statement like that, sir, is he knows full well that our aid is not in fact helping their capabilities against Malaysia at this point.

Our assistance is provided for purposes that we can check to the point where we are confident that it goes where it should go.

Mr. PASSMAN. How far does he have to go? You know and I know that our aid is helping Sukarno. It is helping his government.

Mr. BUNDY. ————.

Mr. PASSMAN. "Go to hell" would not be sufficient?

Mr. BUNDY. I think "go to hell" was a political statement, sir, and I do not take it any the less for that.

Mr. PASSMAN. If he says, "Go to hell with your aid, we don't need it," do you know of any way to put it any plainer?

Mr. BUNDY. Well, I think you have to weigh the long-term interest of the United States vis-a-vis his country and at this point——

Mr. PASSMAN. When are you going to start weighing?

Mr. BUNDY. ————.

Mr. PASSMAN. You even have a military program for Indonesia.

Mr. BUNDY. That is correct.

Mr. PASSMAN. That is military aid.

ASSISTANCE DEAL WITH BURMA

Is Burma the nation that ———— said, and I paraphrase, "You know, we cannot accept any gifts from you. We want to buy military aid." We said, "Yes, we want to sell it to you." We said, "What do you think it is worth?" And they said, ————. They said, "There is another condition. We want to pay you with local currency." We said, "We will accept local currency." And I think we have received but very little of that.

(Discussion off the record.)

Mr. BUNDY. Well, sir, we frankly——

Mr. PASSMAN. Answer the question, please.

Mr. BUNDY. The answer is they have paid the agreed amounts.

(Discussion off the record.)

BURMESE RICE FOR HOTEL FROM RUSSIA

Mr. PASSMAN. I was over there. We ran into a hotel over there that the Russians built. The Russians said, in effect, "We like you. We are going to build you this hotel." I think the Burmese said, "We like you, too. We will give you its value in rice." It appears that Russia made a profit off the swap. This resulted in the hotel. They put a classified tag on a picture of the hotel. We are not supposed to show the picture or talk about it. Do you remember that matter?

Mr. BUNDY. I remember your previous reference to the subject, sir.

Mr. GARY. When was that, Mr. Chairman?

Mr. PASSMAN. About 5 years ago, I think.

Mr. BUNDY. Last year's hearings, way before my time.

Mr. GARY. When did it happen?

Mr. BUNDY. Four or five years ago.

Mr. PASSMAN. I think it was 5 years ago. I was in the hotel. I said, and I paraphrase, "Where did you get this?" They said, "The Russians built it. We paid for it with rice." I came back here and brought up the subject of the hotel. They pulled the photograph out and said, in effect, "Don't tell anybody, it is a secret."

Mr. BUNDY. I think that was a rather ridiculous thing to do, sir.

(Discussion off the record.)

Mr. BUNDY. The substance of what was done I think did make sense and still does make sense.

Mr. FLYNT. Mr. Chairman, will you yield?
Mr. PASSMAN. I yield.
Mr. FLYNT. Off the record.
(Discussion off the record.)
Mr. PASSMAN. This was an agreement entered into in 1958?
Mr. BUNDY. On the economic side in 1958, and a military sales agreement in the same year, 1958.
I think the basic agreement to provide military equipment under the sales agreement goes back to August 1958, sir.

AID AGREEMENT NEGOTIATION POLICIES

Mr. PASSMAN. All of these agreements are subject to negotiation, are they not?
Mr. BUNDY. Yes, sir.
Mr. PASSMAN. If this administration should decide this is not good policy, they can change the policy?
Mr. BUNDY. I suppose they could, sir. The judgment must have been, and I do not have this at first hand, that it would have been disadvantageous to our political relations with Burma.
Mr. PASSMAN. They are supporting the policy believing it was a correct policy?
Mr. BUNDY. Well, changing it. It is one thing to enter into a policy. It is another to change it after it has been agreed by a previous administration. The latter is more difficult. It has more disadvantages, so that the disadvantages of changing the basis that have been laid out under the Eisenhower administration appeared to outweigh the advantages.
Mr. PASSMAN. About 14 nations have kicked us out but we get started back in. You look at the record. You will find that we do change our policy. We had an aid program. They said, "We don't want it." We stopped it. But, under the prior commitments, we kept disbursing until it ran dry. Then we got back in with an aid program.
Is Laos where two half-brothers and a third party head the Government?
Mr. BUNDY. The Prime Minister is a half-brother of the Communist leader, sir.
Mr. PASSMAN. We have a lot of aid going in there.

TOTAL ECONOMIC AID TO BURMA

What is the total amount of economic aid we have given to Burma?
Mr. BUNDY. $18 million——
Mr. PASSMAN. Starting after World War II.
Mr. BUNDY. I have not got that figure at my finger tips.
Mr. POSTS. $117 million, repayment, $6.8, net, $110.3 million.

Mr. PASSMAN. That is what I am looking at in the book, $110 million. Is that strictly economic aid? It has nothing to do with the so-called military sales?

Mr. BUNDY. Yes, sir. I think the military sales shows in your presentation books.

Mr. PASSMAN. Does this figure include Public Law 480?

Mr. POATS. It does, yes, sir.

TOTAL AID TO INDONESIA

Mr. PASSMAN. What has been the total of aid to Indonesia?

Mr. POATS. The total aid on a net basis, subtracting repayments and interest, is $735.9 million. That is not entirely—that is to Indonesia and to the Dutch East Indies. You should subtract from that——

Mr. PASSMAN. Why would you subtract?

Mr. POATS. $101.4 million of this was channeled to the Dutch East Indies prior to the establishment of the Republic of Indonesia, plus $67.9 million from the Export-Import Bank, I believe it is—another source—also went to the Dutch. May I give you the net figure to the Republic of Indonesia? It was the figure I gave you minus $169.1 million.

Mr. PASSMAN. We were told the other day it was $978 million. Whose figures do we use?

Mr. POATS. These are the correct figures.

Mr. PASSMAN. Do you have all the spigots?

Mr. POATS. All figures.

Mr. PASSMAN. How about military and other organizations?

Mr. BUNDY. Including the other agencies but not including——

Mr. PASSMAN. Get all of the spigots. I think we contribute to all of the international accounts.

Mr. POATS. The total we have here for Indonesia from international organizations is $11.1 million, from the U.N. technical assistance, and $2.8 million from the U.N. Special Fund.

Mr. PASSMAN. Put it together for the record, if you will.

Mr. POATS. That is $13.9 million.

Mr. PASSMAN. Put it in the record, please.

(The information follows:)

Aid to Republic of Indonesia (U.S. oversea loans and grants and assistance from international organizations)

[In millions of dollars]

Program	Total 1946–63	Repayments and interest, 1946–63	Total less repayments and interest
AID and predecessor agencies, total	[1] 278.6	12.5	[1] 266.1
Loans	60.6	12.5	48.1
Grants	218.0		218.0
Social Progress Trust Fund			
Food for peace, total	280.8	0.8	280.0
Title I (total sales agreements)	(313.7)	(0)	(313.7)
Less (planned for U.S. uses)	(47.4)	(0)	(47.4)
Title I, planned for loans and grants	266.3	0.6	265.7
104c, grants for common defense	30.8		30.8
104e, grants for economic development	25.3		25.3
104e, loans to private industry	21.0		21.0
104g, loans to government	189.2	0.6	188.6
Title I, assistance from other country sales agreements	2.2	0.2	2.0
Title II, emergency relief and economic development	0.8		0.8
Title III, voluntary relief agencies	11.5		11.5
Title IV, dollar credit sales			
Export-Import Bank long-term loans	162.1	78.8	83.3
Other U.S. economic programs	[2] 67.9	42.0	[2] 25.9
Total economic	[3] 789.4	134.1	[3] 655.3
Loans	498.7	134.1	364.6
Grants	290.7		290.7
Assistance from international agencies, total 1946–63:			
U.N. technical assistance (calendar year)	11.1		
U.N. special Fund	2.8		
Military assistance program (charged to appropriation)	80.6		80.6
(Additional grants from excess stocks)	(6.3)		(6.3)
Other military assistance			
Total military	80.6		80.6
Loans			
Grants	80.6		80.6
Total economic and military	[3] 870.0	134.1	[3] 735.9
Loans	498.7	134.1	364.6
Grants	371.3		371.3

[1] Includes $101,400,000 in aid channeled through the Netherlands, prior to Indonesian independence.
[2] Includes $67,700,000 in aid channeled through the Netherlands, prior to Indonesian independence.
[3] Includes $169,100,000 in aid channeled through the Netherlands, prior to Indonesian independence.

Mr. PASSMAN. I wish you would not make any deductions because the East Indies became part of Indonesia. Heretofore, they have included this and as a part of the contribution to Indonesia.

Mr. POATS. I am pointing out that the correct statement if you say to the Republic——

Mr. PASSMAN. Could you give a total and say of that amount a certain sum went to the East Indies?

Mr. POATS. That would be $789 million, minus that portion which went to the East Indies through the Netherlands, which was $169 million.

Mr. PASSMAN. Is this territory you referred to now part of Indonesia?

Mr. POATS. Yes, sir.

Mr. PASSMAN. I think the record should show it that way.

Mr. Natcher?

COMPARISON OF MILITARY PROGRAMS IN VIETNAM FOR FISCAL YEARS 1964 AND 1965

Mr. NATCHER. How does the amount compare for South Vietnam for fiscal year 1965 with the fiscal year 1964?

Mr. BUNDY. Sir, I can speak in detail on that on the military side. We expect that we will need about ——— on the military side in the current fiscal year. I can't give that as the absolute final figure because some of the things that were talked about in the visit of Secretary McNamara about 6 weeks ago may turn out to require additional MAP charges. We are asking in the bill before you for about ——— million less than we actually spent in fiscal year 1964 or will have spent. I think it is a low estimate, sir. I think almost certainly we will need more.

Mr. NATCHER. In other words, judging from the amount that is being expended at the present time, it is probably low?

Mr. BUNDY. It may be if you take the economic as well. I would doubt the military alone would be by that much.

Mr. NATCHER. You are being right optimistic, are you not, Mr. Bundy, with the program that is underway in South Vietnam at the present time, and what we may reasonably expect to take place in the next few months?

Mr. BUNDY. Not on the MAP side, sir. There is a limit to what you can put in effectively by way of equipment for their forces. A lot depends on the ammunition requirements. Ammunition ran well over ——— in the current fiscal year. If it gets really much hotter ammunition may rise, but the other items of equipment are mostly in this country and we don't visualize as of now any major increase in the force structure of the Vietnamese. Perhaps something on the order of ——— but that would be on the order of ———.

PHASEOUT OF AID PROGRAM IN JAPAN

Mr. NATCHER. Now, Mr. Bundy, I want to direct your attention to Japan. In your statement to the committee you stated that he economic program insofar as Japan is concerned was completed in the fiscal year of 1962, or was that the calendar year?

Mr. BUNDY. The calendar year, sir. We had very modest technical programs in the last few years of it—no major economic programs after 1955.

Mr. NATCHER. We stayed a long time with Japan, and wouldn't you say, Mr. Bundy, as far as 1962 is concerned?

Mr. BUNDY. I think we did, sir. I don't know it in detail, but my understanding is that the program in the later years was very small and related to technical programs.

COMPETITION FROM JAPANESE IMPORTS

Mr. NATCHER. Some of the large companies in this country that certainly are in favor of private industry and free enterprise are complaining, as you know, very bitterly over what is taking place

insofar as certain commodities that are manufactured in Japan and now exported into this country. I know you have heard that from time to time. In fact, some of the large companies that know how to manufacture—and certainly the record in the past discloses the fact that they have been right successful—they are bitterly complaining at this time over our trade relations insofar as Japan is concerned.

Mr. Bundy, is it true that at the present time the Japanese companies are establishing stores in our country?

Mr. BUNDY. I understand that there is a large Japanese department store in New York City.

Mr. NATCHER. I think you will find that, not only on the west coast and in the western section of the United States, but in other sections, Japanese interests are now coming into our country and establishing large mercantile establishments. As far as you know, Mr. Bundy, are the same tariff provisions applied insofar as the companies that are established in this country by the Japanese?

Mr. BUNDY. Yes; if the goods come from Japan there would be no change. I might point out, sir, that we have been arranging with the Japanese from time to time, particularly in the textile area, to limit certain exports to the United States. The fact is we sell to Japan on our economic account considerably more than we buy, nonetheless.

Mr. NATCHER. We had that up I remember before this committee several years ago. I serve on two other subcommittees, Mr. Bundy. I recall that here the Export-Import Bank and others took great pride in telling us that they had sold to the Japanese $60 million in surplus cotton. We heard that in agricultural appropriations. We come to find out they borrowed all the money from the Export-Import Bank, I believe, to buy the surplus cotton. Then we had complaints made before the committee from the standpoint of the textiles that were coming back into this country from the cotton that was sold with borrowed funds.

Mr. PASSMAN. Thank you, Mr. Natcher.

Mr. Flynt?

Mr. FLYNT. Thank you, Mr. Chairman.

Thank you for your presentation, Mr. Bundy.

Mr. BUNDY. Thank you, sir.

ROLE OF THE AID PROGRAM IN U.S. FOREIGN POLICY

Mr. FLYNT. I want to make a statement to you that I have made to many who have preceded you in appearing before our committee this year and previous years. This committee wants to help you and the Agency for International Development to make this program a success. We believe, and speaking as one member of the subcommittee, I certainly believe that the best way that we can make this program work is to exert every effort to avoid the type of incidents and arrangements which we discussed off the record a while ago in discussing the ——— arrangements. If this is a good program, if it is a program which is in the national interest of this country and also in the national interest of the recipient country, would you agree with me that we should avoid the type of arrangements that we discussed off the record a while ago?

Mr. BUNDY. I think we should, sir, but I would not say categorically that the necessity or the political advantage, if you will, of such arrangements will never arise. I cannot say, even with the benefit of hindsight, that it was a mistake to do that particular arrangement because it did and does seem to us important that ——— should have limited, but still adequate forces for counterinsurgency, for beating back Chinese incursions, et cetera, and I canont say flatly that we would never feel it desirable to enter into that kind of arrangement and I recognize, as I said to you previously, that it is not a satisfactory kind of arrangement, but the test, as you have said, is our national interest. I would hope we would not ever get into that situation again and I would certainly do my personal best to avoid it, but I can't guarantee it when you look at the larger picture.

Mr. FLYNT. Would you agree with me that—speaking now categorically rather than confining this to any one area or to any one country within an area—that anything which elevates your prestige in another country is in our national interest?

Mr. BUNDY. Yes, sir.

Mr. FLYNT. And anything that damages our prestige, or perhaps in certain instances might destroy it, is against our national interest?

Mr. BUNDY. That is right, sir. I do not think it is the only factor you weigh, but I think it is a very significant one.

EFFECTS OF "TO HELL WITH YOUR AID" STATEMENT ON ASSISTANCE PROGRAM IN INDONESIA

Mr. FLYNT. As to the circumstances as they have been related to you recently, when President Sukarno of Indonesia made the rather insulting statement about the United States and the U.S. aid program, was that statement made to the Ambassador of the United States or to one of the ministers in the American Embassy?

Mr. BUNDY. It was made off the cuff, sir, in the course of a public speech. Our Ambassador was present.

Mr. FLYNT. That is, the chief of our mission to that country was present?

Mr. BUNDY. Was present.

Mr. FLYNT. And this statement was made in public with our Ambassador there?

Mr. BUNDY. That's right, sir.

Mr. FLYNT. And that was made prior to your presentation on today, the 4th of May?

Mr. BUNDY. Yes, sir. I think it was about a month ago, sir.

Mr. FLYNT. It was about a month ago?

Mr. BUNDY. About a month ago; yes, sir.

Mr. FLYNT. And was only released a few days ago?

Mr. BUNDY. No, sir. It was publicized at the time. I think we may be confusing the speech that Sukarno made on May 1, and the somewhat similar speech he made on May 3.

Mr. FLYNT. The May 1 and 3 speeches are the ones to which I am referring.

Mr. BUNDY. No. The statement, "To hell with your aid," was made in the course of an earlier public appearance, which I can only date in

terms of my last trip to the Far East, which started the 9th of April, It was made before that, about a month ago, sir, and it was reported at the time.

Mr. FLYNT. And then over the weekend a radio network newscast on the hour again referred to this, and if I can obtain the transcript, I will see whether it was referred to as a new statement to that effect, or whether it was referring to the one that was made roughly 30 days ago. I see Mr. Poats wants to say something.

Mr. BUNDY. I don't recall his having made any such statement over the weekend, sir. I can't say that he didn't, but I do say that, and I think the newspaper reports which were our source, too, would confirm that the first time this was said, at any rate, was about a month ago.

Mr. FLYNT. Has the Ambassador to Indonesia reported that to you?

Mr. BUNDY. Yes, sir. He reported the circumstances, and all the rest. Of course, it was said in public, and was reported by the press in the area, so that it reached us concurrently from both.

Mr. FLYNT. Now, the report that I heard, and I hope I am not belaboring this too much——

Mr. BUNDY. No, sir. I think it is a very important point.

Mr. FLYNT (continuing). The report that I heard was that the President of Indonesia made the statement that he had been told by the U.S. Ambassador to his country that if he did not ameliorate his belligerent attitude toward Malaysia, that the United States would withdraw its aid program to Indonesia.

Mr. BUNDY. He did make that statement, sir.

Mr. FLYNT. Wouldn't that indicate that we were attempting to interfere substantially in the internal operation of the Government of Indonesia by attempting to influence the single most important attitude of the foreign policy of the Government of Indonesia?

Mr. BUNDY. Off the record.

(Discussion off the record.)

Mr. FLYNT. Then, 2 days later, this committee receives a proposal to grant $10 million in economic assistance and ——— million in MAP, to this country.

Mr. BUNDY. Yes, sir; with the clear statement that I have made, which we have consistently been explaining throughout to this committee, and to any others, to the House Foreign Affairs Committee, to take one example, that if they do continue, or increase their efforts against Malaysia, we, in all probability, will have to terminate the program. As of now, that has not been proved to be the case. Negotiations are proceeding.

There is at least a chance that they will result in a reduction or even an end to the dispute. That being so, we consider it wise and indeed, the only frank way we can deal with the Congress, to tell you that as of now, we do expect to conduct a program in this magnitude.

PROGRAM LEVELS FOR INDONESIA

Mr. FLYNT. On page 22 of your statement, I see your reference to, and I quote:

> In fiscal year 1963, the volume of our aid amounted to $36.5 million in economic assistance, and $15.3 million in MAP.

The figures for 1964, I take it, are not complete, at this time?

Mr. BUNDY. That is correct.

Mr. FLYNT. What would you estimate the fiscal year 1964 figures to be?

Mr. BUNDY. ———. Mr. Poats, I think, would probably have them on the economic side, the figure for final 1964.

Mr. POATS. Since the intensification of the Malaysian campaign the economic program has been one of simply maintaining ongoing technical assistance activities. We obligated $162,000 in January; $137,000 in February; and $81,000 in March. Prior to that time, before the intensification of confrontation, we had obligated about $3.5 million. Total obligations so far, through March 31, 1964, are $4,107,000. The biggest part of that is for the malaria eradication program. We have suspended deliveries under previous obligations of arms and ammunition, and trucks of a military nature, communications equipment of a military nature.

(Discussion off the record.)

Mr. FLYNT. It is true, nevertheless, is it not, Mr. Poats, that regardless of the nature of these economic assistance grants to Indonesia, that they are administered by administrative officials who are directly and solely responsible to the President of Indonesia?

Mr. POATS. Let me explain them. There are two here in this 3 months' period. One was $67,000 for training of participants; that is, Indonesians studying in this country. It happens that most of these are military officers who are training, studying economic management, business management, at American schools, a group here and a group at Syracuse University.

These are military people who have civil jobs or are returning to civil jobs and need civil training. The only other item we have obligated in the last 3 months which you could regard as aid to Indonesia was——

Mr. FLYNT. I do.

Mr. POATS (continuing). Was ——— for commodities under these technical assistance programs, for demonstration equipment or the AID mission's own use. The remaining items were simply the cost of our technicians in the AID mission there. This runs about $90,000 a month, in the cost of our AID staff in the mission.

(Discussion off the record.)

Mr. FLYNT. These people being trained are the military, the paramilitary, and the civilians; in the event of an outbreak of war, or even a continuation of existing conditions approximating war between Indonesia and Malaysia, these individuals, military, paramilitary, and civilian, would be used effectively to wage war against the Government and the people of Malaysia, would they not?

Mr. BUNDY. I can't say that none of them would be, sir, but the nature of their occupations is such that they are very unlikely to be engaged in any significant degree in that. You can't say that an officer who comes to Leavenworth won't read a textbook on guerrilla warfare.

(Discussion off the record.)

Mr. BUNDY. We think that is outweighed by the longer stakes within this very important country.

Mr. FLYNT. How old is President Sukarno?

Mr. BUNDY. Sixty-three, sir.

Mr. FLYNT. And he is President of Indonesia for the remainder of his life.

Mr. BUNDY. That is correct, sir.

(Discussion off the record.)

Mr. FLYNT. What attitude do you think that the Government and the responsible heads of Government of Malaysia are taking toward our aid in any fashion to the chief of state, and chief of Government, of Indonesia, who has announced a dedicated effort to destroy their country, Malaysia?

Mr. BUNDY. I think they understand, sir, the ——— nature of the programs we are still continuing.

(Discussion off the record.)

Mr. FLYNT. Then, Mr. Bundy, I hope that you are right.

Mr. BUNDY. It is the kind of judgment you have to make in this business.

Mr. PASSMAN. Sukarno made the speech we have discussed in Jakarta on March 25.

Mr. BUNDY. It is even more than a month, then.

Mr. PASSMAN. It appeared in the New York Times on March 26—"Sukarno tells United States 'To hell with your aid.'"

So that there will be no misunderstanding about where his remarks were directed, President Sukarno interrupted his speech to ask U.S. Ambassador Howard P. Jones, "When was that you wanted to stop your aid?"

Ambassador Jones did not answer.

That was a direct insult at the representative of the United States.

Does President Sukarno have the power to recall military personnel he has sent to the United States?

Mr. BUNDY. He would, if he wishes.

STATUS OF FUNDS MAINTAINED TO THE CREDIT OF INDONESIA

Mr. PASSMAN. You have not deobligated the funds that you have to the credit of Indonesia, have you; aren't you carrying them in an obligated status?

Mr. POATS. We are deobligating some funds, sir, perhaps ——— million.

Mr. PASSMAN. Didn't we go into that matter earlier?

Mr. POATS. About $22 million was the figure I gave you for AID's pipeline, and of that we have plans to deobligate at the moment about ——— million.

Mr. PASSMAN. But you supplemented that with other credits, Public Law 480. You are also going to put military aid in. You said you would give the total amount of money.

Mr. POATS. I gave you the military pipeline, and also——

Mr. PASSMAN. It all goes up to some $30 or $40 million; does it not?

Mr. POATS. That's right; $32 million.

Mr. PASSMAN. Most of the total is still left to the credit of Indonesia?

Mr. POATS. That's right. I will give you the breakdown, if you like.

Mr. PASSMAN. We want you to put it in the record.

You may not be disbursing too much of the funds, but you are leaving them there, ready to disburse.

Mr. FORD. Could we have those figures read into the record, Mr. Chairman?

Mr. PASSMAN. We asked for them earlier, but I wanted to review them again. And, we want the Controller to bring his list up to date. We have a letter here that is so new the ink is still wet, and it does not show any of the funds you are deobligating in Indonesia.

Mr. TENNANT. I believe there is an insert on that, sir, and I can't tell you about it at the moment.

Mr. PASSMAN. They are not on that list?

Mr. TENNANT. That's right, sir.

DEOBLIGATIONS, FISCAL YEAR 1964

Mr. PASSMAN. We should like to receive a complete list, not only what you have to the credit of Sukarno, but the amount you are deobligating, and what account, by country, for all the other, too.

(The information supplied follows:)

Agency for International Development—Deobligations, fiscal year 1964, by accounts and country as of Mar. 31, 1964

Region and country	Development grants	Supporting assistance	Contingency fund	AFP/grants, technical cooperation	IAPSP	Surveys of investment opportunities	Development loans	Country, total
Africa/Europe:								
Morocco	$74,480.31	($7,084,201.98)	$85,101.68					($924,619.99)
Rhodesia and Nyasaland	272,169.92							272,169.92
Kenya	115,300.55							115,300.55
Tanganyika	58,303.43							58,303.43
Uganda	34,820.34							34,820.34
Zanzibar								
Nigeria	362,621.59		1,052.74					363,674.33
Sierra Leone	48,197.66							48,197.66
Algeria	10,228.37							10,228.37
Ghana	12,849.42							12,849.42
Somali	809,046.25							809,046.25
Sudan	308,648.29		1,956.00					310,613.29
Congo (Léopoldville)	1,239,378.92		29,840.82					1,269,219.74
Ethiopia	372,620.15							372,620.15
Tunisia	412,699.82	10,077.43						422,777.25
Liberia	449,173.41							449,173.41
Libya	47,780.00	415,107.92						462,887.92
Guinea	60,411.75		237,630.21					298,041.96
Central African Republic	(3,479.01)							(3,479.01)
Chad	340.24							340.24
Gabon	32,118.65							32,118.65
Congo (Brazzaville)	1,774.84							1,774.84
Dahomey	10,304.49							10,304.49
Ivory Coast	41,391.09		(6,359.36)					35,031.73
Mauritania								
Niger	93,000.00							93,000.00
Senegal	345,540.00							345,540.00
Upper Volta	11,278.94		100,000.00					111,278.94
Malagasy	69,887.59		4,328.71					74,216.30
Mali	10,388.54		988.04					11,376.58
Entente States	196.71							196.71
Ruanda-Urundi								
Togo	45,503.85		942.99					46,446.84
Cameroon	2,974.48							2,974.48
Burundi	15,517.18							15,517.18
Africa regional	29,917.02							29,917.02
Total, Africa	5,395,384.79	(659,016.63)	455,490.83					5,191,858.99

Europe:								
Iceland			8,560.00					8,560.00
Spain	14,130.69	104,623.39						118,754.08
Yugoslavia	262,561.15							262,561.15
Total, Europe	276,691.84	104,623.39	8,560.00					389,875.23
Total, Africa/Europe	5,672,076.63	(554,393.24)	464,050.83					5,581,734.22
Far East:								
Vietnam	1,550,804.46	1,803,875.31	369,780.97					3,724,460.74
Laos	12,350.76	573,786.21	25,207.57					611,344.54
Cambodia	661,931.63	863,456.59	1,018,867.86					2,544,256.08
Burma	12,656.20	12,556.49						25,212.69
China	206,684.25		3,382.18					210,066.43
Japan	34,847.36							34,847.36
Korea	434,238.22	725,114.44						1,159,352.66
Philippines	1,125,179.77							1,125,179.77
Thailand	953,938.56	6,200.69	28,878.00					989,017.25
Indonesia	1,164,742.16	4,496.21	2,094.87					1,171,333.24
Far East regional	15,883.13	31,048.00				$11,137.00		58,068.13
Total, Far East	6,173,256.50	4,020,533.94	1,448,211.45			11,137.00		11,653,138.89
Near East-south Asia:								
Cyprus	1,261.80							1,261.80
Iran	241,545.22	10,910.09						252,455.31
Iraq	213,415.91							213,415.91
Lebanon	84,392.88							84,392.88
Israel	12,664.54	2,209.56						14,874.10
Syrian Arab Republic	15,837.93							15,837.93
Turkey	295,239.33	600,037.79	65,059.11					960,336.23
Jordan	175,559.16							175,559.16
Yemen		35,564.28						35,564.28
Near East regional	84,096.57							84,096.57
Greece	1,423.33	(87,567.28)						(86,143.95)
United Arab Republic	151,836.55		6,941.91					158,778.46
Total, Near East	1,277,273.22	561,154.44	72,001.02					1,910,428.68
Afghanistan	114,697.67	48,996.60	2,610.50					166,304.77
Nepal	123,549.79							123,549.79
Ceylon	178,013.19							178,013.19
India	572,694.39							572,694.39
Pakistan	229,068.28	433,752.68	1,506.81					664,327.77
Total, south Asia	1,218,023.32	482,749.28	4,117.31					1,704,889.91
Near East-South Asia regional	50,189.87	62,706.39						112,896.26
Total, Near East-South Asia	2,545,486.41	1,106,610.11	76,118.33					3,728,214.85

Agency for International Development—Deobligations, fiscal year 1964, by accounts and country as of Mar. 31, 1964—Continued

Region and country	Development grants	Supporting assistance	Contingency fund	AFP/grants, technical cooperation	IAPSP	Surveys of investment opportunities	Development loans	Country, total
Latin America:								
British Guiana	$16,874.48			$634,640.63				$651,515.11
British Honduras				(3.20)				(3.20)
Surinam	15,209.59			38,520.24				53,729.83
Argentina	19,877.60			70,282.28				90,159.88
Bolivia	26,476.62	$1,488.95		71,004.76				98,970.33
Brazil	391,850.45			85,688.60				477,539.05
Colombia	37,050.70		$30,000.00	54,658.57				121,709.27
Chile	56,132.57			114,346.08				170,478.65
Costa Rica	6,418.49			26,643.20				33,061.69
Dominican Republic			11,567.99	866,565.79				878,133.78
Ecuador	4,340.67			34,686.57				39,027.24
El Salvador	34,469.92			20,729.99				55,199.91
Guatemala	160,915.91			35,643.78				196,559.69
Haiti	(59,154.56)	2,800,000.00						
Subtotal	(59,154.56)	2,800,050.90						2,740,896.34
Honduras	2,665.59			23,123.03				25,788.62
Mexico	20,125.66			6,284.84				26,410.50
Nicaragua	508.83			11,192.14				11,700.97
Panama	8,343.02		20,915.81	26,017.04				55,275.87
Paraguay	13,710.06			13,051.82				26,761.88
Peru	3,117.39			104,000.00				107,117.39
Uruguay	3,042.30			127.81				3,170.11

Venezuela	10, 253. 33			49, 637. 60				59, 890. 93
Jamaica				4, 000. 00				4, 000. 00
Trinidad and Tobago	128, 926. 89	43, 599. 72	6, 898. 62	27, 325. 97				206, 751. 20
ROCAP								
Latin America, regional	7, 182. 09			(859, 307. 32)		$3, 840. 00		(848, 285. 23)
Total, Latin America	908, 337. 60	2, 845, 139. 57	69, 382. 42	1, 458, 860. 22		3, 840. 00		5, 285, 559. 81
Summary:								
Africa-Europe	5, 672, 076. 63	(554, 393. 24)	464, 050. 83					5, 581, 734. 22
Far East	6, 173, 256. 50	4, 020, 533. 94	1, 448. 211. 45			11, 137. 00		11, 653, 138. 89
Latin America	908, 337. 60	2, 845, 139. 57	69, 382. 42	1, 458, 860. 22		3, 840. 00		5, 285, 559. 81
Near East-south Asia	2, 615, 486. 41	1, 106, 610. 11	76, 118. 33					3, 798, 214. 85
Nonregional:								
Domestic	36, 115. 58							36, 115. 58
Worldwide	(379, 476. 44)	16, 000. 00	7, 000. 00	(2, 334. 69)				(358, 811. 13)
Grand total	15, 025, 796. 28	7, 433, 890. 38	2, 064, 763. 03	1, 456, 525. 53		14, 977. 00		25, 995, 952. 22

Mr. FORD. Is Mr. Poats or someone going to read this information into the record?

Mr. PASSMAN. Yes; we asked for it earlier—every account, including the international organizations, so we will know the total amount to the credit of Indonesia that we had anything to do with.

Mr. FORD. As I understand it, you have asked for it for every country?

Mr. PASSMAN. Yes.

Mr. FORD. Put it in the record right here and now——

Mr. PASSMAN. We asked for Indonesia just after Mr. Bundy finished his statement, to give it to us for Indonesia at that point in the record, and we asked for it again after his exchange with Mr. Flynt, so that we will be sure to have in the record the total amount of money that is in the pipelines which may or could be disbursed.

(NOTE.—This information is included on pp. 396–399.)

PRESIDENTIAL DETERMINATION REGARDING AID TO INDONESIA

Mr. CONTE. Mr. Bundy, you are familiar with section 620, subsection (j) which was passed last year?

Mr. BUNDY. Yes, sir.

Mr. CONTE. It says:

> No assistance in this Act shall be furnished to Indonesia unless the President determines that the furnishing of such assistance is essential to the national interests of the United States.

I am wondering whether there has been consultation between yourself and the President in regard to invoking this section, as a result of President Sukarno's recent statement?

Mr. BUNDY. ———. Mr. Poats will cover this in more detail in his statement, but I can tell you in a nutshell that we have believed that that provision of the law did permit us to take a reasonable time to see how the situation was evolving. By reason, obviously it was aimed at the policy Indonesia was pursuing in Malaysia. ———. That would have policy repercussions of one type or another, and might make it more difficult to get a negotiation properly worked out.

On the other side, if we make a positive determination, as required by the section ———

(Discussion off the record.)

Mr. BUNDY. Mr. Poats has given you the figures, and you have seen what they are.

POSTURE OF THE MILITARY IN INDONESIA

Mr. CONTE. Who is the general of the army in Indonesia at the present time?

Mr. BUNDY. The Chairman of the Joint Chiefs, so to speak, is General Nasution.

Mr. CONTE. Wasn't he very friendly toward the West at one time?

Mr. BUNDY. Off the record.

(Discussion off the record.)

TYPE OF AID TO INDONESIA BY SOVIET BLOC

Mr. CONTE. Now, the bulk of the Soviet aid has been in military assistance?

Mr. BUNDY. Yes, it has. Certainly the Soviet hardware—it depends on how you price it, but the Soviet hardware they have had was a line of credit originally well over $1 billion, and at the present time I imagine well over $600 million in economic aid.

Mr. CONTE. In the proposed mutual defense and development program, fiscal year 1965, page 167 stated that the Sino-Soviet bloc military and economic assistance to Indonesia, from 1956 to date, amounted to $1.7 million, and approximately $1 billion military assistance.

Mr. BUNDY. Those are, I am sure, the correct figures. I was thinking of a specific line of credit, but those are the correct totals.

Mr. CONTE. So therefore, we could be actually in a very dangerous situation where we have been training about 5,000 military officers, and this Chief of Staff is not with us and playing footsie with Sukarno.

Mr. BUNDY. Off the record.

(Discussion off the record.)

Mr. BUNDY. The actual number we have trained I think is only 1,200 on the military side, but whatever the record shows on that——

TRAINING PROGRAMS FOR INDONESIA

Mr. CONTE. Your book on the same page says approximately 5,000 Indonesians have been trained by AID and the United States, and third countries.

Mr. BUNDY. That is economic and military, you see.

Mr. POATS. About 1,200 is military.

Mr. BUNDY. We have a long-term program. That is what we are doing.

UTILIZATION OF OUTMODED MILITARY EQUIPMENT IN VIETNAM

Mr. CONTE. Mr. Bundy, I was quite interested in Mr. McNamaraa's statement before this committee in regard to the $1 billion in military assistance ,and I gathered from his testimony that $1 billion fell short of the mark, but he felt that is all he could get from the Congress, and that is the reason he submitted that figure.

One of the big arguments he gave before this committee was that the southern flank was in danger with the Bulgarian forces building, with modern military equipment, and that the Greek and Turkish forces has old and antiquated weapons of World War II vintage.

Mr. BUNDY. Or earlier, in many cases.

Mr. CONTE. This impressed me no end. And then last week or the week before, I read in U.S. News & World Report, Capt. Edwin Gerald Shank, Jr.'s letter before his death March 24 in South Vietnam, and this disturbed me no end, to read in that magazine—I don't have the exact words, here, that we were using inferior and dangerous equipment—we being the Americans—in South Vietnam, that we had

been using B–26's and T–28's there, and the plane he was in charge of was a Sky Raider, 1946, a 1946 vintage.

I am just wondering, what is going on. On the one hand we are worried about our defenses in Greece and Turkey, which I could join in and support added funds for these forces, and at the same time our American troops are using inferior and antiquated equipment in South Vietnam. How do we justify a thing like this?

Mr. BUNDY. The situation there is that unit in South Vietnam is a unit here in which Americans fly with the Vietnamese. An American with a Vietnamese. We have had to use, therefore, two-seater aircraft, and the question would be whether jets were any good in those circumstances, where you have to have very pinpoint accuracy with your bombing. There also is a provision of the Geneva Accords against jets.

(Discussion off the record.)

REEQUIPMENT WITH AD–6 PLANES

Mr. BUNDY. Now, it was thought that the B–26 developed serious structural failures in the wings, and they had the sequence of crashes that Captain Shank tells about in his letter. That is correct, and he said it caused a serious morale problem in the unit. This is a very serious matter, indeed.

Now, decisions taken in March are getting that unit reequipped just as rapidly as we can with two-seater A–1E's. That is the Navy two-seater version of the AD–6. It carries a very heavy bomb load, has good speed and is an excellent aircraft for these circumstances.

Now, he speaks, as you may recall, in the same article, about the AD–6's, the Sky Raider, I think they are called, being a pretty effective aircraft. And what we are doing is equipping the whole of that unit with the equivalent of that aircraft, the two-seater version of it.

USE OF B–26 BOMBERS

Mr. FORD. As of today, the B–26's are grounded?

Mr. BUNDY. They have been grounded since the middle of March, Mr. Ford.

Mr. FORD. They are not flying combat missions——

Mr. BUNDY. I am a little out of date on this, so I will have to take it, subject to correction. They are allowed only to fly level bombing, not any dive bombing, and that, of course, practically knocks them out as useful.

Mr. FORD. I thought you said a minute ago they were grounded.

Mr. BUNDY. I thought they were, Mr. Ford, but I am correcting that. I think they were cleared with no dive bombing, or anything of that sort, and the effect is to practically ground them, because there are very few missions you can carry out effectively under those conditions.

I am not sure. I think we may now have pulled them out entirely. I simply don't know, but I will get you that response for the record.

Is there a military man here who knows the answer to that?

There isn't.

Mr. FORD. This has created a great deal of public apprehension.

Mr. BUNDY. I can understand that.

Mr. FORD. There have been people who have been trying to find out just what the status was. As a matter of fact, several people have come to me, and have told of diffferent versions they have received from people in the Pentagon as to whether they were flying or whether they weren't flying. Does that confusion exist in Washington? I should think this would be a very simple question. Are they flying or aren't they flying?

Mr. BUNDY. I am sure we do know the answer to that, sir.

As I said, the situation, as of mid-March was this level-flight restriction. They may by now have grounded them entirely, and I will get you the correct answers.

(The information follows:)

B–26's in the Tactical Air Command (bases in United States and temporary assignment overseas) were grounded on February 11, 1964. B–26's in the Pacific Air Force (all in South Vietnam) were also temporarily grounded at the same time. On February 19, 1964, the B–26's were again allowed to fly under certain restrictions, including a prohibition from delivering external ordnance, which limited their effectiveness in Vietnam. All B–26's were taken out of South Vietnam by April 30. Accordingly, all B–26's in USAF operational units are now grounded, and the Air Force does not plan to fly them until modification and strengthening are accomplished. However, the Air Force has contracted with a civilian firm in the United States which is now flying one test B–26. In addition, the Air National Guard at Andrews Air Force Base is operating three B–26's under certain restrictions.

The U.S. Navy has phased out of its inventory all but two B–26's. These are being utilized in restricted flight operations for towing aerial targets.

HISTORY OF AD–6 AIRCRAFT

Mr. FORD. Now, when were the AD–6's authorized for use?

Mr. BUNDY. The AD–6's have been authorized from the beginning. The old nomenclature was AD–5 for the two-seater, and AD–6 for the one-seater. It is now A–1E for the two-seater, and 1–A–1–H for the other.

The latter is the basic aircraft for the purely South Vietnamese airplanes that our people don't fly. We are getting the two-seater version for this unit.

Mr. FORD. When were these aircraft produced?

Mr. BUNDY. They would have been produced, I should think, for the most part, in the early fifties, latter Korean war vintage, but they are still in very good shape, and very effective aircraft in these circumstances.

Mr. FORD. Can we get for the record a statement as to when they were produced, what our stock is, when were they last flown by our forces, with missions by ourselves?

(The information supplied follows:)

A–1B and A–1H aircraft were first tested in late 1951 and 1952. Deliveries to the Navy began in June 1953 and continued until 1956. These aircraft are still in use by the Navy.

The Navy inventory of A–1 aircraft is very fluid because of transfers to the military assistance programs, transfers to the Air Force, and attrition.

The U.S. Army does not operate any A–1 aircraft.

Mr. BUNDY. They are being flown at this moment on carriers, sir.

We are replacing Vietnamese T–28's with AD–6's or A–1H's taken in part directly from our own carrier forces, so it still is an operational aircraft in our own Navy. The A–1E's is also a Navy operational air-

craft. It is old, but it is still a magnificent bomb-carrying aircraft, where speed is not vital.

Mr. FORD. What is the replacement in our forces for the AD–6's?

Mr. BUNDY. A–6A Intruder, sir. You are delving into my military past, but I think that is correct.

Mr. FORD. Do we have many F–110's?

Mr. BUNDY. The F–110 was briefly its name in the Air Force, and now it is the F–4H.

Mr. FORD. Let's see how many AD–6's are currently being flown by our forces.

Mr. BUNDY. I will get that for you, sir. It is a very substantial number.

(The information supplied follows:)

The Navy is the only service currently flying A–1H (AD–6) aircraft. ———.

Mr. FORD. That is all.

USE OF T–28 AIRCRAFT

Mr. CONTE. Mr. Bundy, ———, but isn't it so that the Hanoi government has violated the Geneva accord on many, many occasions?

Mr. BUNDY. Not with respect to aircraft, Mr. Conte, ———. There has been no air in this war on the Vietcong side.

(Discussion off the record.)

Mr. CONTE. Then why bring in aircraft, at all, if you are going to bring in second-rate aircraft? This T–28, as I understand it, doesn't have much armor. Its airstrike capability isn't very good. So why take the gamble, at all? You are putting American boys up there, along with the South Vietnam fliers. I just can't rationalize this thing. We are either going to do this right, or we shouldn't do it at all.

Mr. BUNDY. Well, I think the T–28's do have usefulness out there. It doesn't carry as heavy a bomb load as the A–1H or the A–1E, and the plan at this point is to take all the T–28's out, as well. They have no structural defects, but we can get a lot heavier bomb load with the others.

Mr. CONTE. The A–1E is a strike aircraft, which has four times the capability and much greater structural strength.

Mr. BUNDY. That's right.

Mr. CONTE. In this year's budget, you ask for 11 T–28's?

Mr. BUNDY. Yes. It is still used as a trainer in some areas. It also has a counterinsurgency usefulness. It is better, air to air, perhaps, than the A–1H.

CAPTAIN SHANK'S LETTER ALLEGING ASSIGNMENTS OF INFERIOR EQUIPMENT

Mr. CONTE. Is there anything else you would like to comment on with regard to Captain Shank's letter? I am receiving a tremendous amount of mail on this.

Mr. BUNDY. No; I think he reflects a serious morale problem that undoubtedly did exist in his former unit, primarily because of the B–26's defects. When we learned about them, we acted as fast as we possibly could to get that aircraft replaced.

Mr. CONTE. The article says that Congressman Lipscomb sent Secretary of Defense McNamara an excerpt from a letter written by an American pilot flying B–26's in combat in Vietnam, and that was back in November 1963. Was it as a result of that that you began your investigation and finally grounded the B–26's?

Mr. BUNDY. I am not familiar with that, sir. I had no direct contact with that in the Pentagon, and I never heard of that letter, before.

Mr. CONTE. The B–26 is grounded now?

Mr. BUNDY. As I say, subject to the uncertainty I stated to Mr. Ford. They may have limited military operations, but they are not militarily effective.

Mr. PASSMAN. It is a limited war, with respect to weapons, as far as we are concerned; is that correct?

Mr. BUNDY. It is in some categories, sir. Basically it is far more limited by what it is that is effective in that circumstance. I don't think it would be effective chasing the Vietcong in big tanks, and you don't need that much firepower.

GENEVA ACCORD LIMITATIONS ON MILITARY EQUIPMENT FOR VIETNAM

Mr. PASSMAN. Nevertheless, the Geneva accords do not permit us to use certain aircraft.

Mr. BUNDY. The Geneva accords forbade the introduction of jets into South Vietnam.

Mr. PASSMAN. Other winged aircraft can be used there?

Mr. BUNDY. Other conventional aircraft can be used there.

Mr. PASSMAN. They have been used there?

Mr. BUNDY. Yes, sir.

Mr. PASSMAN. They will be used, again?

Mr. BUNDY. They will, indeed.

Mr. PASSMAN. But you are using presently about the only type equipment that could be used in this area; is that correct?

Mr. BUNDY. Yes, sir.

(Discussion off the record.)

Mr. PASSMAN. A person would be accurate in making a statement that it is a limited war, insofar as the type of equipment and ammunition we use there is concerned, is that correct?

Mr. BUNDY. What we use is good.

Mr. PASSMAN. I did not say it was not good, but I say it is limited by the Geneva accords.

Mr. BUNDY. Well, not limited, in certain categories——

Mr. PASSMAN. But in certain categories it is limited?

Mr. BUNDY. That is correct.

Mr. PASSMAN. Thank you, Mr. Bundy.

Did you state, Mr. Poats, that if we withdrew our aid and staff from Indonesia, it would create an incident?

Mr. POATS. I said something of that sort; yes.

Mr. PASSMAN. Thank you.

Mr. Ford?

SUBMARINE CAPABILITY IN COMMUNIST CHINA

Mr. FORD. Mr. Bundy, on page 3 of your statement, you say, "Communist China has a significant submarine capability." Would you amplify on that?

Mr. BUNDY. It is about ——— boats, I think, Mr. Ford in varying degrees of effectiveness. I don't think we think the Soviets have really maintained the technical training it would take to make them really effective. However, they do have considerable ranges. They are the earlier postwar Soviet types, and they are still pretty good submarines for certain purposes.

Mr. FORD. They wouldn't be a threat to our naval capability, would they?

Mr. BUNDY. You would have to ask a naval man that, to get a proper answer. My impression is they are capable of extensive harassment which could limit our freedom of action and their sheer numbers would compel us to extend and diversify our forces to counter the threat.

COMMUNIST CHINESE MILITARY EQUIPMENT

Mr. FORD. I notice in your summary of the Communist Chinese military potential you don't make any comment about the equipment of their ground forces. What is the status of the Army and equipment?

Mr. BUNDY. They have a self-contained production capability in some categories, up to I think roughly the equivalent of our ——— on the artillery side, and small arms. Their equipment has undoubtedly deteriorated over the years, because they have received very little from the Soviets. I suppose they have received some at the time of the Offshore Islands crisis in 1958, but in other respects, the equipment is equipment that goes back a long way. Still, be that as it may, some of that, such as the Soviet AK–43, I think, rifle, is quite effective weaponry. They had much better weapons, for example, in the Indian border fights of the fall of 1962.

Mr. FORD. But there their overall ground forces equipment would not be modern in the sense that we think of it?

Mr. BUNDY. No; it would be a generation back of what we now have. But still very powerful in relation to the forces of the area.

ARMED FORCES IN NORTH AND SOUTH KOREA

Mr. FORD. Now, turning to the observations and comments you make about North Korea, you indicate they have an army of ———. Numerically, how does that compare with the South Korean Marine Corps forces?

Mr. BUNDY. The Army has an active strength of ——— in Korea, and the Marines are another ———.

In making that comparison, though, we have always found it difficult, though, because the North Koreans use a lot of civilians in roles that would be filled by support troops, and are in military, than I think in the case of the South Koreans, so it is more nearly a balance than that figure would suggest.

Mr. FORD. But the sheer numbers you use for the South Koreans would be in the magnitude of about 600,000.

Mr. BUNDY. That's right, sir.

Mr. FORD. Compared to ———?

Mr. BUNDY. Yes. Off the record.

(Discussion off the record.)

Mr. FORD. You also indicate that the North Koreans "are well equipped and intensively trained."

Are the North Koreans better equipped than the Chinese Communists?

Mr. BUNDY. I don't know the answer to that, sir. I would expect that in some respects they are. (Off the record.)

SOVIET SUPPORT TO NORTH KOREA

Mr. FORD. How do you account for the fact that the North Korean Army is "well equipped," whereas a minute ago you indicated that the Chinese Communist ground forces were a generation back in equipment.

Mr. BUNDY. Well, North Koreans have continued to receive some Soviet direct support, whereas the Chinese have not. I don't think there is all that much difference in the qualitative levels of the two forces, I must say. If the adjectives give that impression, I would like to correct it.

Mr. FORD. In other words, the Chinese Communists and the North Koreans are relatively the same equipmentwise?

Mr. BUNDY. Yes. I think the North Koreans may be a shade better, but not more than that.

Mr. FORD. On page 4 you indicate the North Vietnamese have a military force of ——— men.

What is the population in North Korea?

Mr. BUNDY. Of North Vietnam?

Mr. FORD. North Vietnam. Excuse me.

Mr. BUNDY. I have to give that in round numbers. I should think it is about 13 million.

Mr. POATS. Seventeen, I believe.

Mr. BUNDY. May I correct that, Mr. Ford? I am sorry. I seem to have been wrong.

Mr. FORD. Whatever the figure is.

Mr. BUNDY. I am informed it is about 17 million.

Mr. FORD. What is the population of North Korea?

Mr. BUNDY. About 10 million, sir.

TYPE AND QUANTITY OF EQUIPMENT IN NORTH VIETNAM

Mr. FORD. Also on page 4 you indicate that North Vietnam has "large military stocks inherited in part from the conflict with the French."

What do you mean by "large military stocks?"

Mr. BUNDY. I mean that the basic military forces—I should say the ——— breaks down roughly into about ——— in the Army and the others are paramilitary, and other security type forces; that is, militia, and so forth.

The basic Army, itself, was about 286,000 at the time of Dien Bien Phu, when they finally beat the French, and at that time that Army had been pretty well equipped from the Chinese and the Soviet sources, both, and it is that equipment and some additional provided since then, during the 1960's, that makes them a well-equipped force by southeast Asian standards.

Mr. FORD. Are the Chinese Communists now supplying the North Vietnamese their equipment?

Mr. BUNDY. I don't believe there are major quantities of equipment. But judging from the absence of really new stuff, and the fact that most of what we pick up in the South is of older type, at least some of it appears to have been made in Chinese Communist arsenals and so on, it may have come through from them to the North Vietnamese, and then down to the Vietcong. It is probably fairly limited.

Mr. FORD. Is the Soviet Union supplying arms to North Vietnam?

Mr. BUNDY. (Off the record.)

Mr. FORD. Is the Soviet Union supplying arms to North Korea?

Mr. BUNDY. I think they are, sir.

Mr. FORD. Currently?

Mr. BUNDY. Currently. Not in large quantities, or in fancy types, but a steady flow.

Mr. FORD. (Off the record.)

Mr. BUNDY. Yes, sir.

Mr. FORD. How much of the military equipment do the North Vietnamese have which is that inherited in part from the conflict with the French?

Mr. BUNDY. I would think a very high percentage dates back to that period.

Mr. FORD. ——— percent of the North Vietnam military hardware is today that which they inherited from the French?

Mr. BUNDY. From the fight against the French is what was meant by that comment. This is equipment they received from the Soviets and the Communist Chinese at that time, primarily in the small arms and in other weapons categories.

Mr. FORD. How long ago did the French pull out, 1954, wasn't it?

Mr. BUNDY. Exactly 10 years ago this Wednesday.

Mr. FORD. That is a long, long time to rely on stocks inherited during that conflict.

Mr. BUNDY. Well, I should think our own rifle, the M–1, for example, goes back to that period, and it is still a very useful rifle. A lot of our artillery goes back to that period. You know this better than I do.

Mr. FORD. But in the meantime, for the last 10 years, we have been supplying a tremendous amount on an annual basis of arms for South Vietnamese.

Mr. BUNDY. That is correct, but still of the same types.

Mr. FORD. I know that—I am not arguing the vintage. I am trying to read what you said, here. Let me read it, again:

"North Vietnam has by far the largest army in southeast Asia, comprising, approximately ——— men, and has large military stocks inherited in part from the conflict with the French."

Certainly that statement creates the impression in my mind that the stocks they have and are currently using are stocks that they in-

herited at the time the North Vietnamese took over the northern part of Vietnam from the French.

Mr. BUNDY. That is correct, sir.

Mr. FORD. That doesn't refer to vintage, it refers to supplies.

Mr. BUNDY. That is correct, sir. I think they must have received a significant amount of ammunition since that time. They also have a limited capability of producing some types. The basic equipment of their army is what they captured at the time they were fighting the French, and it is still in good condition.

Mr. FORD. Didn't the South Vietnamese inherit any stocks from the French at the time the French evacuated?

Mr. BUNDY. Yes, but of a limited quality, sir. We found we had to move in and reequip the entire force.

Mr. FORD. Is there any difference in quality from those stocks that the North Vietnamese inherited from the French?

Mr. BUNDY. That is what I meant. What the North Vietnamese had, they had not received from the French; for the most part, they had received it from the Communist Chinese and the Soviets, as of that period. It was provided in 1953 and 1954, and at that time was operational equipment, mostly in the hands of the Chinese Communist forces, and some of it from the Soviets.

Mr. FORD. As of the present time, are the Chinese Communists supplying the North Vietnamese?

Mr. BUNDY. I think to some limited degree.

Mr. FORD. What is the Soviet Union doing?

Mr. BUNDY. I would like to check that.

(NOTE.—Classified information was furnished the committee.)

U.S. BUDGETARY SUPPORT TO SOUTH VIETNAM

Mr. FORD. On page 6 of your prepared statement, the term "balance-of-payments support for South Vietnam" is used. Is that just budgetary support?

Mr. BUNDY. It is, fundamentally.

In fact, I think that is a misnomer, and is an erroneous description. It has a relation to the balance-of-payments deficit. It is fundamentally to provide the recipient with the necessary commodities which they can't obtain for balance-of-payments reasons, and to use the local currency that becomes available through the sale of these commodities for the budget, so it has a double-barreled effect, like most cases of supporting assistance.

Mr. FORD. You have always used the words "budget support" heretofore.

Mr. BUNDY. You can use it. This is what it is.

Mr. POATS. May I comment on that?

I think your word is preferable to "budget support." Our intention is to provide that additional quantity of goods which will stabilize the economy, which will make it possible for the country to bear this additional budgetary expense, that is true. But the difference in the words is the difference in approach. If we were to conduct this program as in past years, as a budgetary support program, it would be costing us a lot more money than it is today. That kind of approach starts with an estimated budget deficit, converts it into dollars and supplies that many dollars worth of goods. The approach we are

using now differs in that it does not start from an estimated budget deficit, but responds to a demand for essential imports as created, which is much lower than the approach you would get if you are simply financing budget deficits.

Mr. FORD. I would agree this system probably makes more sense, but in order to have the record straight, you ought to say, "This is used for the balance-of-payments purpose," plus "budgetary support."

Mr. POATS. So as to enable the Government of Vietnam to undertake greatly increased military and paramilitary expenditures, governmental expenditures, without creating disastrous inflation, yes, I agree.

Mr. FORD. The record would look better if you——

Mr. BUNDY. We indicated in the statement that it does go to support the budget. The fact of the matter is, they can sustain a budget deficit and do, because they have a pretty reasonable balance-of-payments situation. They can use some of their resources and so on, up to a point.

MILITARY ASSISTANCE AND COUNTERINSURGENCY SUPPORT TO SOUTH VIETNAM

Mr. FORD. What is the difference between $150.8 million of MAP for South Vietnam, and the $35 million of counterinsurgency support?

Mr. BUNDY. The $150.8 million is for the armed forces. The $35 million is provided to support our economic effort in Vietnam, and it includes what Mr. Poats might better speak to at this point. It is administered by our USOM representatives in the field, our economic aid people, and is civilian in character.

Mr. FORD. It is not the military counterinsurgency?

Mr. POATS. It is the police and economic and social side of the counterinsurgency effort.

Mr. FORD. What do you mean by the police?

Mr. POATS. We provide training and equipment for the police forces, including combat police.

Mr. FORD. Are the combat police a part of the South Vietnamese Army?

Mr. POATS. No, they are under the Interior Minister. That is the distinction. Those forces which are not under the Defense Ministry are financed and supported by AID. They are a much smaller element than those of the civil guard and the defense corps.

This $35 million, also, for example, provides for the training of hamlet militia which is part of the national defense forces.

Mr. FORD. What forces, by whatever name, are we supporting? Could we have each and the amount of money involved for all those?

Mr. BUNDY. We supply military equipment on the MAP program for the Armed Forces of the Republic of Vietnam, itself. The army, navy, air force, marines.

Mr. FORD. These are purely military forces?

Mr. BUNDY. Yes, these are pure military forces.

Mr. FORD. How large a force are we——

FORCE STRENGTH IN VIETNAM

Mr. BUNDY. The force strength is on the order of ——— authorized. Then we are also supporting on the MAP account, the equipment for the civil guard, which is about ——— authorized—but slightly below that in actual number—and in the self-defense corps, which is I think about ———, as authorized, but somewhat below that level.

Mr. FORD. ——— for the self-defense corps?

Mr. BUNDY. Yes. We also support what used to be called the hamlet militia, and this is being reorganized at the present time, which added another ——— or so to the totals for which we were supplying equipment under the MAP program. Those are the forces that are supported by the MAP.

Then you have this police force that Mr. Poats has mentioned, which has the normal kind of police functions, but naturally these take on combat duties in the countryside, so that they have, in some cases, the same types of equipment as the army, but are restricted, sir, to rifles or individual weapons.

Mr. FORD. As I add up the figures supported by MAP, it is close to ———.

Mr. POATS. That is correct, sir.

Mr. FORD. Now, Mr. Poats, what forces, other than these, are supported by our Government in any form, by any name?

Mr. POATS. Those which are exclusively supported by AID would be only the national police, which is a force of some 20-odd thousand, which, under present plans, will be expanded to about ———.

Mr. FORD. This will be funded under the funds requested in this bill for fiscal year 1965?

Mr. POATS. This training and equipment would be funded from the AID bill; that's right, from the AID portion of the bill.

Mr. FORD. Now, there are no other military, paramilitary, police or otherwise, forces, that we are supporting in South Vietnam?

Mr. POATS. No; I wouldn't say that is entirely true.

Mr. FORD. What are they, then?

HAMLET MILITIA IN VIETNAM

Mr. POATS. Your hamlet militia, which is a different thing in different parts of the country, really, is supported in a variety of ways. We, for example, on the AID side, provide surplus agricultural products to pay a part of their salaries; that is, help their dependents while they are out working on the hamlets. There is a Hamlet Construction Corps, which is really organized in military lines, but is a group of civilians.

We also support their activities to the extent that we pay them partial payment while they are out working on strategic hamlet construction, being away from their fields. Here again we are using surplus agricultural products to do the job.

Mr. FORD. They are, to some extent, a military organization?

Mr. POATS. I think so. They are in the "hold" part of the "clear and hold" operation, but they are moving right behind the troops, and they are the first evidence of the Government's presence which come along to establish a rudimentary outline of a strategic hamlet.

Mr. FORD. How many are involved there?

Mr. POATS. This would be roughly 10 times 2,500. I suppose as many as a total of 25,000 persons at one time, or another, have participated in this work. At any one time I wouldn't think over 10,000 would be active.

Mr. BUNDY. May I complete one other side of this, Mr. Ford?

With respect to funding, there is one part of the program that appears in the Defense Department budget for fiscal 1965. That is the work with certain ethnic groups and minority elements throughout the Republic of Vietnam, the so-called CIDG program. The amount for that is about $20 million, I think.

Mr. FORD. What happened to these forces that were allegedly under the control of Diem's brother?

Mr. BUNDY. They were the so-called special forces. They were part of the regular army forces, and were carried as such, and they are now supported in the same manner as other forces supported by MAP.

Mr. FORD. They would fall in the category of military under the ———?

Mr. BUNDY. That is correct.

Mr. LOFTUS. There is also a group called Republican youth, which we did not support.

Mr. BUNDY. He was also in charge of other organizations which came to an end November 1.

Mr. FORD. Are there any other forces, Mr. Poats?

Mr. POATS. I think that is it.

(Discussion off the record.)

INCREASED MILITARY THREAT IN KOREA

Mr. FORD. We will be facing greater military threats in Korea in the next 6 months?

Mr. BUNDY. In relation to China as a whole, sir, and I say that frankly based on the kind of statement Secretary McNamara made in that we are necessarily studying what would happen if the war in South Vietnam were expanded. At any rate, it is a very tense time out there, and therefore, from a military standpoint, we may want to be perfectly sure of where we stand in Korea.

Off the record.

(Discussion off the record.)

Mr. FORD. Well, that last statement is what undercuts the other statements in your text about the rather glowing prospects you predict for Korea.

ECONOMIC PROSPECTS FOR KOREA

Mr. BUNDY. Well, I don't think it cuts across it, at all. Obviously any statement you make about the prospects does depend on whether there is an overall high state of tension in the area, but even that I don't think would interfere with the economic prospects for Korea unless there were hostilities.

Mr. FORD. In other words, you are saying, despite the increased tenseness in the whole area, including North Korea and South Korea, that the economic prospects for South Korea are very favorable?

TRADE AGREEMENT BETWEEN JAPAN AND SOUTH KOREA

Mr. BUNDY. I think they are quite favorable at this point. It would be much better if they make the Japanese deal.

Mr. FORD. What are the prospects for that?

Mr. BUNDY. It is very hard to say at this point. As you know, they appeared to be very near agreement at the end of March, and there were demonstrations in Korea against what were regarded, at least politically, as concessions. There is a long heritage of bitterness between these two nations, and it is perhaps most politically acute on the Korean side. I think Mr. Pak, as the President of Korea, wants to obtain this agreement.

Mr. FORD. We may know the answer. What do you think it will be?

(Discussion off the record.)

Mr. FORD. If this agreement is made, economically, between South Korea and Japan, what would happen if hostilities broke out between say South Korea and North Korea?

Mr. BUNDY. I suppose it would be very difficult to carry out. It is a speculative question.

Mr. FORD. Would the Japanese side militarily with the South Koreans?

Mr. BUNDY. I think they would probably do the same way they did in 1950 to 1953, sir.

JAPANESE RELATIONS WITH NORTH KOREA

Mr. FORD. Has Japan established any diplomatic recognition to North Korea?

Mr. BUNDY. No, sir.

Mr. FORD. Didn't I read someplace there was some talk of trade with North Korea?

Mr. BUNDY. Small unofficial trade delegations have gone from Japan to North Korea, and there has been a little trade.

(Discussion off the record.)

Mr. FORD. Would the Japanese, our friends, be tempted to do something like that?

Mr. POATS. There is pressure in Japan from the business community to seek every trade outlet, of course. That is the basis of the Japanese survival and prosperity.

Mr. FORD. It is pretty pragmatic?

Mr. BUNDY. Not to the point of strategic goods, I should say, right away. It in itself has not gone to that, at all.

CONTROL OF LAOS BY NON-COMMUNIST ELEMENTS OF THE GOVERNMENT

Mr. FORD. At page 14, Mr. Bundy, you say, "the non-Communists"—referring to Laos—"have managed to hold off the Pathet Lao without serious loss of territory or control." When you say "serious loss," how do you define that? What do you mean?

Mr. BUNDY. If you would look at the map, as compared to June 1962, you will see that there are some enlargements of the area under Communist control, notably an extension perhaps 15 miles, something of that order, in width, along the areas of the town of Thakhek, which is south of where the Mekong turns south, and there have been some smaller encroachments around the towns of Saravane and Attopey,

whereas on the other hand, in 1962, the position of the so-called neutralist forces—principally Kong Le on the Plaines des Jarrés—was very ambiguous, and they were in league with the Pathet Lao during that period. Now Kong Le and his forces are cooperating fully with the Government. So that those in-between areas in short are much more a Government asset than they could have been rated, at that time. Now, that doesn't show on the map, but it is a power change that has been favorable to the Government, and to the non-Communist elements of the Government.

Mr. FORD. Are the Communist forces gradually continuing their enlargement of their area of domination?

Mr. BUNDY. Not at the present time, but we are watching very closely what is happening at the moment in the Plaines des Jarrés. There have been some attacks there, principally attacks to reduce elements of the Government and other forces friendly to the Government, who are deployed behind the Communist lines. These attacks along the main front of the area could become serious. We are watching this situation very closely.

GOVERNMENT AND POLITICAL SITUATION IN LAOS

Mr. FORD. Tell us a little about that Government.

Mr. BUNDY. The Prime Minister, Souvanna Phouma, is an able man.

(Discussion off the record.)

The armed forces on the neutralist side are on the order of 8,000 to 10,000, and are responsive directly to him.

On the left you have Souphanouvong, who is a half-brother of Souvanna Phouma. He is not exactly a frontman, but he has two or three really strong Communists who appear to be the leading spirits of the Pathet Lao. They are headquartered in the eastern part of the Plaines des Jarrés. Their armed forces number 20,000 to 25,000. perhaps not quite as high as that, but in that bracket. They have the direct assistance of a considerable number of North Vietnamese forces that remain in the country or that have been introduced from time to time. The Pathet Lao have Cabinet seats but their two Ministries have not chosen to operate within the Cabinet for the last 14 months. That is part of the impasse you have.

On the right, the leader is General Phoumi who is related to the late Field Marshal Sarit, of Thailand, and has strong connections in Thailand. His forces now number about 70,000.

On the right also, but increasingly less responsive to Phoumi, are the generals—particularly in Vientiane—General Siho and General Koupraisith, who were the ones who led the coup d'etat of 2 weeks ago in Vientiane. These men are apparently dominated by General Siho himself and by some junior officers and triggered the coup partly in order to cement their own power position, although undoubtedly also for genuine patriotic motives as well. That is your power balance.

Mr. FORD. Where does Kong Le fit in?

Mr BUNDY. Kong Le is part of the military forces under the label of the "neutralist." He responds directly to Souvanna Phouma. He is also cooperating fully with the rightist elements. There is much greater unity in the non-Communist side than you ever had before. That is on the plus side. Kong Le himself is a good military leader.

Mr. FORD. If you have the Communist forces making some encroachment beyond what they had in 1962 and if you have them not participating in the Cabinet in the posts they were allocated, what is the benefit of the so-called coalition?

Mr. BUNDY. Only in terms of its alternatives. It is not a satisfactory arrangement, but the only alternative to it, to the Geneva framework, to give it a broad name, is almost certain civil war. The fact that there still remains a government of national union, posts are allocated to the Communists, it would be much better if they came in and did not insist on a veto and all the rest.

However, if you remove the Geneva framework, you are back in the situation as it existed in 1961 and 1962 where the Communists probably would start to move on a considerable scale and where, with North Vietnamese support—which would certainly be forthcoming—they could defeat the forces of the Government, right or neutralist. So that it is just in terms of that alternative that we are working to preserve the Government of National Union.

Mr. FORD. On the other hand, if you have this continuous encroachment by Communist forces territorywise, at one point there is going to be either complete takeover or you are going to have a military conflict; is that not true?

Mr. BUNDY. Yes, you certainly are if it assumes major proportions. It has not changed the boundary more than in the respects I stated between the two. The right and neutralist elements are still in control of Vientiane, the main river towns, virtually all the areas they held at the time of the settlement, or the agreement rather.

U.S. POSITION ON RECENT COUP IN LAOS

Mr. FORD. What part, if any, did we play in upsetting this so-called coup of a week or two ago?

Mr. BUNDY. We made it known immediately by public statement that we were against any upsetting of the Geneva accords. We took a public position very quickly.

Then subsequently our Ambassador conveyed our position to the generals who had led the coup, to Souvanna and General Phoumi. I went up to Vientiane 24 hours later and participated in some of these conversations.

Mr. FORD. Did we take the same position in those conferences that we took publicly?

Mr. BUNDY. We did indeed. We took that position and we made it clear to the generals who had led the coup that we could sympathize with them with their frustrations about the failure of the International Control Commission to act effectively, and so on, but for them to upset the Accords at this time was to take on a civil war which they could not handle. Frankly, it comes down to our introducing forces if you talk in terms of a civil war or else you lose territory in large doses to the Communists.

Mr. FORD. Are you saying that the Kong Le-Phoumi forces, and others, are not able to handle the problem of their own?

Mr. BUNDY. Not in the case of the Pathet Lao forces, the local forces they could handle quite decently, probably lick them, but it is because the North Vietnamese can send in reinforcements to encadre

individual units and also send separate units of their own and quickly get military ascendancy. That is contrary to the Accords and all the rest, but it is a fact of life. The only response we would have would be to put our own forces in there.

Mr. FORD. Off the record.

(Discussion off the record.)

Mr. BUNDY. Off the record.

(Discussion off the record.)

INTERNATIONAL COMMISSION FOR SUPERVISION AND CONTROL IN LAOS

Mr. FORD. What would effective policing mean?

Mr. BUNDY. Getting your ICC teams out whenever there was a violation, producing effective reports, at least publicizing violations and who is responsible for them. The ICC cannot do more than that. It has no force of its own and no sanctions, but it could at least expose the nature and pin the blame where it belongs. It would be a big help if it did that. It has only done it in one or two cases although it does exert some inhibiting effect on the whole situation, just the fact that it is there.

Mr. FORD. Have the principal or sole violations been by the Pathet Lao forces?

Mr. BUNDY. Off the record.

(Discussion off the record.)

Mr. FORD. The condemnation by this trust team has been against what, the Pathet Lao?

Mr. BUNDY. The ICC has issued majority reports generally condemning what the Communists have done, but it has not been as effective as we had hoped.

Mr. FORD. Could we see or have for the record some of these reports?

Mr. BUNDY. Yes, sir, I will get that straight. These may not have been formal reports. These may have been views filed by the Indians or Canadians. I do not think there has ever been a unanimous report condemning them.

Mr. FORD. If there has been and if we can get them, I think the committee would like to see them. If there has not been, the situation is quite different.

Mr. BUNDY. Right.

Mr. FORD. State whether they have or they have not. If they have, let us have copies of them.

Mr. BUNDY. Yes, sir. If we cannot provide the subcommittee with the full texts of these reports in unclassified form, we will submit to it classified summaries of the reports in question.

(Reports referred to above have been submitted to the committee.)

Mr. FORD. What do you mean by special orientation programs for Japanese military leaders?

Mr. BUNDY. What we have in mind is solely the kind of thing we are still doing for a very few countries in Europe where we are trying to cement their adherence to American practices and in a direct sense this relates to our military sales effort. We want to sell more military equipment to Japan, and we expect we will. It is a big help to us to take a ranking officer and put him through Leavenworth, even if we pick up the very modest cost involved.

Mr. FORD. You say after fiscal 1965 this will be a special orientation program?

Mr. BUNDY. That is all it will be.

Mr. FORD. You have nothing in fiscal 1965 for special orientation programs?

Mr. BUNDY. I think we may have a very modest amount for training. It is very small indeed.

Mr. LOFTUS. ——— is the figure.

Mr. BUNDY. That will be an estimate.

Mr. FORD. Will you pay the expenses of sending Japanese military officers to the United States?

Mr. BUNDY. The MAP will fund the tuition and equipment costs.

Mr. LOFTUS. Let me correct that figure. It should be ———.

Mr. FORD. How does that compare with the current fiscal year?

Mr. LOFTUS. I think it is about the same, but I would like to supply that for the record.

Mr. FORD. Could you also supply the number of people you have in the current fiscal year and what you are forecasting for the next fiscal year, showing rank and rate, and so forth? That would include, of course, where they will go to school or get their instruction. Thank you, Mr. Chairman.

NOTE: There is no special orientation training program for Japan in fiscal year 1965, nor was there in fiscal year 1964. The figure mentioned above applies to training support of MAAG personnel.

Mr. PASSMAN. Thank you, Mr. Ford.

REDUCED MILITARY ASSISTANCE BASED ON PHASEOUT OF EUROPEAN PROGRAMS

Mr. Bundy, when the executive branch speaks of this reduced military request, you are taking into account, of course, the fact that a large percentage of our total military aid formerly went European countries, are you not? But, that program is now being phased out. Other than the infrastructure, you have a relatively small military program, under $50 million, in Europe for fiscal 1965. I think your average for the MAP during the past 3 years, prior to this year, in Europe was something like $270 million, including the cost of the infrastructure. So we must take into account, even though the total request is down, that you are engaged in a phaseout program in Europe.

U.S. GOALS AND POLICY TOWARD VIETNAM

What are our objectives in South Vietnam, Mr. Bundy?

Mr. BUNDY. Our objectives are to help that Government retain its independence and defeat the aggression against it. It is as simple as that.

Mr. PASSMAN. We are not succeeding, are we?

Mr. BUNDY. I think we will succeed, sir.

Mr. PASSMAN. Thank you, sir.

Mr. BUNDY. We hope to win and we think we can.

Mr. PASSMAN. All of us hope that we can and that we will. Other witnesses say there is a possibility we will not win. I think, if we are going to be there, we should make up our minds that we are going to win.

Mr. FORD. I am delighted to hear the word used by Mr. Bundy, that we are going to win. Secretary McNamara in his prepared statement said—I am quoting him almost exactly—"We are going to prevent a Communist victory." This is quite different.

I do not approve of "prevent a Communist victory" but I do approve of a United States-South Vietnam victory.

Mr. PASSMAN. If we are going to be there, we have the objective of winning. If there is doubt, as they are not an ally, as we were not a part of the Geneva accords, then let us get out—and particularly if we are limited as to the type of war we can fight, the type of equipment we can use.

I think we should have plans, and pursue them, to win this war or get out.

Mr. BUNDY. I may say, sir, I think the importance of the thing is the security of this country for itself in relation to the rest of southeast Asia and in relation to the example of beating back a Communist subversive aggression type of campaign. I think that is vital.

Mr. PASSMAN. I am wondering if you every worry about what is going to happen to our resources if we keep this up as we are doing.

I think Cambodia told us to get out.

Mr. BUNDY. Yes, indeed. We got out.

Mr. PASSMAN. Fourteen nations told us to get out over a period of years. Burma was one. Indonesia is one. Cambodia is one. We were out of Syria at one time, but we got back in.

If we would stop distributing military equipment to the nations of the world, maybe 58 in fiscal 1964, what would happen?

Mr. BUNDY. The effect of taking our military equipment out of the countries that are now receiving it—I am speaking for the moment only of the Far East—would in my judgment be very serious for our national security.

Mr. PASSMAN. There might be good justification to stay in Taiwan and Korea, maybe also in some of the other countries, but I am wondering where all this will lead us. You could confiscate all the wealth in America and still would not have sufficient money to do all the things labeled "desirable."

What is actually the policy now for Vietnam, to win the war or just drag along?

Mr. BUNDY. The policy is to try to win the war on present lines.

It is described very accurately and very fully in Secretary McNamara's speech last March and in repeated other statements by the President. I do not think there should be any doubt about it. We are going to drive the Communists out of South Vietnam.

Mr. PASSMAN. Why do we not start doing it?

Mr. BUNDY. All right, sir. We are trying to do that without attacking the countries to the north with all the problems that involves. If it comes to that, we will have to face that choice.

Mr. PASSMAN. How long has that conflict been going on out there?

Mr. BUNDY. In its acute form it has been going on about 3 years, but really the subversive effort on which it is based goes right back to 1954.

Mr. PASSMAN. I was out there 4 years ago. We were pouring aid into South Vietnam to an extent much faster than the economy could absorb it. They told us they could not absorb the amount of aid we were pouring in. Nevertheless, since that time it has been increased.

Mr. POATS. It has been reduced since that time, referring to economic aid.

Mr. PASSMAN. You have increased the number of spigots you can draw from, and I am referring to the total amount of aid.

Mr. BUNDY. I think you have to face the fact that nations falling into communism do concern us. If you do not accept that, then throw the whole thing out.

Mr. PASSMAN. I do accept that fact, but I do not think this Nation can continue indefinitely shoring up all the countries of the world.

Mr. BUNDY. I think we can afford to spend the present percentage of our gross national product, which is less than 1 percent.

Mr. PASSMAN. I am telling you it is 10 percent of our Government's revenues which is going for foreign aid, if you include the interest on what we borrow to give away. The GNP percentage is the most misleading thing that can be used. After all, the Government does not own that GNP, although about a third of the GNP is generated through Government, from tax sources.

Mr. BUNDY. I think we can afford it, sir.

Mr. PASSMAN. What will happen if we find ourselves completely out of the world market?

Mr. BUNDY. I do not think we are out or that our trade figures indicate that we are.

Mr. PASSMAN. With reference to agriculture, we are about 40 percent out of the world market across the board. We produce cotton in my State, and we could not sell a pound of cotton abroad if the Government did not subsidize it by 8½ cents a pound in order to meet the world market price.

The textile mills say, "You are breaking us by this practice, so you must start subsidizing us." The Congress passed legislation that will give a subsidy to the textile mills.

I think that it is 46 different steel commodities which you can buy from Sweden and Japan cheaper, as much as $34 a ton cheaper, than you can buy them from Pittsburgh. Go into a warehouse someday and look at the staples, nails, wire fence, look at the different steel commodities we can buy.

Also, consider this shirt, for instance. It moves in the gross national product at $8.95. You can get a comparable shirt made in Japan, the Japanese buying the cotton, transporting it there, manufacturing it, selling it for $2.80. That is part of their gross national product. Gross national product can confuse people. The unit cost must be taken into account.

Another thing, we are borrowing money from the International Monetary Fund in order to lessen the impact of our balance-of-payments deficit; is that not right?

Mr. BUNDY. Yes, we have.

Mr. PASSMAN. And our gold is still dwindling away. Furthermore, when we show our trade surplus, we are including foreign aid shipments. Everything shipped out with the exception of the military we claim to be an export, yet we get nothing in return.

Mr. POATS. Mr. Chairman, are you saying that the foreign aid program has required the cotton price subsidy, for example?

Mr. PASSMAN. It is all related.

We were bragging about a $554 billion gross national product for 1962, remember?

Mr. POATS. Yes, sir.

Mr. PASSMAN. The same people who put out those figures forgot to state that if we should go back and pick up our 1940 price tags and attach to our 1962 production it would have been $269 billion.

We have depreciated the dollar since 1940 by 55.5 cents.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. You may buy 100 TV's from Japan for $100 each. We put that down at 100 TV sets at $100 each as being an import. We may have to charge $200 for the ones that we may sell to some other market. They may still prefer United States. We take that into account at $200, against our exports. Somewhere along the way you had better start thinking about unit production. Those people who prefer ours today may prefer Japanese tomorrow, if they can buy it at half the price.

Also, I can tell you that out of the $554 billion GNP, some $167 billion was from taxes, local, State, and Federal. Any time you have that much money stacked in so as to be able to give something to everybody everywhere, and more of it, our prices are going to be kept so high that we are not competitive.

I think the aid program is seriously damaging our economy.

Mr. POATS. It has expanded our exports.

Mr. PASSMAN. It is as artificial as a $13 bill.

(Discussion off the record.)

Mr. PASSMAN. Do you have a statement to make to the committee, Mr. Poats.

Mr. POATS. Yes, Mr. Chairman, I have a statement. Shall I read it for the record.

BIOGRAPHICAL SKETCHES

Mr. PASSMAN. Yes, but first, we wonder if you and Mr. Bundy will provide biographical sketches for the committee.

Mr. BUNDY. I have not got one with me. I will be happy to.

Mr. PASSMAN. Put them in the record, if you will.

(The biographic material supplied follows:)

BIOGRAPHIC DATA—WILLIAM P. BUNDY

Born: September 24, 1917, in Washington, D.C. Parents: Harvey Hollister (died October 7, 1963) (see Who's Who), and Katharine Lawrence Bundy, of Boston.

Education: Groton School, Groton, Mass., graduated in 1935. Yale College, New Haven, A.B. 1939. Harvard Graduate School, M.A. 1940. Harvard Law School, LL.B. 1947 (as of 1943).

Military: U.S. Army, August 3, 1941, to February 26, 1946. Private to major in European Theater, Signal Corps.

Career: Lawyer in practice in Washington, D.C., with Covington & Burling, 1947–51.

Central Intelligence Agency, 1951–61. Member of the Board of National Estimates: 1960: On leave from CIA as Staff Director of President's Commission on National Goals. Author of chapter in "Goals for Americans" (Report of the Commission), "A Look Further Ahead."

Deputy Assistant Secretary of Defense for International Security Affairs, January 1961–November 1963.

Assistant Secretary of Defense for International Security Affairs, November 1963–March 1964.

Assistant Secretary of State for Far Eastern Affairs, March 1964—

Family: Married the former Mary Acheson in January 1943. Children: Michael (1949); Caroline (1958); Christopher (1960).

Decorations: Legion of Merit; Member of the British Empire; Department of Defense Medal for Distinguished Public Service.

BIOGRAPHIC SKETCH—RUTHERFORD M. POATS

Rutherford M. Poats, Assistant Administrator, Far East, Agency for International Development, was confirmed by the Senate in this position on April 7, 1964, and sworn in on April 10. He had been Acting Assistant Administrator since December 2, 1963, and previously was Deputy Assistant Administrator for Program, Far East Bureau.

Mr. Poats has been engaged in Far Eastern affairs as an Army officer, Government official, and newspaperman almost continuously since 1945. He served in General MacArthur's headquarters in the Philippines and Japan, 1945–46; directed troop information programs in the Far East Command as a Department of the Army civilian employee in 1946–47; reported for United Press from Japan, China, Korea, the Philippines, and southeast Asia from 1947 to 1957, including 5 years as Tokyo bureau chief of UP; and specialized in Asian affairs on the Washington staff of UPI in 1957–61. He joined AID December 6, 1961, as special assistant to the Assistant Administrator, Far East.

Born in Spartanburg, S.C., August 8, 1922, Mr. Poats was graduated from Emory University in March 1943. His legal residence is Virginia.

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

STATEMENT OF ASSISTANT ADMINISTRATOR, FAR EAST

Mr. POATS. Mr. Chairman and members of the committee, the national security policies of the United States in critical areas of the Far East depend in great measure on the appropriation of funds which this committee is considering for economic assistance programs.

In presenting the fiscal 1965 appropriation requests for Far East AID programs, I will not repeat at this time the material contained in the presentation books before you. Rather, I propose first to concentrate on an explanation in some detail of the bases for our fund requests for three major Far East programs. Then I shall briefly describe the highlights of other country programs. Summary funding tables are attached at the end of the prepared statement.

PROGRAM REQUEST FOR FISCAL YEAR 1965

The major programs are in Vietnam, Laos, and Korea, all three outposts of great significance to the free world—and potentially to the future of every American. They account for 90 percent of the Far East supporting assistance requirements and half of the technical cooperation. Our principal development loan program is in Korea.

The following table shows the total Far East program and funding trends:

Far East programs

[In thousands]

	Fiscal year 1963 (final)	Fiscal year 1964 (tentative)	Fiscal year 1965 (proposed)
Development loans	67,100	35,000	70,000
Technical cooperation	57,185	51,000	47,500
Supporting assistance	318,769	250,010	262,200
Total, AID	443,054	336,010	379,700

The steady decline in Far East AID costs from the billion dollar level of the mid-1950's to the proposed level of $380 million in fiscal year 1965 was marked by an unusually sharp drop in the current fiscal year. The principal factors causing this steep decline were the termination of the Cambodia program, the withholding of new projects and financial assistance planned for Indonesia, the postponement until next year of obligations for the fulfillment of the 1959 Burma Road commitment, the willingness of other lenders to finance development in Taiwan and Thailand, and the slow pace of loan project development in the Philippines. The fiscal year 1964 total shown does not include further calls on the contingency fund totaling about $10 million that we now can foresee before the end of the fiscal year.

Assuming a final total of $340 to $350 million in fiscal year 1964, the $30 to $40 million increase proposed for fiscal year 1965 is due to the shift to 1965 of the $18 million Burma Road obligation and the possible acceptance of ——— in development loan applications now being prepared in Thailand and the Philippines. Supporting assistance increases also are likely to be required in support of the war in Vietnam next year over present program levels.

You will note that the total request for fiscal year 1965 is $63 million below the fiscal year 1963 actual obligations. We have submitted what we believe to be hard, minimum estimates for supporting assistance and technical cooperation funds. There is, obviously, some uncertainty in projecting development loan requirements; the $70 million request for the Far East is, however, the lowest ever submitted and is less than the total of identified projects now being discussed.

Far East Supporting Assistance Programs

In order to examine the hardness of the budget request, the committee may wish to see the calculations which underlie the funding estimates for Far East supporting assistance programs—the major elements of our request. These are summarized below for Korea, Vietnam, and Laos. We use supporting assistance for two purposes, both related to security goals. These funds (1) finance direct security operations such as the civil counterinsurgency effort in Vietnam and police in other nonmilitary security force training and equipment in several countries, and (2) they support the stabilization of an economy endangered by an intolerable defense budget through financing imports of essential goods such as fertilizer and industrial raw materials for local commercial sale. The latter function, when properly limited in scope and coupled with self-help conditions, can also contribute to economic development.

KOREA

In Korea, supporting assistance is given under the terms of explicit economic stabilization agreements, instituted in 1963 and strengthened and renewed in January for 1964. These agreements commit the Korean Government to limit budgetary expenditures to an agreed austerity level; restrict commercial credit and the money supply to agreed minimum increases; program with us the total volume of imports; and take other measures to halt inflation, promote Korean export earnings, and prevent waste. Only after reducing the esti-

mated balance-of-payments gap by the estimated effects of all these self-help measures do we agree to a level of supporting assistance. We limit such grant aid to maintenance-of-economy standards. The system is designed to require the recipient to stretch to the maximum to meet its requirements without resorting to AID grants. Supporting assistance is released incrementally to assure continuing compliance with the stabilization agreement.

U.S. FINANCING OF "MAINTENANCE OF ECONOMY IMPORTS"

Our program is not designed to close the recipient country's internal budget deficit; it is limited to the shortfall in external resources which the economy needs for current operation and cannot itself finance. ———. The Korean Government is allocating import dollars on a planned schedule of commodities and timing covering both Korean foreign exchange and our assistance.

In 1963, Korea's maintenance-of-economy imports (exclusive of capital projects and Public Law 480 surpluses) totaled $297 million, of which AID financed arrivals of $108 million. Taking into account changes due to population increase, adjustments in industrial requirements for imported raw materials for local uses and for increased exports, transfers of items formerly financed under MAP to Korean financial responsibility, and other factors, ——— the basic import program can be restricted to ———. This is an austerity level which is likely to cause the Koreans to reduce production for local consumption or more vigorously seek export earnings.

Although Korea's commercial imports must rise in 1965, in part as the result of the population increase and the transfer of more military items from MAP to the Korean economy, ———. We assume an increase of at least $15 million in Korea's export earnings. The following table shows the calculation:

Financing Korea's maintenance-of-economy imports

[In millions of U.S. dollars]

	1963	1964	1965
Visible exports	86	110	125
Earnings from U.S./U.N. forces	58	45	40
Foreign donations (charity and remittances)	20	20	24
Other net invisibles	−26	−18	−19
Net Korean-owned foreign exchange available	138	157	170
Maintenance of economy imports			
Gap to be covered by AID supporting assistance imports	108		
New obligations	92		
Pipeline reduction	16		

The Korean stabilization program, coupled with the prospect of relative political stability under an elected government over the next 3 years, is one of several elements of real hope that Korea is on the way toward self-support. If inflation can be held in check and other Korean Government policies inspire confidence, Korean businessmen and foreign investors should be more willing to make long-term productive investments. We expect that Korea will continue to expand its exports (56 percent in 1963), industrial production (13 percent in

1963), and gross national product (8 percent in 1963). The timetable of development would be greatly accelerated by the conclusion of a Japan-Korea settlement, which will bring substantial Japanese aid, investment, and trade.

LAOS

In Laos, we are wrestling with a very different situation. The primitive economy of its 2½ million people cannot for the indefinite future sustain the costs of independent nationhood. The economic problem is multiplied by the failure to date of plans for national unification and reduction of factional military forces. Pathet Lao hostility has forced the Souvanna government to continue to maintain rightist and neutralist armies totaling about ———. Refugees from Communist-held areas and tribal mountain people ——— must be supported. Laos cannot carry these burdens and survive as a buffer zone in southeast Asia without foreign aid.

France, Britain, and Australia are contributing about $8 million in economic assistance grants, and French spending in support of their military advisory mission this year should result in additional Lao foreign exchange earnings. The major economic assistance share, of ——— is borne by the United States.

We have two supporting assistance programs in Laos, for economic support and for direct security operations, ———.

SECURITY OPERATIONS PROGRAM

The security operations ——— include provision of imported foodstuffs to the conservative and neutral military forces, ——— relief supplies for refugees and isolated anti-Communist tribesmen, air transport of supplies inside Laos, and rural development programs ———.

Under this rural development program, for example, more than 50 young men on contract with International Voluntary Services (IVS) live in outlying villages and work with the Lao in rural self-help activities to improve agriculture, education, and social organization. In these and other villages we support and to a substantial degree operate 100 rural dispensaries and 4 field hospitals, employing on contract Filipino doctors and nurses. Related projects in road improvement, airstrip construction, and education are all part of a comprehensive effort ———.

ECONOMIC SUPPORT PROGRAM

The economic support program ——— is a tightly administered system of reimbursement of approved Lao foreign exchange expenditures which bears little resemblance to the former cash grant system of aid. Our program finances nonluxury imports, with reimbursement of Lao accounts made only after arrival of cargoes and their inspection against shipping documents and our eligibility lists by U.S. customs inspectors employed by AID in Laos. We also finance those documented Lao "invisible" expenses for official, educational, transportation, and insurance, and medical costs abroad which the AID mission in Laos determines to be legitimate. Lao foreign exchange reserves have been virtually exhausted. We estimate for 1965 requirements for about ——— in essential commercial imports and ——— in invisibles. We expect to provide up to ———, while Britain and

Australia will finance $3 million of imports. We have budgeted $4 million for legitimate invisibles as in 1964, ———. The balance of about $2 million will consume nearly all of Laos' foreign exchange earnings. In addition, there is a fluctuating demand (in Laos as in other countries) for private foreign expenditures of a sort which we will not finance, the amount influenced by the volume of Lao currency in circulation and the degree of confidence which holders of this currency feel in its stability and the future of the country. If foreign exchange is not available to meet this demand, export smuggling develops.

STABILIZATION AND SUPPORT PROGRAM

To deal with these interrelated problems, the United States, Britain, France, and Australia negotiated with the Lao Government a comprehensive stabilization and support program which went into effect January 1. It included an IMF approved 66⅔-percent devaluation of the kip, agreed ceilings on the budget, credit expansion, and money supply and additional tax measures. We are jointly insisting on compliance with these Lao commitments, which should put a lid on the growth of artificial demand for foreign exchange generated by increases in the Lao money supply. In order to reduce the existing excess of money supply, suppress the reexporting of goods and ease pressure on the new official exchange rate, we have established a legal open market in foreign exchange. A foreign exchange operations fund recommended by the IMF and jointly supported and managed by the United States, Britain, France, and Australia, is buying excess kip at rates which have stabilized at about double the official rate. Experience so far indicates that the fund is accomplishing its purposes. Given relative security and political stability, this set of measures should reduce the demand for aid-financed commodity imports, assure more stable prices in Laos, and encourage investment in domestic production.

VIETNAM

The Republic of Vietnam's survival as an independent nation depends on our aid, economic as well as military. Aid alone, of course, will not win the crucial test in Vietnam of the free world's capacity to resist the Communist strategy of piecemeal guerrilla conquest. The will and ability of the people and Government of South Vietnam to organize and sustain a combined political-military-economic campaign against the Communist insurrection is the first essential. Without our support in all these fields, however, this effort and sacrifice could neither be mounted effectively nor long sustained. We are encouraged by the new Vietnamese Government's grasp of the problem and its initiative and energy in seeking to mobilize the nation for action. President Johnson has pledged our support to these heartening new Vietnamese efforts.

General Khanh is reorganizing, expanding, and increasing the pay scales of the existing military and paramilitary forces. He is enlarging the civil administrative corps at the village, province, and district level by the addition of new and better trained staff. Additional land reform measures have been outlined. The AID staffs in critical provinces are being enlarged to assure full and prompt support of the civil measures essential to holding cleared areas. We have already initiated sharp increases in our well-drilling and fertilizer distribution programs.

INCREASED ECONOMIC ASSISTANCE

This intensification of Vietnamese and American effort will add a yet undetermined amount to the aid cost, particularly in economic assistance. The fiscal year 1965 AID budget estimates before you— ——— for commercial import financing and ——— for direct counterinsurgency activities—do not take into account these new requirements. Additional costs in Vietnam will be a prime claim on the contingency fund.

COMMERCIAL IMPORT PROGRAM

The commercial import program, like our basic economic support program in Korea, is supplemented by about $30 million annually in Public Law 480 sales of surplus U.S agricultural products. The supporting assistance fund request for fiscal year 1965 is ———. The amount is based on estimates of Vietnam's requirements for essential commodity imports, less Vietnam's own import-financing capability. Imports of AID-financed fertilizer, machinery, cement, steel, trucks, medicine, and industrial raw materials and Public Law 480 commodities expand the Vietnamese economy and offset the inflationary threat of defense budget deficits. Counterpart piasters generated by these imports have covered about two-thirds of Vietnam's defense budget. General Khanh's recent mobilization measures will increase the domestic budget deficit and require a combination of emergency Vietnamese tax, savings, production-expansion and price-control measures and, unavoidably, some increase in total imports to prevent serious inflation.

COUNTER-INSURGENCY PROGRAM SUPPORTS

The AID counterinsurgency program supports, advises, and directly operates in the civil side of the clear-and-hold campaign. It brings quick economic and social benefits to the strategic hamlets and other rural villages, equips and trains police forces, provides relief supplies to refugees and returnees from Communist control, amplifies the Vietnamese Government's propaganda voice in the provinces through provision of radios and local transmitters, builds new rural roads, repairs sabotaged rail lines, and dredges Delta waterways. Economic aid here is at war. Success in this unprecedented effort will be marked not only by control of the Vietcong threat but also by the revolutionary, constructive changes we are bringing about in rural Vietnam.

The scope and magnitude of this program can best be seen through some of the statistics of accomplishments to date, most of these over a span of 18 months:

> Over 12,000 health stations established, and regularly supplied simple medical kits, 6,500 with paid health workers. District health centers established in 151 districts; 3 American surgical teams operating in provincial hospitals; 86 U.S. military civic action medics recently reduced from 130, using AID-provided medical supplies, treating more than one-half million patients annually in remote areas.
>
> Almost 900 hamlet and village elementary school classrooms built, many with volunteer labor, using supplies provided by both AID and the Vietnamese Government. More than 1,000 teachers trained in 90-day courses.

Distribution of pesticides has reduced serious rat destruction of crops (up to 80 percent in the central lowlands; evidence in form of more than 20 million rattails collected; 4,700 tons of improved rice seed produced for distribution to farmers in individual bags printed with instructions and propaganda; 34,000 tons of fertilizer provided to central lowland farmers last year; 85,000 tons currently being provided this year for distribution in areas not reached by commercial sales. (This is in addition to about 260,000 tons being financed for regular commercial sale this year.)

Over 6,000 village-hamlet two-way radios provided and installed in 2 years to extend the nationwide police warning and communications network.

Accelerated rural water-well drilling program launched, using 21 deep and 25 shallow rigs manned by 80 Americans (Seabees and AID technicians) and 300 Vietnamese technicians. About 1,400 wells drilled.

Eight AID-financed dredges operating in the Delta; 223 sabotaged highway bridges and 250 railway sabotage cases repaired with AID-financed construction equipment and supplies in 1963.

Three thousand eight hundred community radio receivers installed, with an additional 3,000 scheduled by the end of 1964; 10,000 personal transistor radios distributed to rural leaders. Two provincial radio stations established, supplementing locally the national network earlier built by AID.

Fifteen thousand tons of bulgar wheat, 4,000 tons of cornmeal and 3,000 gallons of cooking oil distributed to needy families of civil guard and self-defense corps frontline fighters. Ten thousand tons of bulgar wheat and 3,500 gallons of cooking oil provided hamlet construction workers and officials whose community duties don't permit time to make a living for their families.

Farm cooperatives strengthened, pig raising and corn produtions expanded in a combined project which has become a model of development.

Much of this activity has been in the central and northern provinces, where progress against the Vietcong has largely been maintained, sometimes in areas dominated for 20 years by Communists. The program was only beginning to move out into the hamlets of the traditionally Communist-dominated Delta provinces last fall, when the Government advance in that area faltered and lost ground. A better planned and coordinated clear-and-hold campaign is being mounted in this critical area now, using the strategic hamlet only where the geography and popular attitudes make it feasible.

THAILAND

In Thailand we are engaged in a preventive campaign, to anticipate and thwart the Communist design for southeast Asia. The AID program is largely concentrated in the northeast provinces, whose people, largely of Lao origin, have had little consciousness of their Thai nationality and have lagged far behind Bangkok's prosperity. The Thai Government has recognized the danger in the past 2 years

and is improving its public services, and, with our help, conducting rural community development programs in this region.

The AID agriculture, public health, community development, and public works programs are now concentrated in the northeast provinces. We are training and equipping the border patrol police and provincial police. Our earlier investments in northeast highways, security roads, upland crop development, and public health are beginning to produce a timely payoff in this area.

INDONESIA

I believe the committee is currently informed, from conversations and correspondence, on the status of our operations in Indonesia. A brief review of the facts may be in order, however.

STATUS OF AID PROGRAM

Section 620(j) of the Foreign Assistance Act requires that the President suspend aid to Indonesia unless he determines that its provision is essential to the U.S. national interest. The executive branch has interpreted this amendment and its legislative history to mean that the President, with his responsibilities for foreign relations, has a reasonable time to consider whether to make such a determination or terminate the program. Neither decision could be made, obviously, during the very delicate diplomatic negotiations among Indonesia, Malaya, and the Philippines on the issue of war or peace in North Borneo.

On the other hand, we have not wished to indicate ——— that we will support or accept their "crush Malaysia" policy. Consequently, we have from last fall made no new commitments of aid. We have halted consideration of loans. We have not acted on requests for additions to the 3-year Public Law 480 sales agreement, now in its final year.

What remains is a technical assistance, education and malaria eradication program which ——— does not encourage or contribute to the Indonesian Government's campaign against Malaysia. Through this program American universities and our technicians work with potential future leaders of Indonesia. About 600 Indonesians are brought to the United States annually for study and exposure to American ideas and methods. Termination of this limited program would not punish the Indonesian Government; it would deprive the United States of opportunities to encourage and influence constructively the development over time of a free society in that fifth largest nation of the world.

PHILIPPINES

In the Philippines we propose to continue on a slightly reduced scale a technical assistance program whose major elements are in agricultural development, public administration, education, malaria eradication, and resource surveys. We are experimenting there with new means of stimulating private investment. We propose to stand ready to consider project loan applications for funds not available from other lenders on appropriate terms.

BURMA

We propose to limit our aid only to fulfillment of past commitments and provisions of limited technical and advisory services required to assure proper use of committed assistance. The outstanding commitment which we expect to begin fulfilling in fiscal year 1965 is for construction of the second section of the Rangoon-Pyu road. Approximately $18 million, out of a 1959 commitment of $28 million for this road has been estimated to remain available for obligation after a construction contract is awarded for the first section, Rangoon-Pegu. Economic and technical questions involved in choice of alinement for the second section now are being studied preparatory to negotiation of a detailed project agreement covering this balance of our commitment.

CHINA

The success of economic assistance in Taiwan is well known to this committee. Despite its enormous military burden, Taiwan has more than doubled its production in the past 10 years, tripling industrial output and broadly sharing gains in living standards. This economic and social progress is attracting private investment and loans and technical assistance from other international institutions. It has made possible the reduction of AID assistance.

TECHNICAL ASSISTANCE REQUEST FOR FISCAL YEAR 1965

The fiscal year 1965 request before you for $535,000 in technical assistance ——— will concentrate on technical and managerial guidance to private plants and businesses with export-earning potential.

In conclusion, I wish to emphasize two points: We submit that the programs of mutual security and development proposed for the Far East are essential to the U.S. national interests. And we believe that the amounts of funds proposed will be required to do the job properly.

Country program summaries

[In millions of dollars]

	Fiscal year 1963	Estimated fiscal year 1964	Proposed fiscal year 1965
Total:			
Development loans	67.1	35.0	70.0
Supporting assistance	318.8	250.0	262.2
Technical cooperation	57.2	51.0	47.5
Total AID funds	443.1	336.0	379.7
Public Law 480, titles I and IV (country use portion)	219.3	180.5	138.2
Burma:			
Development loans			
Supporting assistance	14.3	4.3	18.3
Technical cooperation	1.0	1.4	1.0
Total AID funds	15.3	5.7	19.3
Public Law 480, titles I and IV (country use portion)	7.2		
Cambodia:			
Development loans			
Supporting assistance	11.4	2.0	
Technical cooperation	8.6	3.0	
Total AID funds	20.0	5.0	
Public Law 480, titles I and IV (country use portion)			

Country program summaries—Continued

[In millions of dollars]

	Fiscal year 1963	Estimated fiscal year 1964	Proposed fiscal year 1965
China:			
Development loans	36.5		
Supporting assistance			
Technical cooperation	2.1	2.3	.5
Total AID funds	38.6	2.3	.5
Public Law 480, titles I and IV (country use portion)	39.1	33.1	37.4
Indonesia:			
Development loans			
Supporting assistance	21.9	4.4	
Technical cooperation	14.8	11.6	10.0
Total AID funds	36.7	15.4	10.0
Public Law 480, titles I and IV (country use portion)	82.1	27.8	
Korea:			
Development loans	30.6		
Supporting assistance	90.0		
Technical cooperation	7.3	5.2	5.6
Total AID funds	127.9		
Public Law 480, titles I and IV (country use portion)	66.6	79.2	72.0
Laos:			
Development loans			
Supporting assistance	38.1	35.7	
Technical cooperation		8.4	8.6
Total AID funds	38.1	44.1	
Public Law 480, titles I and IV (country use portion)			
Philippines:			
Development loans			
Supporting assistance			
Technical cooperation	3.3	3.1	3.0
Total AID funds	3.3	3.1	
Public Law 480, titles I and IV (country use portion)		5.5	
Thailand:			
Development loans			
Supporting assistance	10.1	6.4	
Technical cooperation	7.3	8.0	8.8
Total AID funds	17.4	14.4	
Public Law 480, titles I and IV (country use portion)			
Vietnam:			
Development loans			
Supporting assistance	133.0	121.0	
Technical cooperation	10.3	6.0	7.0
Total AID funds	143.3	127.0	
Public Law 480, titles I and IV (country use portion)	24.3	34.9	28.8
Regional:			
Development loans			
Supporting assistance			
Technical cooperation	2.5	2.6	3.0
Total AID funds	2.5	2.6	3.0
Public Law 480, titles I and IV (country use portion)			

Mr. PASSMAN. Thank very much, Mr. Poats.

Your biography is very impressive, but you actually have not had any experience in banking, have you?

Mr. POATS. No; I have not.

Mr. PASSMAN. You are getting now into the financial field very much, are you not?

Mr. POATS. There is a good deal of it.

TOTAL ECONOMIC AID FOR THE FAR EAST AREA

Mr. PASSMAN. You are requesting what total for your region this year?

Mr. POATS. We are requesting $379.7 million.

Mr. PASSMAN. Is that for both economic and military aid?

Mr. POATS. That is economic only, the part we administer.

Mr. PASSMAN. You are really getting into the big banking business. You will need our cooperation.

Mr. POATS. I have a competent staff. I have been in this Agency for 2½ years.

Mr. PASSMAN. We wish you well.

DEVELOPMENT LOANS

Many times during the consideration of your requests, I refer to development credits.

I always refer to them as credits because a loan is something that you expect to get back.

You may refer to a few loans made in Taiwan recently, with a reasonable rate of interest, but you are dealing with a very small percentage of the total. I just hope that we will keep that fact in mind as we go along.

Mr. POATS. May I say, sir, we are in the Far East essentially talking about loan programs to four countries in which, for at least Taiwan and Thailand, the terms are 3½ percent, 20 and 25 years.

Mr. PASSMAN. You should not be in Thailand. The record does not justify it.

Mr. POATS. We have not made a loan this year in Thailand. We may for special purposes.

Mr. PASSMAN. You are getting off the grant aid into the credit basis.

Mr. POATS. Thailand or Taiwan?

Mr. PASSMAN. Taiwan.

AID PROGRAM IN TAIWAN

Mr. POATS. In Taiwan we have not made a loan this year. Last year we made two loans at 3½ percent.

Mr. PASSMAN. We are getting off grant aid to a loan basis. That is new, is it not?

Mr. POATS. We are getting out of aid business entirely in Taiwan. I am talking about AID aid.

PUBLIC LAW 480 AID

Mr. PASSMAN. I mentioned earlier, sir, that there are some 16 spigots of aid. You still have a substantial aid program going in Taiwan. How about Public Law 480?

Mr. POATS. We have a program which you see in the books for fiscal year 1965 totaling ———.

Mr. PASSMAN. That is a lot of money, is it not?

Mr. POATS. That is not my impression of what will be justified.

Mr. PASSMAN. That much money is in the book, is it not, for Taiwan?

Mr. POATS. I am saying to you, my present estimate is the total Public Law 480 for Taiwan next year will be about ———, and of this, about ——— will be in dollar repayable transactions under title IV.

Mr. PASSMAN. I salute you if what you are talking about is true, because others did not indicate that to be the story. They indicated local currency. It indicated a much higher figure.

Mr. POATS. We have increased the U.S. uses take from these sales to 25 percent now, so it represents a good dollar saving.

Mr. PASSMAN. What is the amount of the title I portion of the program?

Mr. POATS. We have a 3-year agreement with Taiwan. We are to be in the third year of that agreement next year and the prorated share for this thing would be $17 million.

Mr. PASSMAN. Grant aid?

Mr. POATS. This is title I. The proceeds of this are 75 percent grant aid. Twenty-five percent in U.S. uses.

Mr. PASSMAN. That is a substantial aid program, although it is less than we have given in the past.

Mr. POATS. We are attempting to scale it down and harden its terms as fast as the Chinese can take it. In the meantime, the proceeds are going into the military budget support.

Mr. PASSMAN. Of course, that military is grant aid?

Mr. POATS. Yes, sir, on a reducing scale.

Mr. PASSMAN. It ought to be.

UTILIZATION OF CONTINGENCY FUNDS FOR VIETNAM

I quote from your statement:

> The fiscal year 1964 total shown does not include further calls on the contingency fund totaling about ——— that we now can forsee before the end of the fiscal year.

What are you talking about there?

Mr. POATS. We estimate in addition to the figures you see in the table at the top of that page, that we will have to obligate from the contingency fund, I think the figure is now about ———, all of this for Vietnam. This would be an additional ———. A large part of the latter would be for fertilizer.

Mr. PASSMAN. That would be for fiscal year 1964?

Mr. POATS. Yes, sir.

Mr. PASSMAN. Out of the contingency fund?

Mr. POATS. That is right.

This will raise the Vietnam program this year from what you see on the last page of the statement to about ———.

Mr. PASSMAN. Of course, this is the fund for which Congress gave the aid agency more than they asked for, I believe.

Mr. POATS. Well, the new obligation——

Mr. PASSMAN. We reappropriated funds. By that act I think they picked up some $34 million.

Mr. POATS. I have forgotten the figure for this year.

Mr. PASSMAN. I am talking about fiscal year 1964.

Mr. POATS. That is right.

Mr. PASSMAN. We gave the executive more than was requested.

Mr. POATS. The original request, sir, was $300 million.

Mr. PASSMAN. I am referring to the authorizing legislation.

Mr. POATS. Authorized, I believe was $160 million.

Mr. PASSMAN. The administration said, in effect, "We do not want you to reappropriate these funds." We had to get them to amend their request.

Mr. TENNANT. $50 million out of new obligation authority and $127 million of unobligated.

Mr. PASSMAN. That is $177 million.

Mr. TENNANT. The authorization was $160 million.

Mr. PASSMAN. I am speaking about the authorizing committee. It went to $150 million.

We asked Mr. Bell to amend his request so we could appropriate all the funds.

DEVELOPMENT LOAN TERMS AND REVIEW POLICIES

On page 3, Mr. Poats, you say "there is obviously some uncertainty in projecting development (credit) requirements. You use the word 'loan.' The $70 million request for the Far East is, however, the lowest ever submitted and is less than the total of identified projects now being discussed."

What do you mean by this statement? You may not have a need for it? Is that it?

Mr. POATS. There is uncertainty as to whether development lending application will reach AID. We stand at the end of the queue. We do not make a loan unless other free world sources of lending have declined to provide this on reasonable terms and in a timely manner. That means, for example——

Mr. PASSMAN. I never heard before of Uncle Sam holding up 15 cents anywhere if they did not first try other nations. Congratulations.

Mr. POATS. I am surprised that has not been brought to your attention. Every loan application which comes in, we send it over to Export-Import Bank and to the World Bank.

Mr. PASSMAN. I thought you indicated other nations. You mean other agencies.

If the Export-Import Bank can handle it, of course you decline.

Mr. POATS. That is right.

If the World Bank can handle it, and we also, through, for example, the DAC, consultative groups go to the other governments and ask them if they would be interested.

The fact is, the total lending in the Far East this year is low because other nations and other agencies did pick up a lot of this lending.

Mr. PASSMAN. Other nations are making the same type loans primarily they have always been making.

Mr. POATS. I think you would be happy to know, sir, the Germans are making loans in Thailand and Korea at 20-year and 18-year terms.

Mr. PASSMAN. They have been making that type loan for many years.

Mr. POATS. At 3 percent?

Mr. PASSMAN. Ours is at no percent.

Mr. POATS. Ours goes to 2 percent now after the first 10 years.

Mr. PASSMAN. You are not getting any interest. You are getting three-quarters of 1 percent service charge, and it only goes to 2 percent 10 years from now. Is that not correct?

Mr. POATS. In the case of Korea, that is correct. That is the only case in the Far East in which that is correct.

Mr. PASSMAN. You know what I am talking about, that the legislation as such remains at three-quarters of 1 percent service charge, no interest as such.

What you are talking about goes into effect 10 years from now, does it not, making it mandatory?

Mr. POATS. The increase to 2 percent comes 10 years from now.

Mr. PASSMAN. Thank you.

Mr. POATS. You will note we are talking about loans also for the Philippines and Thailand.

Mr. PASSMAN. That has been your privilege. If you could find some country that would borrow it at a higher rate than the three-quarters of 1 percent service charge, you could charge them that amount; but the 2 percent that we are talking about, applicable to these loans to underdeveloped nations, is only made mandatory 10 years from the legislation that was passed last year; is that right?

Mr. POATS. That is right.

Mr. PASSMAN. For the next 10 years let us talk about no interest. That is how most of our loans are being made.

SUPPORTING ASSISTANCE AGREEMENTS

Now, on page 4:

In Korea, supporting assistance is given under the terms of explicit economic stabilization agreements, instituted in 1963 and strengthened and renewed in January for 1964. These agreements commit the Korean Government to limit budgetary expenditures to an agreed austerity level; restrict commercial credit and the money supply to agreed minimum increases; program with us the total volume of imports.

By "this agreement," does that mean all of their imports are to be bought from the United States as long as we keep the aid program at the level it presently is?

Mr. POATS. No. We do not attempt to require them——

Mr. PASSMAN. It does not?

Mr. POATS. No. It does not.

KOREAN PURCHASE OF CANADIAN WHEAT DESPITE U.S. SUPPORTING ASSISTANCE PROGRAM

Mr. PASSMAN. With all our supporting assistance, where did Korea buy most of its wheat last year, from the United States or Canada?

Mr. POATS. You are speaking apart from Public Law 480, I take it?

Mr. PASSMAN. Yes.

Mr. POATS. The purchases made with cash, the largest purchases were made from Canada, under a deal which we did not approve.

Mr. PASSMAN. The largest cash purchases were made from Canada. What was the amount of those purchases?

Mr. POATS. It was about $4.5 million out of a total commercial purchase of about $6 million.

Mr. PASSMAN. We all know we have no direct control over the revenues collected by a government from their own people, and it is rather difficult to tell them, and make it stick, for what they may spend their money.

Mr. POATS. It is $4,594,000 from Canada.

They had several reasons for that, of course.

Mr. PASSMAN. They must have had reasons.

Mr. POATS. They were interested in preventing price increases in staple foods, particularly before an election.

And we did not agree with them that they needed additional supplies, above what they were getting under Public Law 480, so we were not inclined to increase the title I program. They bought this. They have undertaken a new Public Law 480 agreement with the understanding they would buy any additional grains from the United States if the price is competitive.

Mr. PASSMAN. Let us hope they will, in fact, live up to the agreement.

Mr. POATS. They have already purchased 110,000 tons of barley from the United States.

Mr. PASSMAN. They have lived up to it so far?

Mr. POATS. Yes; in April 1964 they bought 110,000 tons of barley at a cost of $6,826,000.

U.S. FINANCING OF "INVISIBLE" GOVERNMENT EXPENSES FOR LAOS

Mr. PASSMAN. At page 8 there is a statement:

> We also finance those documented Lao "invisible" expenses for official educational, transportation, insurance, and medical costs abroad which the AID mission in Laos determines to be legitimate.

What kind of a program is that?

Mr. POATS. That is part of a program whose total effect is to finance the Lao Government in almost every aspect of its existence. One aspect is the invisible expenses, and so forth, that any government or economy has for the purposes mentioned here—educational, medical, travel, official expenses of embassies.

Mr. PASSMAN. How do you define "invisible"?

Mr. POATS. This is a term which distinguishes from visible imports; that is, goods. This covers services, in effect.

U.S. FINANCING OF EXPENSES FOR LAO EMBASSIES

Mr. PASSMAN. Is that financing actually the expenses of the Lao embassies abroad?

Mr. POATS. It is the financing of expenses of Lao embassies, other than in the Communist countries.

Mr. PASSMAN. For how many embassies are we carrying on such financing?

Mr. POATS. I would have to check this, but I believe they have about 10 embassies which would be covered by this. I would have to check that further for the record.

(The information supplied follows:)

U.S. FINANCING OF LAO INVISIBLES: EMBASSIES' EXPENSES

In fiscal year 1964, the United States is assisting the Lao Government in the financing of expenses of nine nonbloc embassies, plus one consulate. The countries in which this financial assistance is being provided for the Lao Embassies and the consulate are as follows: Burma, Cambodia, France, India, Japan, South Vietnam, Thailand, United Kingdom, United States, and Hong Kong (consulate).

They have earnings, of course, of about $2 million a year, and of these——

Mr. PASSMAN. That is really a new wrinkle on an old buck's horn. What is the population of Laos?

Mr. POATS. In the area controlled by the Government, a bit over 2 million.

Mr. PASSMAN. And they earn about $2 million a year from their exports?

Mr. POATS. Their exports and their invisible sales to foreigners, such as embassies.

Mr. PASSMAN. Now, they are setting up embassies in all the non-Communist bloc nations, and we are financing those embassies?

Mr. POATS. We are financing them, in part. I wouldn't say we are totally financing them.

Mr. PASSMAN. Well, how much are we financing them, what percentage of the total?

Mr. POATS. We finance—we will agree to finance such costs which are presented to us.

Mr. PASSMAN. What is the total amount?

Mr. POATS. We believe that their total—they state to us that their total so-called invisible expenses in foreign exchange are around $6 million a year. We are financing this year $4 million of that $6 million. We are negotiating with other countries to attempt to persuade them to share this burden with us. We think we will have some success with at least one country.

Mr. PASSMAN. You use the term "think." How long have we had this thing going on?

Mr. POATS. This has been going on for a bit over a year, but in the past it was accomplished through other means, through the cash grant system, and accomplished the same thing, you see. The fact is, we have been unable to get completely away from cash support of the Lao Government. We have done it to the extent we can.

Mr. PASSMAN. You are giving them something they never had before, and they do not know how to use it, to a large extent.

You have had some experience with the situation in Laos?

Mr. POATS. Yes; I have.

Mr. PASSMAN. Do you remember when they used to accept delivery of their imports in Thailand and other countries, and a substantial part of the goods never even got across the border into Laos, but were channeled into other nations; do you remember that period?

Mr. POATS. That's right. We have had that problem, periodically, and you have it in any country in which there is——

Mr. PASSMAN. But remember Laos in particular, during the time when we were supporting the kip at unrealistic exchange rates.

Mr. POATS. Up to 1958.

Mr. PASSMAN. And they were really taking us for a ride.

TOTAL AID TO LAOS

What has been the total amount of our aid to Laos?

Mr. POATS. The total is $328.4, on the economic, and ——— in military, for a total of ——— through fiscal year 1963.

Mr. PASSMAN. Is that for Public Law 480 and all the spigots?

Mr. POATS. Public Law 480 is included.

U.S. AID COMPARED TO ANNUAL LAOTIAN EXPORT EARNINGS

Mr. PASSMAN. You say they earn about $2 million a year from their exports?

Mr. POATS. That's right; total foreign exchange earnings.

Mr. PASSMAN. For how long a period has this been?

Mr. POATS. Since 1955.

Mr. PASSMAN. Ten years?

Mr. POATS. This table shows no program prior to fiscal year 1955.

Mr. PASSMAN. They earn $2 million a year from their exports. If the situation remains as it is, we have given they as much in 10 years, sir, as they earn from their exports in 250 years. Is that the way it works out, mathematically?

Mr. POATS. I think that is correct; yes.

This country, in its present situation, is totally dependent on outside assistance.

Mr. PASSMAN. Anyway, we have provided as much in 10 years as they can earn in 250 years, with the present amount of earnings.

Is there any other nation in that same kind of category?

Mr. POATS. This sets the record.

PURCHASE OF EXCESS KIP THROUGH THE FOREIGN EXCHANGE OPERATIONS FUND

Mr. PASSMAN. Now, on page 9:

A foreign exchange operations fund recommended by the IMF and jointly supported and managed by the United States, Britain, France, and Australia, is buying excess kip at rates which have stabilized at about double the official rate.

Mr. POATS. We are combating in this way the temptation to reexport, the sort of thing you have mentioned a while ago, of taking deliveries across the border and shipping things out.

If you have a complete ban on access to foreign exchange, or if the price differential between the official price and the black market price rises above a certain level, above that level it will be worth the while of a businessman to convert imported goods back into foreign exchange illegally.

Mr. PASSMAN. We are doing business with many of the same officials we were doing business with in 1958 are we not?

Mr. POATS. Some of them; yes. I am not sure we can say many of them.

Mr. PASSMAN. Do they practice that old skin game of black marketing? They did so in 1958.

Mr. POATS. We have attempted to remove large elements of trust from this operation. We have U.S. customs officials checking the arrival of goods. We have a system which we know by spot check makes it unattractive for them to engage in this kind of practice. We have been very concerned with the establishment of casinos, for example, by some of the generals in the Army, which so far seem to be producing profits for the budget of the military forces, but which give the appearance of being a means of getting rich and taking advantage of status.

(Off the record.)

Mr. PASSMAN. How, Mr. Poats, did we let ourselves get into this mess?

Mr. BUNDY. Because it is a very important, strategic, area.

Mr. PASSMAN. How can those people ever increase their earnings from their exports to justify expenditures of such type?

Mr. BUNDY. A very small portion of that $4 million is for financing embassies.

Mr. PASSMAN. I am only taking what you said. The "invisibles." Are they buying buildings?

Mr. BUNDY. No, they are renting, in all probability.

Mr. PASSMAN. Do they have an embassy here?

Mr. POATS. They have one on S Street, I believe, which is rented.

Mr. BUNDY. They have three people on the staff, I believe, sir. They have students overseas in a number of countries, and, as I say, we are trying to get these countries to pick up the costs of this.

Mr. POATS. This is a price we are paying to maintain a buffer state in that area, which, by any logic, as you have described it, in economic terms, is incapable of maintaining its economic existence.

Mr. PASSMAN. We have a half billion dollars in that country. This is the most fantastic thing I have ever heard.

Mr. BUNDY. It is just important strategically.

Mr. PASSMAN. You are testifying on Laos right now, but we have to go around the world and ask questions on some 99 nations.

Mr. BUNDY. It is right up against the Communist border, and it is the front door to Thailand——

U.S. AID COMMITMENTS WORLDWIDE

Mr. PASSMAN. We have some programs as foolish as this one in any part of the world you want to go, and they have an excuse just as good as yours as to why we have to continue.

Mr. POATS. There are 8 in the Far East and 76 all together on the rolls for new funds this year.

Mr. PASSMAN. I happen to know that some 99 nations will be receiving some form of aid next fiscal year. Now, what is the difference in new funds and dispersing from last year's appropriations?

Mr. POATS. I think there is a great deal of final difference. This shows the policy to stop the accumulation of additional commitments.

Mr. PASSMAN. You stopped it in Ireland and Sweden, and maybe the Vatican, and possibly in Monaco, but we will have substantial aid going into about 100 nations in the next fiscal year.

I am thinking about disbursements, Mr. Poats. About what goes out.

The money first has to be spent, before it has any effect on the Treasury, and it will have the same effect on the U.S. Treasury when you dispense out of the pipeline, and the old appropriations as out of the new.

How many countries have you reduced in your area, which are getting no grant aid at all?

Mr. POATS. We propose that fiscal year 1965 will be the last year of the AID programs——

Mr. PASSMAN. How many nations in your area have you cut out to where there is no aid going from either of the 16 spigots?

STATUS OF AID TO MALAYSIA

Mr. POATS. I believe that Malaysia is not now receiving any additional disbursements.

They have received two development loans——

Mr. PASSMAN. Are they getting further disbursements on development credits now?

Mr. POATS. I know one loan is 95 percent disbursed, and the other is very close to it—90 percent.

Mr. PASSMAN. Check Malaysia off. Let us see if you can chalk up one victory.

If you do not have anything, there will not be a sheet. If you do not have a sheet, you win.

Mr. POATS. We have a sheet on it, Mr. Chairman. We are very careful to have a sheet on anything you are interested in, sir.

It seems likely there is some money in the projects, but those projects have been fully opened and I have ridden on this road———

Mr. PASSMAN. Maybe next year you will have more luck. We were pulling very hard for you, then.

Mr. POATS. I appreciate that.

THAILAND

Mr. PASSMAN. We were out in Thailand some 4 or 5 years ago. There was a thriving economy and we were told there was no need for more aid for Thailand.

The following year we went out, to find out they had started a fantastic new program for Thailand.

Subsequently we continued many different aid programs for Thailand.

Now, we are encouraged by the trend in Thailand at this time, that you may be on the way out of the grant-aid program there. Can you tell us it looks reasonably good? What is our total grant aid for Thailand?

Mr. POATS. I can't tell you we have plans for the termination of aid to Thailand; no, sir.

TOTAL AID PROGRAM IN THAILAND

Mr. PASSMAN. What is the total for fiscal year 1965?

Mr. POATS. We are proposing in grants——

Mr. PASSMAN. Give us all spigots at one time.

Mr. POATS. ——— and $8.8 million on technical cooperation——

Mr. PASSMAN. Strictly grants?

Mr. POATS. Technical assistance grants, and ——— grants for supporting assistance.

Mr. PASSMAN. Mr. Poats, would you say that for the Far East that in fiscal year 1964 you have a satisfactory program, overall, going?

ADEQUACY OF AID PROGRAM IN FAR EAST

Mr. POATS. Well, we wouldn't be pleased with developments in either Indonesia or Cambodia.

Mr. PASSMAN. My question is, do you have a foreign aid program that is reasonably satisfactory, operating now in the Far East, from funds previously appropriated?

Mr. POATS. In those cases where the political situation permits it, we have adequate funds, because we are drawing upon the contingency fund.

Mr. PASSMAN. Excluding the war in Vietnam, you say you have adequate funds, excepting political considerations?

In you area, out of the appropriations that the Congress gave last year and previously, do you have a reasonably satisfactory program going?

Mr. POATS. Well, I am afraid I can't generalize in a single sentence. In two or three sentences——

Mr. PASSMAN. Would you prefer to use the word "adequate," rather than "reasonable"?

Mr. POATS. I think so, with several exceptions, but I cannot——

Mr. PASSMAN. You said political exceptions, and the word "adequate" is stronger than "reasonable."

INITIAL FAR EAST BUDGET REQUESTS FOR FISCAL YEAR 1965

What amount did the administration ask in the first budget request for the Far East for fiscal year 1965?

Mr. POATS. $451 million.

Mr. PASSMAN. Is that the budget estimate of January last year?

Mr. POATS. That's right. That is the request we submitted to you last year.

ALLOCATION OF AID FUNDS TO THE FAR EAST, FISCAL YEAR 1964

Mr. PASSMAN. And you finally had allocated to your region $319,455,000; is that correct?

Mr. POATS. We had at the time these books were prepared. We now estimate the program in the Far East will be about 340——

Mr. PASSMAN. We have to go at least to some extent according to what your books say.

Mr. POATS. The books are outdated.

Mr. PASSMAN. There is a lot in information in here—and a lot of it is inaccurate.

Mr. POATS. It was correct at the time is was printed.

Mr. PASSMAN. You are going to testify from these books, are you not?

Mr. POATS. I am, but I certainly think you would want to update the information, wherever it is pertinent.

Mr. PASSMAN. We certainly want to do so.

HISTORY OF FISCAL YEAR 1964 FOREIGN AID BUDGET REQUEST

Starting off last year for the worldwide program, the President asked for $4,980 million. Subsequently the President himself reduced that request to $4.5 billion. At a later date, the Congress authorized

about $3,600 million, and still later the Congress decided to appropriate $3 billion.

Now, when you work from $5 billion down to $3 billion and have adequate funds, it gives you an idea of the uncertainty as to what the need actually is.

We do know that there is an asking price, then there is a taking price. Your original asking price last year was about $5 billion, your taking price was $3 billion, and that sum was more than you needed.

Now, could I ask you——

Mr. POATS. I would like to answer the previous question.

Mr. PASSMAN. What question?

Mr. POATS. It would take quite a while to answer it, though. You have implied, here, that we have cut the program in the Far East from $451 million requested to $319 million, and that this difference is the difference between an asking price and a taking price.

Mr. PASSMAN. It could hardly be anything else.

Mr. POATS. I would like to describe the facts which will demonstrate that to be not the case.

Mr. PASSMAN. Anyway, you had an original asking price of $5 billion, and the Congress appropriated only $3 billion.

Mr. POATS. The asking price in terms of this figure I gave you was $4.5 billion. It had already been reduced by the President by the time this figure was submitted.

The request was $4.5 billion. Of that, $451 million was for the Far East.

Mr. PASSMAN. That was after the President reduced it?

Mr. POATS. That's right. Now, what I would like to do is explain why it was possible to get along with the reduced amount.

Mr. PASSMAN. You will have an opportunity to make whatever explanation you wish to attempt.

We just wanted to indicate the underlying uncertainties in this program, and that there is not a person in the program who actually knows the amount of money needed to carry it on.

As we go along, we are going to want to know the amount of money we have given to each country, total, from all 16 aid spigots.

COUNTRIES ELIGIBLE FOR IDA LOANS

Are most of the countries in your region eligible for aid from IDA?

Mr. POATS. So far only two countries have received loans from IDA, $14 million for Korea and $15 million for the Republic of China. Only one currently is eligible, I believe, and that is Korea.

Mr. PASSMAN. Is Taiwan not eligible?

Mr. POATS. No, they are not.

They have been removed from the list this year.

Mr. PASSMAN. When did they remove them?

Mr. POATS. I think about 3 months ago. The World Bank declared that Taiwan was too well off to receive IDA assistance.

Mr. PASSMAN. That is good. Now Korea is still——

Mr. POATS. Yes.

Mr. PASSMAN. Do any of the other nations in your area belong to IDA?

Mr. POATS. Yes, they belong to IDA. All the World Bank members belong to IDA.

Mr. PASSMAN. That is what I meant. You cannot make the determination as to when the policy will go up or down.

Mr. POATS. All the aid-receiving nations in the region belong to the World Bank——

Mr. PASSMAN. And I believe all of them but one are considered underdeveloped nations, are they not?

Mr. POATS. All with the exception of Japan, but IDA's list of eligible countries——

Mr. PASSMAN. Japan, of course, is one of the part I nations.

Mr. POATS. IDA's list of eligibility at any particular time is very restricted.

Mr. PASSMAN. I understand something about IDA's policy. Some of the countries might not be eligible today, but they may be eligible tomorrow. When they became members they were considered eligible, and some of the other people before the committee said, "Yes, they are eligible, but under these conditions their applications wouldn't be considered."

The underdeveloped nations in your region which are members of the International Development Association, what do they expect to acquire, or get out of it?

Mr. POATS. I think some may hope to receive funds eventually.

Mr. PASSMAN. That is why they become members.

Mr. POATS. They are not in fact receiving it. Indonesia, for example, is not eligible.

Mr. PASSMAN. Upon what basis is Indonesia not eligible?

Mr. POATS. The World Bank makes the decision whether to loan funds to Indonesia.

Mr. PASSMAN. Under the charter, all part II nations in IDA are eligible for loans, are they not? The World Bank may come out with a directive saying they are not eligible under certain conditions, but all 67 of the underdeveloped nations would be eligible under the charter; is that right?

Mr. POATS. That is right.

Mr. PASSMAN. That is all I want to get in the record.

Mr. POATS. The funds are short and they had to ration their eligibility, and at the present time only Korea in the Far East——

Mr. PASSMAN. You and I are in accord that they are eligible, according to the charter, but the World Bank or the Board would make the determination as to whether they would be eligible on this particular date for funds in the amount they may request.

We have given India over $ billion. They put up, I think, $40 million for IDA. Do you know how much they have drawn out of IDA; $300 million.

Pakistan put up $9.5 million. They drew down $90 million.

India was seven times as much as they put in, and Pakistan was nine and one-half times as much.

Mr. POATS. That is the purpose of the Fund.

Mr. PASSMAN. That is a supplement to our bilateral aid, spent on the same kind of projects. They do by indirection what they cannot do directly.

Gentlemen, if there is no objection, we should now adjourn until 1 p.m. tomorrow.

TUESDAY, MAY 5, 1964.

Mr. PASSMAN. The committee will come to order.
Off the record.
(Discussion off the record.)

ESTIMATED UNEXPENDED BALANCES, JUNE 30, 1964

Mr. PASSMAN. Mr. Poats, what is the amount of the anticipated unexpended balance for your area on June 30, 1964? Give the total for all spigots with which you are familiar.

Mr. POATS. This would only comprise the balances for supporting assistance and development grants——

Mr. PASSMAN. How about the development credits?

DEVELOPMENT GRANTS

Mr. POATS. We have it done on a basis of projects to come up for action. In the development grants sector, I have a sheet which shows anticipated obligations totaling $45.7 million by the end of June.

Mr. PASSMAN. That is unobligated. I am talking about the unliquidated money in the pipeline.

Mr. POATS. You said unobligated, did you not, sir?
(Discussion off the record.)

Mr. POATS. As of June 30, 1964, we anticipate that $74.3 million will be unliquidated in District of Columbia funds, development grants, technical cooperation.

May I point out, please, that the same comparable figure for the end of 1962 was $161 million.

Mr. PASSMAN. We want to get first the information I requested.

Mr. POATS. On June 30, 1963, the unexpended balance was $98 million.

Mr. PASSMAN. Let us get the total.

Mr. POATS. At June 30, 1964, the unexpended balance of supporting assistance is estimated to be $186.3 million.

Mr. PASSMAN. How about technical aid? Is that all in this development grant?

Mr. POATS. Yes, we have a contingency fund figure which you want too. As of the end of this fiscal year, $38.2 million is the anticipated unexpended balance.

DEVELOPMENT LOANS

In development loans, the anticipated unexpended balance will be $192.3 million at June 30, 1964.

Would you like a comparison with previous years?

Mr. PASSMAN. If you will first answer our questions, we shall then yield to you for such supplementary information as you might wish to offer.

PUBLIC LAW 480

How about Public Law 480? Do you have that?

Mr. POATS. I believe we have that. Just a minute.

The balance undelivered of procurement authorizations, as I understand this figure, for Public Law 480, is $33 million.

MILITARY ASSISTANCE

Mr. PASSMAN. What is the total in your area for the military assistance program?

Mr. POATS. Mr. Loftus will have that.

Mr. LOFTUS. I have an estimate here, sir, of $764 million unliquidated.

Mr. PASSMAN. Let us add these figures.

Mr. LOFTUS. $765 million, to round it off.

Mr. PASSMAN. That sum does not include international organizations?

Mr. POATS. That is correct.

Mr. PASSMAN. So, you will have in the pipeline for your area the amount of $1,353,100,000, estimated as of June 30, 1964.

ESTIMATED UNOBLIGATED BALANCE—JUNE 30, 1964

Now, if you will, give us the amount of the unobligated funds for each one of these categories.

Mr. POATS. The unobligated funds estimated at the end of this fiscal year——

DEVELOPMENT GRANTS

Mr. PASSMAN. Let us take development grants first.

Mr. POATS. On development grants, Mr. Chairman, the figure we now estimate to be unobligated out of the operational year budget for the Far East for development grants is $1.2 million.

SUPPORTING ASSISTANCE

Mr. PASSMAN. Now let us move to supporting assistance.

Mr. POATS. Supporting assistance, none. We are moving into the contingency fund there.

Mr. PASSMAN. What do you mean?

Mr. POATS. We are having to turn from the regular supporting assistance——

Mr. PASSMAN. Are you dealing with emergency projects?

Mr. POATS. We are dipping into the contingency fund; yes, sir.

I believe it is in the vicinity of $35 million in the contingency fund, sir.

Mr. PASSMAN. For what purposes?

Mr. POATS. Entirely for supporting assistance purposes. I can give you a breakdown.

Mr. PASSMAN. How much is the amount?

Mr. POATS. We had allocated $7,325,000 to Laos for air support, military subsistence consumables, and relief supplies, $485,000——

Mr. PASSMAN. Give us the list and tell us how much you are going to have unobligated, including the contingency fund.

Mr. POATS. We will have no unobligated funds in that category.

Mr. PASSMAN. Let us put this list in the record, if you will.

Mr. POATS. This is incomplete. It has scribbled notes which I can better transpose.

Mr. PASSMAN. Bring it up to date, please. Make it complete and submit it for the record.

(The information supplied follows:)

FAR EAST BUREAU ESTIMATED UNOBLIGATED FUNDS

On the basis of the operational year budget of March 31, 1964, it is anticipated that the Bureau will release, for use on a worldwide basis, approximately $1.2 million of development grant funds which are no longer needed for Far East programs. There will not be any other unobligated funds since program requirements are equal to available funds.

DEVELOPMENT LOAN AUTHORIZATION

Mr. PASSMAN. How about the other categories, development credits?

Mr. POATS. There will be no unobligated balance there, sir.

Mr. PASSMAN. Have you any contracts pending for the months of May and June?

Mr. POATS. Oh, yes.

Mr. PASSMAN. Can you provide to the committee—have it tomorrow, if you will—a copy of the loan applications that you have, when you received them, to what country and what amount, and just at what stage these applications are presently, and the total amount?

Mr. POATS. I would be glad to go over that now, if you like.

Mr. PASSMAN. We want a list first.

Mr. POATS. I have the total.

Mr. PASSMAN. We want a list of when you received the applications, for what project, what country, and what amount, and where it stands at this time.

Mr. POATS. Right.

Mr. PASSMAN. We had better get that list for all applications that you received, to which you are giving some consideration, from January 1 through June 30.

Mr. POATS. I take it it is your purpose, Mr. Chairman, to identify those loans that we expect to make before the end of this fiscal year.

Mr. PASSMAN. There may be several purposes.

Mr. POATS. I am just trying to determine what to include.

Mr. PASSMAN. We want all the applications. So you will understand, we have here in your justifications, page 3, the development loans approved through December 31, 1963, halfway through fiscal 1964. We want the same type of information from January 1 through June 30. We want to know in what order you received these applications. Of course, you do not approve all applications, but the ones that you have approved to date, January 1 through the present date.

Then, if you have a list of applications still pending, we would like to have that, too.

Mr. POATS. I shall be glad to show you that.

(Information supplied follows:)

DEVELOPMENT LOAN AUTHORIZATIONS IN FAR EAST (JANUARY 1, 1964–JUNE 30, 1964)

KOREA

1. Diesel locomotives No 2:
   Application received December 1961 for $17 million for 100 locomotives.
   First portion authorized August 1962 for $8.3 million for 30 locomotives.
   (See p. 87 of congressional presentation.)
   Second portion authorized April 1964 for $11 million for 65 locomotives.

2. Taegu water supply:
   Application received May 1962.
   Loan authorized May 1964 for $2.4 million for water purification plant, water intake and transmission facilities.
3. Power transmission and distribution:
   Application received February 1963.
   Authorization expected May 1964 for $7.8 million for equipment.
4. Telecommunications:
   Application received September 1962.
   Authorization expected June 1964 for $8.4 million for microwave transmission system.

Mr. PASSMAN. Complete it, please, and then when it is complete we can discuss it.

May I say to the Comptroller General, or to whoever is supposed to take this information, we want also that same type of information for Africa, for the Near East, for Latin America, and particularly do we want this brought through April 30. Then, after you have set forth the information on one master sheet, we want a separate sheet for May and June on all projects.

Mr. TENNANT. Development loans?

Mr. PASSMAN. Yes; development loans.

(Additional information on loan applications has been included on pp. 158–160.)

DEVELOPMENT LOAN OBLIGATIONS ESTIMATED FOR MAY AND JUNE

Could you tell, pending complete information, whether you anticipate obligating any more funds out of the development loan category for your region during the months of May and June?

Mr. POATS. Yes, we do.

Mr. PASSMAN. Give us the total, please.

Mr. POATS. The total is $18 million.

Mr. PASSMAN. That is the total for your region. Could you tell us at this time just what projects are involved?

Mr. POATS. These are the Taegu water supply project in Korea, transmission and distribution project for the Korean Electric Co. in Korea, and telecommunications extension project in Korea.

ESTIMATED AID PERSONNEL, FAR EAST, AS OF JUNE 30, 1964

Mr. PASSMAN. What is the number of personnel you anticipate will be on the rolls as of June 30, 1964, in your area?

Mr. POATS. The total personnel estimated on board June 30, 1964, in the Far East, 1,638. Shall I give the breakdown?

Mr. PASSMAN. In all categories in your area, there is a total of what number?

Mr. POATS. Trainees?

Mr. PASSMAN. Including trainees, or participants.

Mr. POATS. They are trainees.

Mr. PASSMAN. If you will, give us the American personnel, foreign nationals, the participants, then the same thing in the military.

Mr. POATS. I have that number now, if you would like to have it.

Mr. PASSMAN. It is all right if you have it all.

Mr. POATS. The number of participant trainees in the Far East in 1964 will be 2,270.

Mr. PASSMAN. That is up 200 from what your book indicates; is that correct?

Mr. POATS. It is up 200; that is correct. I hope we can increase it further.

We hope to train as many of these potential leaders as possible.

Mr. PASSMAN. Next?

Mr. POATS. Shall I give the breakdown of the number of people on board?

Mr. PASSMAN. Yes.

Mr. POATS. 191 administrative employees.

Mr. PASSMAN. We want the total by category.

Mr. POATS. The figure I gave you a moment ago was not limited to AID employees. It was the total of American personnel paid by AID in one way or another. That included 457 contract employees.

Mr. PASSMAN. Does that figure include the military aid program?

Mr. POATS. No, it does not.

Mr. PASSMAN. What we want, Mr. Poats, is to find out the total number of personnel paid out of an AID account.

Mr. POATS. Mr. Loftus, do you have the total number of MAAG employees in the Far East?

Mr. LOFTUS. Not at my fingertips. I would have to get that.

Mr. PASSMAN. If you will, please.

There is a table in the hearings of last year showing slightly in excess of 64,000, overall, worldwide. Is that correct, Mr. Tennant?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. In all these categories.

Mr. TENNANT. That was all categories, plus the economic.

Mr. PASSMAN. All categories involving personnel, including participants.

Mr. TENNANT. Including participants and contract employees.

Mr. PASSMAN. We want to break down contract personnel and direct hire personnel. If you will, giving it to us by category for Mr. Poats' region.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. What we want is perfectly clear, is it not?

Mr. TENNANT. Yes, sir.

(The information follows:)

Far East personnel, Mar. 31, 1964 [1]

	U.S. nationals	Foreign nationals	Total
Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds and trust funds):			
Economic	1,048	3,173	4,221
Military	6,659	1,149	7,808
Subtotal	7,707	4,322	12,029
Persons participating in program other than direct-hire (includes contractor employees and man-year equivalent of reimbursable supporting services):			
Economic	700	153	853
Military	18	53	71
Subtotal	718	206	924
Grand total	8,425	4,528	12,953
Foreign participants [2] programed for fiscal year 1964:			
Economic	----------	----------	2,073
Military	----------	----------	10,271
Total	----------	----------	12,344

[1] Data as of Mar. 31, 1964, for economic programs and estimated as of June 30, 1964, for military programs.
[2] Participants/trainees are not on the payroll. AID/MAP financing usually includes per diem, tuition, and travel costs if necessary, but not salary.

PROJECTS STARTED IN 1964 NOT PREVIOUSLY JUSTIFIED

Mr. PASSMAN. How many projects did you start in fiscal 1964 for which you or your predecessor did not request any funds when you were before the committee last year?

Mr. POATS. I believe that is one, Mr. Passman. Just a minute and we will get the sheet on that. I will have to give you that answer in two parts.

Mr. PASSMAN. All right, sir.

Mr. POATS. We had one project which was not in any way presented to you. That was in Thailand for rural education material development. $171,000 is being put in that project in 1964.

Mr. PASSMAN. That was the allocation for fiscal 1964?

Mr. POATS. Yes.

Mr. PASSMAN. We want to find what it will cost to complete this project, and then you may go to the No. 2 project.

Mr. SMITH. The cost to completion is $407,000.

Mr. PASSMAN. This is one which you did not indicate indirectly, even on an illustrative basis, that you would fund?

Mr. POATS. It is in the project book this year.

Mr. PASSMAN. Have you another one?

Mr. POATS. I have two projects in the regional area which in a sense are separate projects.

In another sense they are simply parts of things that were presented to you last year.

Mr. PASSMAN. Let us see what part.

Mr. POATS. Mekong tributaries hydrology, regional, $36,000 in fiscal year 1964. That is total cost to completion.

Mr. PASSMAN. Let us find out, if we may, from what project you took this one.

Mr. POATS. In the regional program last year, you will notice the Mekong projects which provide costs for aerial mapping and for providing spare parts and replacements necessary to keep the hydrologic system in operation. We have broken this apart and made the spare parts a separate project.

Mr. PASSMAN. That was a very small project itself.

Mr. POATS. That is right. This is only $36,000. Technically, it is a project that was not presented as a project.

Another one is the Asian——

Mr. PASSMAN. Let us find out about this $36,000. Of course, that is very little money as we think of millions and hundreds of millions and billions. Do you put that in as a separate project this year?

Mr. POATS. No. It is a one-time payment.

Mr. PASSMAN. What did you do with the $36,000?

Mr. POATS. It was equipment for the regional hydrologic data collection and analysis in the Mekong Valley, as I recall. Let me see if I have a sheet on it.

Mr. PASSMAN. Put it in the record, please.

(The information follows:)

MEKONG TRIBUTARIES HYDROLOGIC EQUIPMENT

This project provides assistance to the program of water resources development being implemented under the direction of the Committee for Coordination of Investigations of the Lower Mekong Basin, which is composed of one plenipotentiary member from each of the four riparian governments—Cambodia, Laos, Thailand, and Vietnam.

The project finances the major equipment required for the operation of a hydrologic station on each of the following six tributaries of the Mekong River: (1) Stung Pursat; (2) Stung Sen; (3) upper Nam Theum; (4) upper Se Done; (5) Huey Bang Sai; (6) upper Srepok. The major equipment necessary to place and keep in operation each of the six installations is made up of the following items:

Recording bubble or float gage
Current meter and accessories
Sounding reel
Wire steel cable
Boat and motor or cableway
Sediment sampler with accessories
Staff gage sections
Surveyors steel tape
Sheet metal for instrument shelter
Recording rain gage
Meteorological equipment

Mr. PASSMAN. What is the other one?

Mr. POATS. The other one is for $100,000. May I first explain the previous one? A multinational program is being conducted in the area for aerial mapping of potential reservoir and irrigation sites. The total cost of that mapping is $370,000. This is contracted by the Corps of Engineers. As a part of that work, it was decided by the Mekong coordinating committee that they needed assistance in expanding their hydrologic data collection capacity. They asked us for a grant of equipment to improve their hydrologic data collecting facilities.

Mr. PASSMAN. The Thai people asked for the grant?

Mr. POATS. The Mekong coordinating committee, of which the Thais are the prime movers, yes, but there are other members. The whole riparian group makes up the membership.

Mr. PASSMAN. Even though this could have been made a part of the regional project, you did not justify it as a separate project or even indicate that this work would be started at the time?

Mr. POATS. It was done as a grant in response to this request, $36,000 for data devices, rainfall measuring devices, and hyrologic devices on six Mekong tributaries which had been recommended by the Japanese who did the advance part of the survey.

Mr. PASSMAN. We are now into the $100,000 project?

Mr. POATS. The $100,000 one is for a grant to the Asian Institute for Economic Development and Planning.

Mr. PASSMAN. Is that an organization from which you had a request last year?

M. POATS. No, sir. I think you are thinking of the SEATO engineering——

Mr. PASSMAN. This is a new project?

Mr. POATS. This is a new project.

Mr. PASSMAN. What will it cost to complete it?

Mr. POATS. This is a one-time payment. The total cost to completion is $100,000.

Mr. PASSMAN. You had one more.

Mr. POATS. To provide training, research, and advisory services for this institute in Bangkok.

Mr. PASSMAN. Do you not have another one?

Mr. SMITH. That is all.

Mr. POATS. That is all. There are several projects in the book of different names.

NUMBER OF CURRENTLY FUNDED PROJECTS IN THE FAR EAST

Mr. PASSMAN. How many projects do you have in your region, as we think in terms of projects?

Mr. POATS. We propose for fiscal year ——

Mr. PASSMAN. No, sir. How many projects do you have in your area going at this time?

Mr. POATS. You want to know those that are going from all years of funding?

Mr. PASSMAN. That is correct. How many projects are underway?

Mr. POATS. The figure I have in front of me is only the total of projects which received new dollar funds in fiscal year 1964, which is 138 of technical cooperation and 17 of supporting assistance.

Mr. PASSMAN. We want the total. If a little research is required it is all right.

Mr. POATS. Totaling 155.

Mr. PASSMAN. Are those what you would call prime projects?

Mr. POATS. Those are currently funded projects.

Mr. PASSMAN. I know, but we think of a prime project as the one project, of which you may have four or five subprojects.

For instance, you may be building a school building in Seoul, and five more school buildings may be built in other cities. This is hypothetical, of course. We never will be able to know the number of projects unless we discuss the subprojects of the prime project. Am I getting through to you, Mr. Controller?

Mr. TENNANT. I understand what you are saying, sir.

Mr. PASSMAN. We discussed it the other day, did we not?

Mr. TENNANT. Yes, sir. Our accounting is on the basis of prime projects. Our numbering system, as shown on the books, is on the basis of prime projects.

Mr. PASSMAN. Do you not think it important for this committee to know how many subprojects you may have? You may have two school buildings going 100 miles apart that are carried under one project. Is that not correct, sir?

Mr. TENNANT. Yes, sir. I know you made that clear in the other hearings.

Mr. PASSMAN. I know I made it clear, but I want Mr. Poats to know what type of information we want.

Mr. TENNANT. I understand, sir.

Mr. PASSMAN. I hope you do, and I hope Mr. Poats understands.

Are you not working over the overall region to get that information?

Mr. TENNANT. I was working in a global basis, sir, but in answer——

Mr. PASSMAN. If you get it on a global basis, could you not break it down by regions then?

Mr. TENNANT. Yes, sir; on the basis of prime projects, sir?

Mr. PASSMAN. We are not going to be confused by these prime projects. You know exactly what I want. Last year we were able to get a few of them. This year we were able to squeeze out a few in Africa. You go as far as you can.

Mr. TENNANT. On the subprojects, I have to yield to Mr. Poats.

Mr. PASSMAN. You may yield to Mr. Poats, but remember, this year we are breaking contracts out of other prime contracts. Last year we had the same kind of trouble, you recall, where we were thinking in terms of one contract and we would run into maybe five projects. You would say that was a part of the original prime project, but you made them individual projecst at a later date.

Am I getting through?

Mr. TENNANT. Yes.

Mr. PASSMAN. We expect your best cooperation. We are going to find out how many projects we have going, if we can.

Mr. POATS. Mr. Chairman, we responded as best we could to your request last year, that we break out some of these catch-all projects. I think you will find some of them have been broken out.

Mr. PASSMAN. We want as many as we can get, because I think there are maybe 4,000 projects if you include your subprojects.

Mr. POATS. You could easily add it up to that number if you include every little self-help project done in a village.

Mr. PASSMAN. We are not going to say every little self-help project.

Mr. POATS. In that case, it could not add up to 4,000.

We can give you some figures on the average cost of projects.

Mr. PASSMAN. We want first to know the number of projects.

Mr. POATS. I am not sure I can comply, except to say we have 155 prime projects, and some of these projects have a number of subprojects in them.

Mr. PASSMAN. We want that information. We have asked for it. We know you will actually have to deal with a request before you could ever allocate funds to a subproject. You will not be able to deal with a project without having some kind of record on it. It is in your files somewhere.

Mr. POATS. Let me take the case of an educational project, for example, in Laos. We have three teacher training centers there. This is all listed under one project called educational development. I take it what you are saying is in this case we should have three projects, one for each of these.

Mr. PASSMAN. If you have three going, you can certainly indicate we have a prime project and that under the prime project there are three subprojects, and each one will cost thus and so.

Mr. POATS. That is the difficulty, you see, because these educational technicians travel around and rotate from one to the other.

Mr. PASSMAN. We are thinking primarily, of course, of where there is an expenditure made for equipment for a given locality, such as if you are constructing a building. We are not necessarily saying that you have three professors working under a prime contract, each one of them assigned to a different college. We are not getting that much into detail. We are thinking more in terms of equipment, because there is a tremendous amount of different types of equipment going out against this appropriation, and there is considerable building going on. So you will not think we are trying to get too much into the detail, we are thinking primarily of construction and commodities.

Mr. POATS. That helps.

Mr. PASSMAN. That information is primarily what we want.

(The information follows:)

FAR EAST REGION

Number of projects, subprojects by country and year, fiscal year 1965 and fiscal year 1964 (based on request for funds in congressional presentation)

Country	Fiscal year 1965		Fiscal year 1964	
	Projects	Subprojects	Projects	Subprojects
Burma	5	5	5	6
Cambodia		0	21	21
China	5	5	13	13
Indonesia	15	20	20	23
Korea	11	14	15	19
Laos	11	11	11	16
Philippines	17	17	21	28
Thailand	25	39	28	42
Vietnam	9	13	12	13
Regional	13	13	20	20
Total	111	137	163	201

SUPPORTING ASSISTANCE FOR FISCAL YEAR 1965

I note that you provide $262,400,000 in supporting assistance to countries in your area for fiscal 1965.

Mr. POATS. Yes.

Mr. PASSMAN. All of these are illustrative at this stage?

Mr. POATS. As I have shown in my statement, they are precisely calculated. Of course, variations occur in a year, particularly in a program such as supporting assistance related to security developments. I think these are carefully calculated figures as shown in the statement.

Mr. PASSMAN. I am sure they are alculated, but am I making a statement of fact that they are illustrative?

Mr. POATS. That is true.

Mr. PASSMAN. What countries will receive this type of assistance?

Mr. POATS. This is for Veitnam, Thailand, Laos, Korea, and Burma. Do you want the figures?

Mr. PASSMAN. If you will, please.

Mr. POATS. The figures are: Burma, $18,300,000; Korea, ——— million; Laos, ——— million; Thailand, ——— million; and Vietnam ——— million.

AID PROGRAM IN THAILAND

Mr. PASSMAN. Have you any invisible expenses in here for Thailand, such as we referred to yesterday for Laos?

Mr. POATS. No, we do not. The program in Thailand for supporting assistance is for three items: police equipment and training, ——— million; accelerated rural development program in northeast Thailand, which is a public works development project in the area to establish the capacity on the part of these provincial governments to perform public works, ——— million; and for the completion of temporary provisions of a radio transmitter in northeast Thailand which is borrowed from the Army Signal Corps and operated by them, and for which we are paying certain operating costs and transportation only, ———.

Mr. PASSMAN. How about the communications facility for Thailand?

Mr. POATS. We are about to complete the telephone circuits in Thailand in three zones—one zone in and around Bangkok and two zones connecting Bangkok with the northeast.

Mr. PASSMAN. What is the total cost of that project?

Mr. POATS. About $20 million.

CONTINUATION OF PROGRAM IN THAILAND DESPITE APPARENT 1961 DECISION TO TERMINATE

Mr. PASSMAN. Would you please have a look at the record at your convenience, and ascertain the correctness of the statement I am about to make.

We were told that 4 years ago that the aid program in Thailand was coming to an end, that Thailand had a very strong economy and there was no longer any use for an aid program as such there. Subsequently they changed administrations and ambassadors. We were deprived of any information with respect to the pending current year. Only when we returned to Washington did Mr. Dillon express his regrets that we were denied this information. We learned later they had gone back in on even a larger aid program for Thailand.

Will you do a little research on that matter and then give us some good reason why we should continue this grant-aid program for Thailand when they have an economy and could pay their own expenses?

(The following information was supplied for the record:)

SUPPORTING ASSISTANCE TO THAILAND

In June 1961, Mr. Henry Labouisse announced that supporting assistance to Thailand would be terminated at the end of fiscal year 1962. During fiscal year 1962 a total of $13.6 million was obligated in this category—including $10.9 million of commodity imports to generate local currency for road and bridge proj-

ects, and $2.7 million of project assistance for road and telecommunications projects.

During the spring of 1962, it became clear that the threat of insurgency in Thailand was becoming serious, and that it would be necessary for the United States to assist the Thais in meeting this threat. Thus, in the spring, $1.9 million was obligated from the contingency fund for assistance to the border patrol police.

The congressional presentation books for fiscal year 1963 contained no supporting assistance for Thailand. However, in oral testimony in August 1962, Mr. Seymour Janow announced that it might be necessary to draw upon the contingency fund again in fiscal year 1963 to meet counter insurgency requirements in Trailand.

In fact, during fiscal year 1963, $10,053,000 was drawn from the contingency fund for Thailand, entirely for counterinsurgency. None of this was for the old type nonproject assistance. It was for—

	Million
Border patrol police	$2.3
Provincial police	1.3
Telecommunications	.7
Portable radio transmitter	.2
SEATO civic action	.053
Security roads	5.5

Thus, while we have had to resume grant assistance under the supporting assistance category to Thailand, it has not been in the form of commodity imports, but solely to meet counterinsurgency requirements.

In fiscal year 1963, we requested $9.7 million for this purpose, and we expect to obligate $6.4 million. For fiscal year 1965, we are requesting $4 million for this purpose.

Mr. Poats. I will be glad to give you that right now, sir.

Mr. Passman. You are glad to give us your ideas, or will you be glad to give us facts?

Mr. Poats. My understanding of the facts is that a decision was reached in 1961 that it would be possible to terminate supporting assistance grants to Thailand in fiscal year 1962.

Mr. Passman. You did not have supporting assistance at the time we were out there.

Mr. Poats. Defense support.

TERMINATION OF GRANTS TO GENERATE LOCAL CURRENCY FOR HIGHWAYS

In fiscal year 1962, we did conclude the provision of grants for the generation of local currency to complete three highway projects that we were committed to finish in Thailand.

The position at that time was and still is that Thailand as a nation, as an economy, has sufficient economic strength to be able to operate without the provision of supporting assistance for balance-of-payments purposes or for the generation of local currency.

CONTINUATION OF CERTAIN COMMODITY GRANTS AND TECHNICAL ASSISTANCE

Mr. Passman. How about development grants?

Mr. Poats. We are continuing technical assistance and if the record shows that you were promised development grants and technical cooperation would be terminated——

Mr. Passman. I can say we were talking about grant aid. So far as technical aid, I could not say specifically that they said there would be no requirement for technical aid as such, but you have mixed development grants in a category of some assistance other than just technical aid. Is not the account broader than just technical aid?

Mr. POATS. It includes DDT, for example; that is, insecticide for the malaria program. Perhaps in that way it is broader than technical cooperation in the strict sense of technical assistance.

Mr. PASSMAN. Do you not have other commodities?

Mr. POATS. In other countries, we do. I think in Thailand——

Mr. PASSMAN. That is the point. I am not arguing. The account is mixed up, Mr. Poats. When you look at this account, it is a tremendous amount of money, but it is not for technical aid. You have a mixture. Your area may want money only for technical aid, but some of the other countries may want it for commodities.

Mr. POATS. There are commodities in this program, of course. We are trying to reduce that figure. This is one of the most difficult problems.

COMMODITY PROCUREMENT

Mr. PASSMAN. For instance, here it is shown that your commodities amount to $23,811,000 out of the $96,200,000.

Mr. POATS. Under "Technical cooperation for the entire Far East" the commodities in 1963 were $21.4 million. In 1964 they are $16.2 million. In 1965 they are $15.9 million.

Mr. PASSMAN. I refer only to fiscal year 1964 because it was the largest item you had there.

If you move into fiscal 1965 it is even a much larger item, percentagewise, than in the preceding year. Is that correct?

Mr. POATS. The question was that the commodities represent a larger percentage of the total of technical cooperation?

Mr. PASSMAN. You are asking for $47,500,000 in technical cooperation for 1965; is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. Some get commodities and some technical aid?

Mr. POATS. They are getting a mixture of both.

Mr. PASSMAN. Could you administer the program better if it were purely a technical aid program with a certain amount for technical aid and a certain amount for commodity grants?

Mr. POATS. Our technicians have found it necessary to be able to provide some technical commodities along with their technical advice.

Mr. PASSMAN. That always has been true up to maybe about 15 percent of the total. Is that right?

Mr. POATS. I am not sure of the percentage but it has been true. Excluding the malaria eradication project, we have been trying to hold it down to about 20 percent, as a matter of fact.

Mr. PASSMAN. Would it be better if we return to the old system of appropriating a certain amount of dollars for technical aid as such, with a limitation on the percentage of the total that could be spent for commodities, such as insecticides, hand tools, and so on?

Do you understand our position?

Mr. POATS. I understand the situation. It is really a matter of semantics as to where you put it. Malaria eradication is included under technical cooperation.

Mr. PASSMAN. Perhaps it should be so included.

Mr. POATS. This involves large quantities of commodities.

Mr. PASSMAN. Have you always carried this project under that category?

Mr. POATS. So far as my experience is concerned, which is only 2½ years.

Mr. PASSMAN. You have other commodities mixed up.

Mr. POATS. Thirty-eight projects in technical cooperation, and 6 in supporting assistance funded in 1964 will not be funded in 1965.

DEOBLIGATIONS IN FISCAL YEAR 1964

Mr. PASSMAN. From how many projects did you deobligate funds in fiscal 1964?

Mr. POATS. Projects from which we drew deobligations——

Mr. PASSMAN. Give projects where you had funds in previous years and deobligated the funds and made them available for new projects.

Mr. POATS. I have a sheet showing deobligations by country but it will not give you the project source for these funds.

Mr. PASSMAN. If you will let us know the projects you deobligated the funds for we would be pleased.

Could you furnish a sheet on that matter?

(The information supplied follows:)

Deobligation of fiscal year 1963 and prior-year funds, July 1, 1963, to Mar. 31, 1964

[In thousands of dollars]

Country and projects		TC/DG	SA	CF
Burma		13	5	
482-22-230-123	Expansion of Teak Prod. I		5	
482-22-710-111	Police Assistance	7		
482-11-990-124	General Participant Training	2		
482-11-990-000	Technical Support	4		
Cambodia		2,540		
442-11-130-141	Livestock Development	2		
442-11-180-230	Fisheries Development	4		
442-11-220-220	Develop S'Ville Water & Power	22		
442-11-310-089	Highway Engr. Advisory Services	54		
442-12-610-216	National School of Arts & Trade	5		
442-12-610-242	Institute of Technology	2,436		
442-11-690-228	English Language Laboratory	4		
442-11-710-163	Civil Police	1		
442-11-950-240	Industrial Dev. Services	2		
442-11-990-000	Technical Support	10		
China		209		1
484-15-110-568	JCRR Support	14		1
484-15-210-456	Mineral Development	1		
484-12-220-030	Telecommunications Exp	5		
484-12-220-475	Power Trans. and Dist	1		
484-12-220-494	Shen Ao II Thermal	53		
484-13-270-311	C.P.T.C	15		
484-15-290-569	Ind. Dev. Support	12		
484-11-370-574	Modern. of TPE ACC	4		
484-11-540-513	Med. & Para Med. Education	1		
484-11-550-514	Hosp. & Health Facilities	1		
484-11-610-460	Ind. Voc. Education	2		
484-11-620-461	V.A. Education	1		
484-11-690-515	Edu. Adm. and Dev	2		
484-11-690-539	Science Education	21		
484-15-910-578	Capital Dev. Support	5		
484-15-930-573	Ind'l. Dev. Surveys	14		
484-15-990-452	Pub. Adm. & Mgt. Imp	1		
484-12-990-471	Excess Equipment	54		
484-11-990-534	CIECD Support	2		

Deobligation of fiscal year 1963 and prior-year funds, July 1, 1963, to Mar. 31, 1964—Continued

[In thousands of dollars]

Country and projects		TC/DG	SA	CF
Indonesia		741	5	2
497-11-110-088	Develop. of Agric. Colleges	5		
497-11-190-138	National Agric. Program	43		
497-11-210-043	Minerals Development	8		
497-11-220-126	Power Development	1		
497-11-250-125	Develop. Proj. Consultant Services	32		
497-11-270-124	Industrial Tech. Gen	2		
497-11-280-173	Training Within Industry	1		
497-11-310-127	Road Construction Improvement	58		
497-11-330-130	Improvement of RR Facilities	1		
497-11-360-128	Maritime Academy	24		
497-11-370-129	Trans. Oper. Nat	11		
497-11-410-093	Labor Leadership Training	42		
497-11-420-165	Develop. Util. Labor Skills	82		
497-11-460-024	Railroad Workers	1		
497-11-510-116	Malaria Eradication	147		
497-11-540-109	Rural Public Health Education	13		
497-11-540-121	Development Medical College	34		
497-12-550-150	Ibu Sukarno Hospital	49		
497-11-660-114	Higher Education Improvement	34		
497-11-660-164	Adv. Graduate Training	23		
497-11-690-133	General Education Development	4		
497-11-710-117	Public Safety Administration	106		
497-11-710-167	Mobrig Reequipment		5	2
497-11-720-035	Central Government Administration	1		
497-11-720-134	Improvement National Government Adm	13		
497-11-770-135	Develop. Public Administration	3		
497-11-960-115	Impr. Technical Information Services	38		
497-11-980-098	Atoms for Peace	1		
497-11-990-059	Communications Media Technical Support	5		
497-12-990-110	USOM Office Building	4		
497-11-990-168	Civic Action	300		
497-11-990-000	Technical Support	113		
Japan		55		
488-15-190-017	Agricultural Productivity	3		
488-15-370-016	Japan Civil Aviation Bureau	9		
488-15-430-003	Japan Trade Union	2		
488-11-610-001	Programs Support	12		
488-11-990-026	Surplus Property	8		
488-15-290-006	Japan Prod. Center	20		
488-15-980-010	Peaceful Use Atomic Energy	1		
Korea		449		1
489-14-180-281	Fisheries Development	1		
489-12-110-286	Agricultural Extension Development	1		
489-11-110-558	Agricultural Ext. Res. & Tech. Info	6		
489-16-220-221	Rehab. Cons. Trans. System	18		
489-15-220-230	Power System Operations Improvement	1		
489-15-230-280	Industrial Training	1		
489-12-210-290	Development Hambaik Coal Field	1		
489-14-230-459	Medium Industrial Development	7		
489-16-210-490	Development Metals Minerals	72		
489-12-210-559	Increase Coal Production	97		
489-16-220-561	Expansion Power Gen. & Distr	4		
489-15-220-562	T.A. & Participant Training, PW	2		
489-12-250-570	Water Works Rehab. Exp	4		
489-15-230-581	Participant Training, Goal II	4		
489-11-370-571	Civil Aviation Operations Improvement	1		
480-12-330-577	Improvement of Trans. Capability	2		
489-16-660-260	Improvement of Teacher Training	1		
489-16-690-263	Classroom Construction	2		
489-12-660-512	Higher Education	4		
489-16-610-567	Vocational Training	6		
489-13-770-284	Technical Assistance Business Admin	15		
489-12-710-421	National Police Modernization	1		
489-11-720-493	Economic Planning	112		
489-15-750-566	Improvement Admin. Public Finance	31		
489-11-740-568	T.A. to ROKG Operations	7		
489-11-710-572	National Police Administration	2		
489-11-790-573	Participant Training, Goal I	2		
489-14-830-448	Housing Construction Materials			1
489-15-830-582	Housing Financing Construction Pla	1		
489-11-990-340	Pre-Dep. Participant Training	7		
489-15-990-000	Technical Support	36		

Deobligation of fiscal year 1963 and prior-year funds, July 1, 1963, to Mar. 31, 1964—Continued

[In thousands of dollars]

Country and projects		TC/DG	SA	CF
Laos		12	574	25
439-11-110-032	Agricultural Extension	6		
439-12-220-007	Vientiane Power Plant		7	
439-12-220-033	"Reg." Tel. Construction		1	
439-12-310-010	Lao National Roads		129	
439-12-370-045	Vientiane Airport		68	
439-11-540-047	Health Workers	2		
439-11-990-046	Operation Brotherhood		35	17
439-11-640-016	Teacher Training	4	27	6
439-11-810-037	National Development		258	2
439-12-960-021	Lao Photo Press		7	
439-11-990-000	Technical Support		42	
Philippines		197	4	
492-11-110-029	Agricultural Activity	7		
492-11-140-098	Agricultural Credit & Cooperatives	1		
492-11-170-112	College of Forestry	9		
492-11-170-136	Forest Development	16		
492-11-210-130	Mineral Development	4		
492-11-270-035	Industrial Development Center	9		
492-11-280-073	Industrial Resources	8		
492-11-450-102	Manpower Development	2		
492-11-510-013	Malaria Eradication	7		
492-11-540-114	Medical Education Improvement	9		
492-11-660-012	University of Philippines	21		
492-11-670-096	Textbook Production	1		
492-11-780-106	Census	1		
492-11-790-079	Public Administration Improvement	1		
492-11-810-077	Community Development	7		
492-11-980-074	Atomic Energy	8		
492-11-990-135	SEATO Telecommunications		4	
492-11-590-162	Far East Regional Health	1		
492-11-120-100	Irrigation Services	73		
492-11-130-048	Crop Development	1		
492-11-610-103	Vocational Education	5		
492-11-670-093	General Education	6		
Thailand		990	17	29
493-11-110-086	Expansion Extension Education for Farm People	12		
493-11-110-087	Improvement Kasetsart University	3		
493-11-110-135	Applied Crop and Livestock Res. N.E.	5		
493-11-120-088	Agricultural Research & Construction	1		
493-11-120-136	Soil & Water Dev. Mgt. in N.E.	1		
493-12-130-089	Crop Improvement	22		
493-12-130-090	Livestock Industrial Development	6		
493-11-130-091	Plant Protection	2		
493-11-140-092	Agricultural Credit and Marketing	2		
493-11-140-137	Dev. of Agricultural Econ. Serv. & Inst.	9		
493-11-210-093	Mining Development	7		
493-11-220-094	Power Serv. & Training	601		
493-22-220-095	Regional Telecommunications Cnnstr.		14	
493-12-250-097	Ground Water Exploration	1		
493-11-310-100	Highway Department Operation	6		
493-11-310-101	BKK-Saraburi Highway	5		
493-12-310-102	General Highway Improvement	1		
493-11-370-104	Met. Survey Improvement	3		13
493-11-520-109	Village Health and Sanitation	7		
493-11-540-108	Medical Education	3		
493-11-610-111	Education Development Vocational	8		
493-11-660-118	Improvement Chula University	1		
493-11-690-113	Education Dev. Planning General	9		
493-11-710-119	Civil Police Administration	17	13	
493-11-710-143	Border Patrol Police		3	
493-11-720-120	BKK-Thonburi City Plan	9		
493-11-750-122	Economic Planning and Policy	3		
493-11-780-124	Government Statistics Service	53		
493-11-810-125	Community Development	24		
493-11-810-146	Thai SEATO Regional Communications	6	3	
493-13-820-147	Wulff Leper Rehabilitation Project	1		
493-11-960-129	Communications Media	2		
493-11-990-132	Economic Feasibility & Engr. Survey	110		
493-11-990-000	Progress and Technical Support	42		
493-11-510-107	Malaria Eradication	8		

Deobligation of fiscal year 1963 and prior-year funds, July 1, 1963, to Mar. 31, 1964—Continued

[In thousands of dollars]

Country and projects		TC/DG	SA	CF
Vietnam		1,496	266	31
430-11-110-233	Farm and Home Improvement	18		
430-11-110-234	Agricultural Education	17		
430-12-120-235	Land and Water Resources	8		
430-11-140-218	Agricultural Credit and Coops	4		
430-11-180-240	Fisheries Resources	10		
430-12-210-223	Nong Son Coal Mine	17		
430-12-220-108	Electric Power	27		
430-12-310-021	Highway and Bridge Construction	22		
430-12-350-148	Inland Waterway Rehabilitation	8		
430-12-370-092	Aeronautical Ground Facilities	40		
430-12-220-029	Relecommunications	46	10	
430-16-220-220	Tan Mai Wood Panel Plant	1		
430-16-260-159	Small Industry Development	1		
430-11-690-268	National Instructional Materials	6		
430-11-690-271	Vocational Education	4		
430-11-690-272	Tech High & Public Education	54		
430-11-640-152	Elementary Education	14		
430-11-650-153	Secondary Education	3		
430-11-690-227	Peaceful Uses of Atomic Energy	20		
430-12-610-110	Technical, Vocational Education	118		
430-11-660-151	Teacher Training Higher Education	34		
430-11-660-209	Scholarships for Leadership	28		
430-11-510-241	Malaria Eradication	53		
430-12-540-150	Medical Education	65		
430-11-520-015	Rural Urban Water	90		
430-11-540-214	Nursing and Allied Education	6		
430-11-790-251	Public Administration	16		
430-11-750-174	Accounting and Audit System	3		
430-11-710-120	Municipal Police and Security	6		
430-11-710-219	Strengthen Civil Guard	83		
430-11-790-239	Civil Police Administration	504		
430-15-410-222	Labor Institutions	1		
430-11-990-257	Strategic Hamlet Plans			
430-11-990-259	Strategic Hamlet Plans		58	
430-11-710-270	Public Safety		15	
430-11-990-264	Operations Support		51	
430-11-330-225	Railway Administration and Maintenance		116	
430-11-960-006	Government Info Facilities	90		
430-11-530-018	Health Services Development	7	6	
430-12-710-237	Public Safety Services	39	10	
430-11-990-254	Counter Insurgency	9		30
430-11-990-000	General Program Administration			1
Total		24		
		6,702	871	89

Mr. POATS. It will be a large sheet.

We don't want to leave money in a project where it was not needed.

Mr. PASSMAN. Just give us the information, please.

AUTHORIZATION AND ALLOCATION OF DEVELOPMENT CREDITS IN FISCAL YEAR 1964

I note on page 44 of the justification that you anticipate making $35 million worth of development credits in 1964. However, page 3 of the project book indicates that through December of 1963 you have not approved any of these credits as yet. Is that a statement of fact?

Mr. POATS. We approved one in——

Mr. PASSMAN. If so, where do we find it in the book?

Mr. POATS. We approved diesel electrification——

Mr. PASSMAN. I asked where we could find it in this book.

Mr. POATS. This book is through December and subsequent to that date we approved one loan for Korea.

Mr. PASSMAN. I asked the question through December 31 and not subsequent to December 31.

Mr. POATS. I misunderstood you. We have not prior to December 31.

Mr. PASSMAN. All of your loan approvals will be in the last 6 months then?

Mr. POATS. March, April, May, and June; that is right.

Mr. PASSMAN. The last 4 months?

Mr. POATS. March, $11 million; April, $10.4 million——

Mr. PASSMAN. You said that during the first 6 months of the fiscal year you did not allocate any funds to any loan in your region?

Mr. POATS. That is right.

Mr. PASSMAN. Then you stated the funds you will allocate would be during March, April, May, and June.

You did not obligate any funds in the first 8 months of fiscal 1964.

Mr. POATS. That is correct.

Mr. PASSMAN. All of the funds——

Mr. POATS. Authorized is the proper term.

Mr. PASSMAN. You have to allocate the money. All the authorized allocations would be in the last 4 months?

Mr. POATS. That is right.

Mr. PASSMAN. We asked you earlier for a list; do you recall that we did?

Mr. POATS. Yes, sir.

ALLOCATIONS FROM CONTINGENCY FUNDS IN FISCAL YEAR 1964

Mr. PASSMAN. I note on page 1 of the project book that you propose to provide $5,525,000 from the contingency fund for supporting assistance in fiscal 1964. What countries will receive this money?

Mr. POATS. Here again, Mr. Chairman, this figure is now out of date considerably. The amount of contingency funds provided will be in the vicinity of $35 million.

Mr. PASSMAN. When did you make the decision to jump this from $5 to $35 million?

Mr. POATS. It has been gradual over a period of the last 3 months.

Mr. PASSMAN. Will you bring us a list of the projects? Also the date you made the determination?

Mr. POATS. I have that with me if you want me to read it off.

Mr. PASSMAN. You may submit the information.

Mr. POATS. I can submit it for the record.

(A classified document was submitted to the committee.)

Mr. PASSMAN. All right. What projects do you have there?

Mr. POATS. September, subsistence consumables——

Mr. PASSMAN. These books are through December?

Mr. POATS. $5,255,000 is shown here.

Mr. PASSMAN. I refer to the additional $30 million.

Mr. POATS. The additional $30 million will involve some arithmetic. February, for Laos, ——— for military assistance consumables for the military forces.

Mr. PASSMAN. Mr. Poats, you may put all that in the record as you indicated you would do. But, out of the $35 million, is it not true that on April 21 you had obligated only $11,810,000?

Mr. POATS. That is correct. I am giving you the expected additional——

Mr. PASSMAN. All of the other has been or will be, since April 21.

Mr. POATS. It will be.

Mr. PASSMAN. Will you run into the restrictions of the law in obligating a higher percentage?

Mr. POATS. In any case we expect about 13 or 14 percent of the obligations for supporting assistance in the Far East to be in June, so we are well within——

Mr. PASSMAN. We are near the end of the year. When you made up these books you indicated you would use $5,225,000 of the contingency fund. Now you say you will use $35 million.

Then we find out that at almost the end of the 9th or 10th month you have allocated $11,810,000. It does not make sense to see all these big allocations roll up at the end of the year.

Mr. POATS. Mr. Chairman, I submit it makes quite a bit of sense to understand that contingency funds naturally respond to unexpected developments for which there are no funds available.

Mr. PASSMAN. How many of these unsuspected—is that what you said?

Mr. POATS. Unexpected.

Mr. PASSMAN. How many such developments are there?

Mr. POATS. There are three causes for this additional increase.

Mr. PASSMAN. How much?

Mr. POATS. Three uses. One is for addition to the Vietnamese commercial import program. One is primarily for fertilizer and other commodities for the Vietnamese counterinsurgency program. One is for the Korean commercial import program.

The latter is an amount which we had withheld pending negotiation of the devaluation of the won which occurred on last Sunday. We are now going ahead to put that into the program in Korea.

Mr. PASSMAN. We threw in all the money you didn't ask for and I suppose it will practically all be spent.

Mr. POATS. We are not being loose at all with it, Mr. Chairman, I assure you.

Mr. PASSMAN. Not according to your interpretation.

PUBLIC LAW 480 COMMODITIES

How much Public Law 480 surplus food commodities do you propose to utilize?

Mr. POATS. Title I——

Mr. PASSMAN. We want the total and then you may insert the detail in the record.

Mr. POATS. Total of all titles is $189.2 million for 1965.

I point out that, of this, $122.7 million is in title I sales; $15.5 is title IV; $25.6 is title III; $25.4 is title II.

Mr. PASSMAN. Off the record.

(Disscussion held off the record.)

LAOS

Mr. PASSMAN. We were told on yesterday that Laos earns about $2 million from its exports. That is the total accountable money from their exports. Yet they have it in their minds they want to open up a bunch of embassies around the world, 10 outside the Communist bloc.

We agreed to finance what we termed "invisible items" in the budget to the tune of $4 million annually. But the invisible items are double the total intake from their exports, and we find now they have opened up 10 embassies outside the Communist bloc.

Then we find out our total aid to Laos represents the equivalent of their total earnings from exports for 250 years.

Mr. POATS. Mr. Chairman, you had better check the record.

Mr. MINSHALL. The President will hold you up by the ears, Mr. Chairman.

Mr. GARY. I understand next he will work on the elephant rather than the dog.

Mr. PASSMAN. You said the accountable dollars were $2 million?

Mr. POATS. That is right.

Mr. PASSMAN. We had given them about $500 million?

Mr. POATS. That is correct.

Mr. PASSMAN. Is that not as much money as they would earn from their exports in 250 years?

Mr. POATS. That is right; 250 years.

Mr. PASSMAN. Thank you very much, sir.

It is ridiculous to get in such a mess as this is.

CAMBODIA

A few months ago Cambodia told us to get out of their country with our aid program. Is that correct?

Mr. POATS. In November; that is right.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. How much did we have unliquidated to the credit of Cambodia at that time?

Mr. POATS. I believe it was $34.7 million as of June 30, 1963.

Mr. PASSMAN. Is that from all spigots?

Mr. POATS. $34.7 million. That is the AID program of development grants and supporting assistance. We had no Public Law 480.

Mr. PASSMAN. How about military aid?

Mr. POATS. There was also a military program. I haven't the unobligated figure there.

Mr. PASSMAN. We want that figure.

Mr. SMITH. $8,866,000.

Mr. PASSMAN. That is just the military aid as such.

What is the total?

Mr. POATS. $43.7 million.

Mr. PASSMAN. Have you deobligated that money?

Mr. POATS. We have deobligated or diverted goods en route totaling $20 million.

Mr. PASSMAN. Leaving to the credit of Cambodia what amount?

Mr. POATS. I am sorry; the figure I gave you for undelivered obligations was at the beginning of the fiscal year, not at the date the notice was served.

Mr. PASSMAN. I want it as of the last accounting date. How much do you presently have——

Mr. POATS. The figure was smaller than that. We delivered to Cambodia prior to December of 1963 in goods and services the bulk of the difference between $34 million and $20 million.

Mr. PASSMAN. Can you tell us how much you presently have to the credit of Cambodia, still in the pipeline?

Mr. POATS. We have deobligated——

Mr. PASSMAN. I asked you how much you have in the pipeline to the credit of Cambodia.

Mr. POATS. It will be zero by the end of the year.

Mr. PASSMAN. I did not ask for that information.

Mr. POATS. I will have to explain why I cannot answer it.

Mr. PASSMAN. Can you give us the approximate amount?

Mr. POATS. The approximate amount that Cambodia received in fiscal year 1964—that is, from July 1963 to termination of aid on November 21, 1963—would be $5 million. We cannot settle the total amount of deobligations until we negotiate the final payment under the Vinnell contract.

MILITARY ASSISTANCE PIPELINE

Mr. PASSMAN. With regard to military aid, how much do you have in the pipeline to the credit of Cambodia?

Mr. LOFTUS. Our books show approximately $8.8 million. I believe all that has been diverted to other uses.

Mr. PASSMAN. Do you know for a fact that you have positively deobligated the funds and they are not available for Cambodia any longer?

Mr. LOFTUS. I will have to check on it.

Mr. PASSMAN. When you get the information let us know, please.

Mr. LOFTUS. Yes, sir.

Mr. POATS. Mr. Chairman, we stopped deliveries. We stopped ships on sea and didn't allow another dollar's worth——

Mr. PASSMAN. I did not indicate otherwise.

Mr. POATS. You are implying on the record we continued to provide aid to Cambodia.

DEOBLIGATED FUNDS

Mr. PASSMAN. I am not. I asked how much money you have to the credit of Cambodia that you have not deobligated.

Mr. POATS. They are being deobligated daily. We have diverted the goods. They are in ports and being transferred to other programs. Some are still in storage.

Mr. PASSMAN. Do you think we are entitled to know what amount you have unencumbered in the pipeline that may be used for other purposes at a later date?

Mr. SMITH. We have prior year funds from which we are deobligating.

Mr. PASSMAN. Gentlemen, we are trying to find out what sum may later be available as fresh funds for other projects in other areas.

ANTICIPATED DECREASE IN APPROPRIATION REQUIREMENTS RESULTING FROM CAMBODIA DEOBLIGATIONS

Mr. POATS. We have deobligated $3,955,000 from Cambodia.

We expect to deobligate out of these diversions already made to other programs—formal bookkeeping transaction called deobligation—$13,382,000.

Mr. PASSMAN. That money can be used in other areas and, accordingly, require less appropriations?

Mr. POATS. Less use of new 1964 funds; that is correct.

Mr. PASSMAN. New fiscal year 1964 or fiscal year 1965 funds?

Mr. POATS. In some cases it would enable a reduction in 1965.

Mr. PASSMAN. Is that observation also true of military aid?

DIVERSION OF MAP PIPELINE FUNDS TO OTHER COUNTRIES

Mr. LOFTUS. I found the information now, Mr. Chairman. All of the undelivered shipments, including those enroute, were canceled or diverted to other countries immediately after the statement.

Mr. PASSMAN. Will you tell us to what countries you diverted the equipment?

Mr. GARY. Let him give the figure.

Mr. LOFTUS. Page 404 of the presentation book.

Mr. GARY. What was the figure?

Mr. LOFTUS. At that time there were $8.8 million in the pipeline. We reserved approximately $500,000 to clean up the administrative costs.

Mr. PASSMAN. When you say you "diverted," does that mean you deobligated the funds?

Mr. LOFTUS. That refers to equipment already purchased, helicopters, C–47 aircraft, patrol craft, and so on.

That was diverted to other recipients.

Mr. PASSMAN. Do you show an increase in the aid to the country which receives the diverted equipment?

Mr. LOFTUS. I wouldn't know how to trace this right now, sir.

I am sure it does. It is reflected.

Mr. PASSMAN. Can you tell us what countries received this materiel?

Mr. LOFTUS. I presume most went to Thailand or Vietnam. I will have to check it.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Give us all the information you can as to what country received these goods.

Mr. LOFTUS. Very well.

(A classified document was submitted to the committee.)

BURMA

Mr. PASSMAN. Would you state the total amount of aid we have given to Burma since the inception of the aid program, using, if you will, all 16 spigots?

You may put that information in the record if you do not have it readily available.

Mr. POATS. I have the figures in the green book. Is that satisfactory?

Mr. PASSMAN. What is the total?

Mr. POATS. Burma total, economic from all programs, $117.1 million gross.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. As I have indicated, there are about 16 spigots from which some type of U.S. aid is available. Can you provide for the record the grand total given to Burma since the inception of the aid program?

(Discussion held off the record.)

Mr. PASSMAN. Put the total together, including international organizations.

Mr. POATS. For each country?

Mr. PASSMAN. We are asking now for Burma.

(The information follows:)

Burma—Total funds from all sources since inception of AID program

[In millions of dollars]

	U.S. oversea loans and grants, net obligations and loan authorizations, total 1946–63	Repayments and interest, 1946–63	Total, less repayments and interest
AID and predecessor agencies, total	63.6	1.3	62.3
Loans	32.5	1.3	31.2
Grants	31.1		31.1
Social Progress Trust Fund			
Food for peace, total	48.5	0.1	48.4
Title I (total sales agreements)	(51.4)	(—)	(51.4)
Less: (planned for U.S. uses)	(10.8)	(—)	(10.8)
Title I, planned for loans and grants	40.6	0.1	40.5
104c, grants for common defense			
104e, grants for economic development	8.1		8.1
104e, loans to private industry			
104g, loans to governments	32.5	0.1	32.4
Title I, assistance from other country agreement	5.0		5.0
Title II, emergency relief and economic development			
Title III, voluntary relief agencies	2.9		2.9
Title IV, dollar credit sales			
Export-Import Bank long-term loans			
Other U.S. economic programs	5.0	5.4	−0.4
Total economic	117.1	6.8	110.3
Loans	70.0	6.8	63.2
Grants	47.1		47.1
[Deleted]			
Loans	70.0	6.8	63.2
Other assistance:			
Assistance from international agencies:			
IBRD-World Bank	33.4		
U.N. Technical Assistance (calendar year)	9.4		
U.N. Special Fund	4.2		

ANTICIPATED DISBURSEMENT OF PIPELINE FUNDS CREDITED TO BURMA

Mr. PASSMAN. How much do you have in the pipeline for the credit of Burma?

This is a country where we had an AID program. They asked us to get out. We did get out. But, somehow or other, we got back there with an AID program.

Off the record.

(Discussion off the record.)

Mr. POATS. The figure for Burma, Mr. Chairman, is $20,819,000, AID funds; $1.2 million for Public Law 480 in the pipeline.

Mr. PASSMAN. Is this in all categories?

Mr. LOFTUS. ———.

Mr. PASSMAN. Altogether about ——— million in the pipeline for Burma?

Mr. POATS. It is ——— million.

Mr. PASSMAN. From all spigots?

Mr. POATS. Yes.

Mr. PASSMAN. That amount does not include international organizations?

Mr. POATS. They have received $47 million from international organizations.

REQUEST FOR FUNDS FOR BURMA

Mr. PASSMAN. Do you anticipate them telling us to get out again, such as Cambodia did, or do you think this is something we will have to go through with?

Mr. POATS. ———.

(Discussion off the record.)

Mr. POATS. We have these outstanding commitments made in 1957, 1958, and 1959 which we are working off.

Mr. PASSMAN. You will disburse the funds regardless of their position?

Mr. POATS. ———.

(Discussion off the record.)

Mr. POATS. We don't feel there is any ground for reneging on the commitments made in 1957–59.

Mr. PASSMAN. Will you please turn to page 165 of the justifications?

Read the bottom portion and tell us if conditions are still the same.

Mr. POATS. Yes.

Mr. PASSMAN. Did I misstate the facts?

Mr. POATS. ———.

Mr. PASSMAN. What does that word mean?

Mr. POATS. ———.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

FISCAL YEAR 1965 BUDGET REQUEST FOR AID TO BURMA

Mr. PASSMAN. You have no request for funds for Burma in fiscal 1965?

Mr. POATS. We have a large request for Burma because these commitments——

Mr. PASSMAN. Are you requesting of the Congress any funds for Burma in fiscal 1965?

Mr. POATS. We are requesting funds to carry out these commitments and we are requesting a small amount, about ——— million, for technical cooperation and development grants to run our small mission there and carry on technical cooperation.

Mr. PASSMAN. Let us back up. What is the total amount you are requesting for Burma for fiscal 1965 from all spigots?

Mr. POATS. $19.3 million.

Mr. PASSMAN. It is being indicated that we have no program in Burma, yet you are asking for $19.3 million for fiscal 1965.

OUTSTANDING U.S. COMMITMENTS TO BURMA

Mr. POATS. We are asking for $19.3 million. As I was saying, we have these commitments which have not been funded.

Mr. PASSMAN. To what purposes are we committed?

Mr. POATS. Three commitments—1957, a line of credit of $25 million to be worked off against individual projects to be approved on a case-by-case basis.

The development projects——

Mr. PASSMAN. Please put them in the record.

(The information follows:)

BURMA—OUTSTANDING COMMITMENTS

There are two commitments for dollar economic assistance to Burma which are still partially outstanding:

1. *A $30 million grant committed in 1959.*—Under this commitment $2 million has been contributed to the design and construction of a new campus for the Rangoon University Liberal Arts College, scheduled for completion in 1966. The remaining $28 million was committed to design and construction of part of the Rangoon-Mandalay Highway. Of this amount, $9.4 million was obligated in fiscal year 1963 for the Rangoon-Pegu sector, which will be under construction by early fall of this year.

Obligation of the remaining commitment for construction of the Pegu-Pyu sector has been delayed until an economic and engineering feasibility study, for which $500,000 is scheduled to be obligated in fiscal year 1964, can be completed. No U.S. financial assistance is planned for the final sector of the highway, from Pyu to Mandalay.

2. *A $25 million line of credit extended in 1957.*—Nine projects have been completed, and five ongoing projects will fulfill this commitment by 1966. If final agreement is reached with the Burmese Government, AID will obligate the $3.4 million remaining balance of the 1957 line of credit during fiscal year 1964 for the design and construction of a large teakwood sawmill in Rangoon.

Mr. PASSMAN. If $19 million is added to this pipeline of some $30-plus million, it brings you up to $50 million.

Let us get the cost of these projects to completion.

U.S. CONTRIBUTION TO COMPLETE THE RANGOON-MANDALAY ROAD PROJECT

Mr. POATS. The figures you have for the one project of a capital nature which we are proposing to fund out of these previous commitments is $18.1 million.

Mr. PASSMAN. About twice as much as we have unliquidated to their credit; is that correct?

Mr. POATS. No.

Mr. PASSMAN. You have $9,146,000. Double that would be about $18,292,000.

Mr. POATS. You are using only one spigot there, Mr. Chairman.

Mr. PASSMAN. Let us get the other spigots, then. Let us get them all together.

Let us project these things to completion.

Mr. POATS. May I describe the program, Mr. Chairman?

Mr. PASSMAN. It is not necessary.

Mr. POATS. May I describe the project you are citing? I find it difficult to jump.

Mr. PASSMAN. Give the figure and then you may say what you wish.

Mr. POATS. I never have a chance.

Mr. PASSMAN. I promise you may take all the time that you need.

Mr. POATS. The Rangoon-Mandalay project to which you refer has two parts. We are now doing the first part. ———.

Mr. PASSMAN. Let us get the cost.

Mr. POATS. If we do——

Mr. PASSMAN. Please, sir; the cost for the first part, in addition to what we have already given.

Mr. POATS. It will be practically nothing, perhaps no more.

The second part will cost approximately $18 million.

Mr. PASSMAN. More?

Mr. POATS. The total of U.S. contribution in dollars to this project which will build a road from Rangoon to Pyu or thereabouts, if the dollars are adequate, would be $29,017,000.

Mr. PASSMAN. In addition to what you have already obligated?

Mr. POATS. That is total to completion, including all previous obligations.

Mr. PASSMAN. Will the $18,100,000 wind up all of our business in Burma?

Mr. POATS. It will wind up the commitment made in 1959 for the road project.

Mr. PASSMAN. How much will it cost for us to wind up the program?

Mr. POATS. For all projects?

Mr. PASSMAN. How much will you need subsequent to fiscal 1964?

Mr. POATS. We will need the amount shown in the presentation book before you.

Mr. PASSMAN. How much?

Mr. POATS. The amount given here, $19,300,000.

Mr. PASSMAN. ———.

(Discussion off the record.)

Mr. PASSMAN. Have they not been going off and on for the past 15 years? We are in and out; they are friendly and unfriendly.

Mr. POATS. That has happened twice.

Mr. PASSMAN. All they have to do is to get in a good humor and perhaps we are committed again.

Mr. POATS. ———.

(Discussion off the record.)

Mr. PASSMAN. Why is it necessary to even consider the second part of this road project? ———

How much would we save?

Mr. POATS. ———.

Mr. PASSMAN. You said there were two sections.

Mr. POATS. We have conditions in that commitment, technical and economic, which must be met before we will agree to the second section.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Can you tell us just what the possibilities are on this one? When will we know whether or not we need to provide funds for this project?

Mr. POATS. We have a feasibility team in Burma now which is doing a survey of economic and engineering feasibility of two alternative alinements for this section of the road. It is a 90-mile section.

Mr. PASSMAN. This is what we call cleaning up the program, this kind of mess we have been discussing today, such as embassies for Laos, continuation of a project in Burma. If this is what you call cleaning it up you had better get another broom.

Mr. POATS. Mr. Chairman, I was saying——

Mr. PASSMAN. When will you have the feasibility report?

Mr. POATS. It will be due in the latter part of July but there will have to follow negotiations with the Burmese Government as to whether they will agree to this team's proposals.

Mr. PASSMAN. Then the estimate is not firm?

Mr. POATS. This estimate is based upon the earlier study by Louis Berger, a contractor for the U.S. Corps of Engineers.

Mr. PASSMAN. The estimate is not really firm?

Mr. POATS. In this sense it is firm—we now know from all studies that $18 million will not be adequate dollar funding for the section I speak of in the road.

Mr. PASSMAN. Then you will get more?

Mr. POATS. As far as the funds will carry us.

Mr. PASSMAN. As far as the $18.1 million will carry you?

Mr. POATS. Yes.

Mr. PASSMAN. Then you will stop regardless of where the highway stops?

Mr. POATS. We will turn to the Burmese Government and ask, "Will you make up the balance?"

Mr. PASSMAN. Suppose they decline to do so?

Mr. POATS. We have gone on record with them to make clear they understood this.

Mr. PASSMAN. Did you indicate that we may or may not go through with this project?

Mr. POATS. There is always the possibility that we will be unable to reach agreement with the Burmese Government on the alinement proposed.

Mr. PASSMAN. I will interpret that as not being firm.

Mr. POATS. There is a commitment to do this job——

Mr. PASSMAN. I used the word "firm."

Mr. POATS. With the condition we must reach agreement on the alinement. If we cannot reach agreement on the alinement we have no commitment.

Mr. POATS. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. May we put the material on page 165, which is shown under the gray matter, in the record?

Mr. POATS. ———.

(Discussion off the record.)

Mr. PASSMAN. Therefore the good old American taxpayer, who is financing these programs, will have to draw on his imagination regarding what we are discussing?

Mr. POATS. The chairman is at liberty to make his own statement.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

REVIVAL OF HIGHWAY DEVELOPMENT PROJECT PROPOSED IN FISCAL YEAR 1963

Mr. PASSMAN. I note that you have obligated $330,000 for a highway development project, shown on page 10. Will that sum bring this project to completion?

Mr. POATS. No. This is a project being carried on parallel with the highway construction.

Mr. PASSMAN. How much have we spent on the project already?

Mr. POATS. We are proposing to obligate $330,000 in this fiscal year. We have not concluded negotiations on the project yet.

Mr. PASSMAN. That is a new project?

Mr. POATS. The project was proposed in fiscal year 1963 and not repeated in the book last year.

Mr. PASSMAN. This is a new project for which we have not expended any funds as of this time; is that correct?

Mr. POATS. We have not even obligated funds. We are still negotiating.

Mr. PASSMAN. Why do you want to negotiate ———? Why do you want to negotiate a new project?

Mr. POATS. We wanted to establish greater competence to maintain the road we are building. We wanted Burmese highway engineers in this country for a study.

(Discussion off the record.)

Mr. PASSMAN. How much did you justify for this project when you were before the committee last year?

Mr. POATS. $550,000 in the 1963 book.

Mr. PASSMAN. I asked about last year.

Mr. POATS. We did not have the project in for 1964.

Mr. PASSMAN. You dropped the project?

Mr. POATS. That is right.

Mr. PASSMAN. Why are you reviving it ———?

Mr. POATS. Let me read a note I have here on that.

The project was in the book for 1963——

Mr. PASSMAN. The project was in the book in 1963 but you dropped it out of the 1964 presentation altogether.

Mr. POATS. We were considering the project at the time the 1964 presentation was developed. It contained a large quantity of commodities, that is, equipment.

We decided not to conclude a negotiation with that large quantity of commodities and canceled discussion of the project in Rangoon.

Mr. PASSMAN. This was a project which was buried and had the dirt put on it? You asked for no funds whatever for the project in 1964?

Mr. POATS. No, because we thought at the time we prepared the 1964 book we already would have the thing negotiated.

In the meantime we took a look at this large commodity content and canceled discussion of it.

Mr. PASSMAN. It was a project you canceled? When you were before the committee you had no request for money for the revival of the project in fiscal 1964?

Now you say you may revive the project in 1964 and allocate ———.

Mr. POATS. That is correct. If we do we will need to put in a little more money in 1965.

I participated in the discussion with the mission director on this project. We had meetings here on it in November last year. We eliminated a considerable part of the commodity content of this project. We reduced the number of senior technicians that were to be involved. We changed and expanded some of the scope of the training to be given. So I am very familiar with it.

Mr. PASSMAN. It is in, and you did not request money for it. I have a right to wonder how many of these projects you did not have in last year, that you let die in previous years, have been revived, and you have decided to allocate money for something for which you did not request funds.

Mr. POATS. In fact, I approved this project in November 1963, which was before the funds were voted for 1964.

Mr. PASSMAN. Mr. Poats, you canceled the project and dropped it.

Mr. POATS. We postponed action on it; yes.

Mr. PASSMAN. You must have dropped it because you did not put it in your fiscal 1964 justifications.

Mr. POATS. When we wrote the fiscal 1964 justifications, we thought we already would have obligated the money by the end of that fiscal year.

Mr. PASSMAN. What will it cost to finish this thing?

Mr. POATS. The proposal before you shows an additional obligation of ——— in fiscal year 1965. I do not think that will be necessary fully because of the late start in fiscal year 1964.

Mr. PASSMAN. It is problematical whether this project will ever be started or finished; is that correct?

Mr. POATS. ———. It obviously is not totally certain since we have not signed the agreement.

We want to attempt to strengthen the capacity of this highway department to maintain this road we are putting $29 million into.

Mr. PASSMAN. Why do you worry about maintaining the road? This nation is blowing hot and cold all the time.

Mr. POATS. We are interested in maintaining it.

Mr. PASSMAN. Why do you not get completely out of the country?

Mr. POATS. ———.

Mr. PASSMAN. Well, anyway, you did not start this crazy thing.

Mr. POATS. I was personally involved in this. I certainly cannot transfer responsibility on this one. I think this particular project is desirable in a country in which we are investing this much for a road.

RANGOON WATER SUPPLY PROJECT

Mr. PASSMAN. How about the Rangoon water supply project, on page 12?

Mr. POATS. That is a project under the 1957 line of credit.

Mr. PASSMAN. Are you asking for any new funds?

Mr. POATS. We are not.

Mr. PASSMAN. Do you anticipate having any funds which you can deobligate from this project?

Mr. POATS. Let me read the pipeline notes here.

Mr. PASSMAN. You started at 1958. Did you obligate $1,035,000 and spend $6,000 in 6 years?

Mr. POATS. We only started work on this project in 1962, I believe.

Mr. PASSMAN. I believe you had it obligated for 4 years without any expenditures. I am looking at your page 12. You entered into the obligation in 1958.

Mr. POATS. That is right.

Mr. PASSMAN. Out of the $1,035,000, you estimate that you will spend $259,000 through 1964. Is that estimate firm now?

Mr. POATS. I think that is pretty good. I got an estimate from the desk today on this. It is close to that same figure.

Mr. PASSMAN. Is there a possibility that maybe we will deobligate these funds?

Mr. POATS. No; the funds are contracted.

Mr. PASSMAN. It is a mighty old contract.

Mr. POATS. We did not start work on this project, did not reactivate it until fiscal year 1962.

Mr. PASSMAN. How long did you carry these funds in this uncertain status?

Mr. POATS. We carried them 4 years.

Mr. PASSMAN. I am sorry we did not find that project before, Mr. Poats.

Mr. POATS. This was one of two projects planned in 1958. When Ne Win came in, he stopped work on the project and required a review of the whole business. There was no action taken on this. Then this was resumed in 1962. We have a contract with Metcalf & Eddy for procurement.

Mr. PASSMAN. In this one case, if you had waited 4 years to obligate the funds, you still would not have been in trouble with the project?

Mr. POATS. That is right.

POLICE ASSISTANCE PROJECT

Mr. PASSMAN. Has Burma made payments to date on the supporting assistance loan of $8.8 million for the police assistance project, on page 13?

Mr. POATS. I have a total of repayment here, but I do not have it project by project.

Mr. PASSMAN. We are interested now in this one project.

Mr. POATS. I have the total only of $5.4 million.

Mr. PASSMAN. Do not get it mixed up with other projects. We are asking now about just one project.

Mr. POATS. I will have to supply that for the record.

(The information follows:)

Burma—Status of payments on supporting assistance loan of $8,800,000 on police assistance project (as of Mar. 31, 1964)

Loan disbursements	$4,971,900.35
Repayment of principal	14,133.50
Balance outstanding	4,957,766.85
Interest collections	491,067.13

GENERAL ENGINEERING AND TRAINING PROJECT

Mr. PASSMAN. Why are you requesting $40,000 for technical publications and demonstration equipment for the general engineering and training project, on page 14, for Burma?

Mr. POATS. This project, by the writeup, you see, provides training of engineers.

(Discussion off the record.)

Mr. PASSMAN. Who do the engineers work under, the Burmese Government?

Mr. POATS. They have a degree of professional independence.

Mr. PASSMAN. What is the name of the head of the Government?

Mr. POATS. Ne Win.

Mr. PASSMAN. What is his title?

Mr. POATS. He is the Prime Minister, but his usual title is Chairman of the Revolutionary Council.

Mr. PASSMAN. Do these people get their appointments under him?

Mr. POATS. The senior ones; yes.

(Discussion off the record.)

Mr. PASSMAN. We are depending more or less on what we call our ——— in Burma; is that right?

Mr. POATS. We have an Ambassador there, a very distinguished Foreign Service officer, a former military engineer.

We have the AID mission director, who himself is an engineer.

Mr. PASSMAN. I say you are depending on your ———; is that correct?

Mr. POATS. I believe they are right in this judgment.

Mr. PASSMAN. Let us hope that they are. Is that not what you refer to as ———.

Mr. POATS. In the broadest sense, yes.

SALARIES AND ALLOWANCES FOR SECRETARIES UNDER THE TECHNICAL SUPPORT PROJECT IN BURMA

Mr. PASSMAN. Will you supply for the record a breakdown of your estimate of the $35,000 for salaries and allowances of two secretaries under the technical support project, on page 15?

Mr. POATS. I looked into that. I will furnish it for the record. This represents the salaries of secretaries. The number shown is the yearend number of those on duty.

(The information supplied follows:)

BURMA TECHNICAL SUPPORT PROJECT—ESTIMATED PERSONNEL COSTS

The estimated costs for the technical support project includes under U.S. technician costs $35,000, which is explained in the narrative of the project to cover the costs of two secretaries who will be on board at yearend fiscal year 1965. This cost estimate has a built-in allowance for one additional person who will be on board for a part of fiscal year 1965 but not at the yearend. The estimated requirement for the two secretaries throughout fiscal year 1965 is as follows:

Basic salaries	$10,055
Post allowances	2,011
Other expenses (includes home leave travel, transportation of effects, retirement, life, and health insurance, etc.)	5,786
Total	17,852

It is estimated that the balance of $17,148 would be available, as necessary, to meet the terminal expense of the one person leaving during fiscal year 1965 and to cover costs of TDY personnel who may be required in the phaseout of the Burma technical assistance program. It should be pointed out that this is an illustrative project presentation and it is impossible to account for the entire amount of the estimated cost of $35,000 at this time.

Mr. POATS. We have actually more than two secretaries there during a good part of the fiscal year. That is why the salary figure appears high. We also have home leave expenses.

Mr. PASSMAN. You say two secretaries here.

Mr. POATS. Two secretaries is the number on duty at the end of the fiscal year. That is how we show personnel strength.

Mr. PASSMAN. How much are we going to discount these books? It says here, and I quote: "Direct dollar cost for secretaries and allowances of two secretaries."

Mr. POATS. That is an abbreviation of the facts.

In addition, allowances means travel expenses of the secretary on home leave.

Mr. PASSMAN. All right, sir. I am going to dispense with the other nine pages of questions that I have on Burma and yield to Mr. Natcher.

MODERNIZATION AND EXPANSION OF TEAK SAWMILLS IN BURMA

Mr. NATCHER. I want to direct your attention to the teakmill that you set forth in the justifications on page 8, which I believe will cost $3.4 million, together with certain Pubic Law 480 funds. Is that correct?

Mr. POATS. That is correct. That is the final item, we hope, out of the 1957 line of credit of $25 million. That will clean it up.

Mr. NATCHER. That makes a total of the items you set forth there pertaining to the teakmill of $4,875,000?

Mr. POATS. That is right.

Mr. NATCHER. You have architectural and engineering services——

Mr. POATS. I am sorry. This total figure is for two teak projects. This project is headed "Expansion of Teak Production." You will notice in 1963 we made a loan out of this line of credit of $1.48 million.

Mr. NATCHER. That is included in the $4.875 million?

Mr. POATS. Yes, sir; the sum of those two figures.

Mr. NATCHER. Explain to the committee how you proceed as far as a large teak sawmill project such as this one, from the standpoint of employment of the people who prepare your architectural and engineering designs and your specifications, and so forth. Is this local employment or is it by contract in this country? What takes place?

FEASIBILITY AND DESIGN STUDIES

Mr. POATS. We had two types of feasibility work done on this. One was by the AID mission staff itself, working with people there under a United Nations contract in part, determining the market for the types of lumber that the Burmese proposed to produce from this mill. They did a little market study in a number of countries, a number of market areas, particularly New York and London.

Then we employed Brown & Daltus under a contract in 1963 to do a more detailed feasibility study.

Mr. NATCHER. What was the amount of this contract?

Mr. POATS. This was for $25,000. It provided services of three persons for part of the year. We reached the point of knowing from these two studies the kinds of equipment which would have to be procured and quantities, kinds of construction necessary, such as the buildings and the electrical facilities supplying this mill, and the kinds of roadways and other communications connecting to it.

The next problem here was to design the mill in detail. That is, the formal engineering design. The Burmese proposed to us that they should do the design and that they should supervise the construction. We replied that we insisted upon American engineers doing at least certain critical parts of the design and supervising the construction. The Burmese have rejected some of the specific terms of authority that we have asked for the supervising engineers. We have at the moment a situation in which we do not know whether the Burmese will accept what we regard as essential authorities for the engineering supervision contractor.

The matter has gone to the Burmese Cabinet, and the Cabinet has taken a rather restrictive view of the matter. I will have to take some of this off the record.

Mr. NATCHER. Don't take too much off.

Mr. POATS. ———.

(Discussion off the record.)

TOTAL EXPENDITURES THROUGH FISCAL YEAR 1964

Mr. NATCHER. How much have you expended on this particular project, including the amount here of $1,048,000 aid contributed in fiscal year 1963?

Mr. POATS. Through fiscal year 1964, we now estimate expenditures of about $1.5 million. We have, of course, gone ahead with the modernization of five sawmills, with the first portion of this project.

Mr. NATCHER. Modernization of five, and the work on the large new teak sawmill?

Mr. POATS. No construction work has started, no detailed engineering has been done on the teak sawmill. We have done feasibility work.

Mr. NATCHER. Can you tell me how much you have expended on the teak sawmill in total?

Mr. POATS. All I see is $25,000, but you would have to properly attribute some part of the salaries of two or three people in the AID mission who spent roughly a half year working on this question. I would guess in the neighborhood of $100,000.

Mr. NATCHER. You are not at all certain this will be completed?

Mr. POATS. That is right.

NEGOTIATIONS LEADING UP TO PROJECT AUTHORIZATIONS

Mr. CONTE. On these projects that we have discussed here on Burma, how do these come about? The mission director takes this up with you and you take this up with Mr. Bell?

Mr. POATS. That is right. On projects, the size determines the level at which it is approved. Generally speaking, a mission director negotiates on a proposed project with a minister in the host country. He will submit what we call a form E–1, which will lay out all the requirements and actions that we would undertake and commitments on both sides as to who would provide what funds, how much, manpower, et cetera.

This would be submitted to us. It normally comes in in preparation for the congressional presentations. But in a case like this, where you are operating against a line of credit, it may well come in in the middle of the year. So we look at these projects against our program policy in the country, the availability of funds, against whether we have a commitment that is reflected by the type of project proposed, and decide whether to go ahead with it. In the process, if it is a major project, we will probably consult with the political side of the State Department as well as to whether they consider it timely.

Mr. CONTE. Could you explain for the record how a line of credit operates?

Mr. POATS. The line of credit was established in 1957 as a credit under which conditions were prescribed. No funds were obligated. The money was to be made available against projects which we could jointly agree to be of importance to the economic development of Burma. So various projects were submitted for our consideration. There was land and water resources development, expansion of teak production, inland waterway fleet, the Rangoon water supply, the Rangoon sewerage system, the Rangoon water system.

Mr. CONTE. How about the Rangoon-Mandalay Road?

Mr. POATS. In 1957 the United States made a $30 million grant, of which $2 million was committed for the development of the Rangoon University campus and $28 million for construction on the road from Rangoon north toward Mandalay. This is a separate commitment. The commitment was conditioned by the requirement that we agree as to the economic and engineering feasibility of all construction under that project before it is to be begun.

There is a third commitment for police equipment, which was originally $10 million and was reduced to $8.8 million. We are working off both of these now.

Mr. CONTE. These funds were generated all through Public Law 480?

COMMITMENT OF APPROPRIATED GRANT FUNDS

Mr. POATS. No; the funds that are committed here are grant funds to be made available as required and appropriated. That is why we have to come to you now for appropriations to carry out these commitments as funds are required under them.

Mr. CONTE. Every year you come up with a budget and in that budget you have these justifications. Do you ask for these funds every year?

Mr. POATS. We have not asked for funds, for example, for the police because that is already obligated several years ago. We asked for funds last year, I believe, for this expansion of teak production. We are not asking for funds this year, as you see there.

Mr. CONTE. Right.

Mr. POATS. We asked for funds last year for the second segment of the highway, but we did not get to the point of agreement. We know now we will not get to the point of agreement with the Burmese on the second section of that highway during the course of fiscal year 1964. Therefore, we have to ask you for funds for next year.

Mr. CONTE. Your budget last year would have shown that amount of money and you repeat that again this year in this justification?

Mr. POATS. That is right.

UNOBLIGATED FUNDS

Mr. CONTE. At the end of the year, if you do not go through with the project, even though it is obligated, does that money lapse?

Mr. POATS. If it is obligated, it does not lapse. If we have not obligated fundsf or it, it will be in the category of unobligated funds which the chairman asked about a while ago.

Mr. CONTE. This lapses back into the Treasury?

Mr. POATS. It becomes a question of whether the Congress agrees to reappropriate the unobligated funds. If the Congress does not reappropriate the funds, they lapse back into the Treasury.

Mr. PASSMAN. Will the gentleman yield?

Mr. CONTE. Surely.

REOBLIGATION OF DEOBLIGATED FUNDS

Mr. PASSMAN. You can take deobligated funds and reobligate those funds and keep them out of the unobligated status, can you not?

Mr. POATS. That is right. However, let me say——

Mr. PASSMAN. Just tell us if that is correct, that you can take your deobligated funds and reobligate those funds during the year in which you deobligated them.

Mr. POATS. Yes, any funds which are obligated at the end of the year do not revert to the Treasury.

Mr. PASSMAN. I am asking you a simple question. On funds which are deobligated during the year, you can take those funds and reobligate them on projects during the same year, thereby keeping that obligated status; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Thank you. Mr. Conte.

Mr. CONTE. On that Rangoon-Mandalay Highway you obligated $10 million back in 1963; is that right?

Mr. POATS. That is right.

Mr. CONTE. Did you reobligate those funds last year?

Mr. POATS. They remained obligated.

Mr. CONTE. They remained obligated.

Mr. POATS. There was no question of deobligation or reobligation in that case.

Mr. CONTE. Let us see if I can find a case.

Mr. POATS. We deobligated funds from the police project. We also have there the prospect of additional deobligations. We have told them in this case, and in one other case, that any funds uncontracted as of May 31 this year will be deobligated, will cease to be availabe to them.

Mr. CONTE. This you already told them?

Mr. POATS. We have informed them formally in the case of the police loan and the inland waterways fleet improvement is another case in which we have given them that notice. The balance uncontracted as of May 31, 1964, will be deobligated.

COMMUNIST-BLOC PROJECTS IN BURMA

Mr. CONTE. What is the Sino-Soviet bloc doing in Burma, if anything?

Mr. POATS. The Chinese made available a line of credit somewhat comparable to ours 2 years ago for $84 million equivalent. They now have in Burma a number of technicians working up feasibility studies. They started work on some of these projects. They have now in Burma 35 technicians largely working on feasibility studies.

They proposed under this line of credit to build a bridge across the Salween River and to do several industrial projects. Here is the list: Starting construction this year on the bridge and on the textile plant and sugar mill. I am not sure whether they started construction on the steel mill. They also have in their planned program three small hydroelectric plants and the steel mill in the Communist bloc projects. The Soviet Union has obligated $13.7 million so far in Burma.

Mr. CONTE. Red Chinese?

Mr. POATS. $25 million out of this $84 million line of credit has been obligated. From other Communist bloc countries, $1.5 million has been obligated, a total of $40.2 million.

NUMBER OF U.S. AID TECHNICIANS AND CONTRACT EMPLOYEES IN BURMA

Mr. CONTE. How many technicians do we have in all these projects in Burma, U.S. technicians, actually there now at the present time?

Mr. POATS. We have there now 13 with 2 or 3 there temporarily. The figure as of the end of the fiscal year will be 13 U.S. AID technicians, 4 of whom are from other U.S. Government agencies working with AID.

Mr. CONTE. Do we have contract employees also?

Mr. POATS. Thirty-nine contract employees. The contract employees are largely working on two things: They have been working on the design of the first section of the Rangoon-Mandalay Road, the Rangoon-Pegu portion of the road, and the feasibility study on the second segment from Pegu to Pyu. You will notice in 1965 the number of contractors proposed here goes up to 134. That is because we will have under construction presumably the first section of the road, and the engineer presumably will be designing the second section of the road before the end of that fiscal year.

CONTRACT SERVICES FOR HIGHWAY CONSTRUCTION

Mr. CONTE. Contract service for proposed fiscal year 1965 of $18,110,000 will be mostly for the highway?

Mr. POATS. It is entirely for the highway. Wait a minute, $110,000 of it will not be for the highway.

Mr. CONTE. Is that technical cooperation?

Mr. POATS. That is the contract group which will be working on technical assistance in the development of the Burmese Highway Department, which I pointed out earlier is closely associated with this investment in the highway itself. But it is a separate undertaking.

Mr. CONTE. On those commodities you have $380,000. Could you break that down for me?

EQUIPMENT COSTS

Mr. POATS. That is $270,000 worth of equipment for this highway department development project. That is, demonstrations, equipment, spreaders, such as asphalt heaters, and some school-type equipment.

Mr. CONTE. Could you get a list of that for the record? Would it be feasible?

Mr. POATS. I have it.

Mr. CONTE. Submit it for the record.

(The information supplied follows:)

BURMA—LIST OF EQUIPMENT FOR HIGHWAY DEVELOPMENT PROJECT

1. Asphalt patching heaters, with temperature controls.
2. Road maintainers (not graders).
3. Portable aggregate crushers.
4. Pickup trucks (4-wheel drive) to supplant jeeps and sedans.
5. Small pumps.
6. 800-gallon distributor.
7. Welding machines.
8. Trailers.
9. Spreaders for truck mounting.
10. Rubber-tired shovel.
11. Wheel tractors with loader.
12. Training center equipment; $20,000 the first year and about $5,000 in each succeeding year will be used to procure visual aids, hand tools, cutaway engines of various types from U.S. excess stocks, etc., for the highway department training center.

Mr. POATS. Other elements are the small amount the chairman mentioned for equipment for the general engineering participant training program and the balance is for the technical support, $35,000 for equipment of the mission itself.

Mr. CONTE. That is all; thank you.

U.S. GRANT AID CONTRASTED TO LOANS FROM CHINA AND RUSSIA

Mr. PASSMAN. May I indicate for the record at this point that there could be some misunderstanding about Russia having a similar program to ours. If you were talking about terms, I do not think that is an accurate statement. We were told Russia has never given away as much as a ruble.

I do not want the record to show that Russia is doing anything other than making hard, profitable loans, or profitable barter deals.

Mr. POATS. Mr. Chairman, the figures I have here are for non-interest-bearing loans, 20 years, in the case of the Chinese $84 million line of credit.

Mr. PASSMAN. I said Russia.

Mr. POATS. That was the principal item we discussed.

Mr. PASSMAN. We do not know whether they have disbursed this loan.

Mr. POATS. They have so far obligated $25 million.

Mr. PASSMAN. Do you know whether they have disbursed any of it?

Mr. POATS. My papers show $4.5 million.

Mr. PASSMAN. Out of how much?

Mr. POATS. $84 million.

Mr. PASSMAN. Do they have any aid in return to Red China from Burma, rice or other commodities?

Mr. POATS. In the case of the Chinese the repayment is in the form of 10 equal installments of Burmese goods or third country currency agreed upon by China.

Mr. PASSMAN. Then it is not a grant.

Mr. POATS. I did not say it was a grant.

Mr. PASSMAN. You said it was similar to the type aid we have.

Mr. POATS. I said similar to our line of credit. Ours is not a grant.

Mr. PASSMAN. This record is loaded up with grant aid we have given to Burma. Your man testified yesterday and said, make no mistake about it, it is grant aid. That is in his record.

Mr. POATS. That is right.

Mr. PASSMAN. Is that correct?

Mr. POATS. That is true.

They made some payments on the equipment we sent them, but essentially it is a grant.

Mr. PASSMAN. The man said yesterday, make no mistake about it, ours is a grant-aid program.

Mr. Minshall?

RANGOON TO PYU SECTION OF HIGHWAY

Mr. MINSHALL. Without belaboring the question about this Mandalay highway, I would like to inquire if the Rangoon to Pyu section has been completed. If so, what is the total construction cost of that and how much American money went into it?

Mr. POATS. You mean Rangoon to Pegu?

Mr. MINSHALL. Yes.

Mr. POATS. Rangoon to Pegu is now being bid for construction. The bids are due in 2 weeks from now. Construction is to start next dry season, which begins in November.

Mr. MINSHALL. The road has been completed. We have completed other roads in other countries that went nowhere, ended up in a jungle. I wondered if this will have the same fate.

Mr. POATS. None of this road has been started in terms of construction. We have done engineering on the first section.

ENGINEERING COST

Mr. MINSHALL. You put the engineering money in, some $500,000? What is the engineering cost?

Mr. POATS. The contract which has been signed for engineering on this was $450,000 total, of which $337,000 was in dollars and the balance in local currency. That was for design. I presume that is approximately the cost that will finally be paid to the contractor.

ORIGIN OF HIGHWAY PROPOSAL

Mr. MINSHALL. Whose brainchild was this road?

Mr. POATS. This was a commitment made in 1959. It was done on the basis of a preliminary survey by the ICA with the help of the U.S. Corps of Engineers.

Mr. MINSHALL. Why do you think it is a good idea to go ahead with this program now to keep a commitment. It is my understanding that the attitude of the Burmese Government is inhospitable—nearly hostile. Why is it a good idea to go ahead with a program first conceived over 6 years ago? Time and events have changed.

Mr. POATS. I will have to correct the record on this. There have been many delays on this project.

Mr. MINSHALL. There sure have been.

Mr. POATS. The Burmese are quite aware of that. We now have reached the point where the technical problems delaying commencment of work on this project have been resolved.

(Discussion off the record.)

Mr. POATS. In these circumstances concerning a commitment made by our President to their Prime Minister, we have felt it our duty to go ahead with our project.

Mr. PASSMAN. The same President?

Mr. MINSHALL. It is a different President.

Mr. POATS. It was the same Prime Minister in Burma; at the time Ne Win was Prime Minister. Later, he was out and U Nu was in, and now Ne Win is back. It was revived vigorously by Ne Win when he returned to power in March of 1962.

Mr. MINSHALL. What is the total value of this highway to be as far as U.S. aid is concerned?

Mr. POATS. $28 million, $29 million counting the original——

Mr. MINSHALL. That is not peanuts. It is not peanuts back where I come from in Cleveland, Ohio. Even in this bill it is substantial.

Mr. POATS. As a taxpayer, I agree.

Mr. MINSHALL. I wish you would find it just as painful in your official capacity.

Mr. POATS. We still have this commitment. We still have relations with that country.

Mr. MINSHALL. In other words you have run out of grounds for delaying this project. Good money after bad is not good business.

Mr. PASSMAN. What would happen if we, one time, indicated we do not like certain things that are being done, which are incompatible with what we think is right, and, accordingly, would suspend the program—period?

Mr. POATS. Let me say——

Mr. PASSMAN. What would happen if you did as I have indicated?

Mr. POATS. I think you would have some real tremors at least in our relations with these countries.

Mr. PASSMAN. What would it be?

Mr. POATS. They would turn increasingly toward the view that the West and the United States——

Mr. PASSMAN. Could they get turned much further than they are presently?

Mr. POATS. In some cases, yes; in some cases, no.

INDONESIA

POLICY TOWARD SUSPENSION OF AID

Mr. PASSMAN. You indicated that if we pulled our aid people out of Indonesia, there would be an incident. What kind of incident?

Mr. POATS. I am glad for a chance to answer that. If we were to abruptly pull our aid mission out of Indonesia and declare we were stopping aid to Indonesia at this time, we would have to have a clear reason for it. The obvious reason would be we are expressing disapproval of their policy toward Malaysia.

Mr. PASSMAN. If the President of that country says, "go to hell" with your aid, you do not think that is sufficient reason to pull our aid people out?

Mr. POATS. He did not quite say that.

Mr. PASSMAN. What did he say?

Mr. POATS. What he said was:

They tell me that they are cutting off aid because they don't like our Malaysia policy.

Mr. PASSMAN. He did not use profanity?

Mr. POATS. Let me get the whole context in:

They tell me they are cutting off aid because they disapprove of our Malaysia policy. I say, to hell with their aid.

Mr. PASSMAN. "We don't need it." Did he not say that?

Mr. POATS. ———

(Discussion off the record.)

Mr. PASSMAN. That is what I thought. You have made my case for me.

(Discussion off the record.)

Mr. POATS. ———

BURMA

CONSIDERATION OF SUSPENSION OF AID

Mr. PASSMAN. In Burma, what would happen if we said, "Gentlemen, we have been most cooperative; we have given you a lot of aid, but we are now suspending all aid until there is a clear and definite indication as to what your future plans are"? What do you think would happen?

Mr. POATS. They would say that our plans now are what the plans have always been, to be an independent neutral country.

Mr. PASSMAN. That "We will take all the money we can get from you and do as we please."

Mr. POATS. They would say that if you do not like our policy, that is up to you.

Mr. PASSMAN. You stated in your justifications that ———.

(Discussion off the record.)

Mr. POATS. There are a lot of problems. It would be foolish to be so impetuous in our foreign policy as to foreclose the possibility for change.

Mr. PASSMAN. This is a new concept in foreign policy, giving our wealth away, burning ourselves out as a young nation.

Mr. POATS. It is a very old concept.

Mr. PASSMAN. It is a checkbook policy, just as new as that beard on your face as we think of the ages of nations.

You have made my case for me. Thank you very much.

CAMBODIA

EFFORTS TO PHASE OUT AID PROGRAM

Now, let us get back to Cambodia. We have already established that you have money that you have not completely deobligated. We hope that at some subsequent date you will say you decided not to give them the remainder of the aid which is in the pipeline.

Mr. POATS. I have told you already we are not giving them these goods that were en route.

Mr. PASSMAN. You indicated about $5 million. I said I hoped to see the time you would even deobligate that amount.

Mr. POATS. You mean not pay the contractor who did the work on the road?

Mr. PASSMAN. I did not say that.

Mr. POATS. That is what you mean when you use the term "deobligation of funds." You are including in it funds due a contractor.

Mr. PASSMAN. Has the road been completed?

Mr. POATS. It was interrupted by this decision.

Mr. PASSMAN. Has the road been completed?

Mr. POATS. It was not completed.

Mr. PASSMAN. Why do you not just say, "Let us effect a compromise, come on home"?

Mr. POATS. We have done that. He is home.

Mr. PASSMAN. You are not going to spend any other money, not another dollar in Cambodia; you have told the contractor to get out?

Mr. POATS. We will settle up with him.

Mr. PASSMAN. You have told him to get out?

Mr. POATS. He is out already.

Mr. PASSMAN. You are not going to spend another dime in Cambodia; is that right?

Mr. POATS. We arranged for him to sell his equipment to Cambodia. They paid $1.8 million, U.S. dollars, to him.

Mr. PASSMAN. Did we put it up?

Mr. POATS. They paid it to him.

Mr. PASSMAN. Do you say now that we are never going to disburse another dime in Cambodia?

Mr. POATS. No, I cannot say that.

We have obligations made which have not been completely liquidated by accountants.

Mr. PASSMAN. You are going to make disbursements in behalf of Cambodia, not putting any further money in the pipeline.

OBLIGATIONS TO COMPLETE THE PARTICIPANT STUDENT TRAINING PROGRAM

Mr. POATS. There is one further exception I would like to discuss if you are passing over Cambodia. I would like to discuss it now. This is considering the continuation in U.S. universities of Cambodian students.

Mr. PASSMAN. What is the cost?

Mr. POATS. They were here at the time of the break. The Cambodian Government asked us to make an exception.

Mr. PASSMAN. Are you going to wind it up June 30 or carry it over into fiscal year 1965?

Mr. POATS. We are considering the obligation of approximately $1.5 million, out of previous funds, to complete this project. We would take some of these moneys we are deobligating from this program and put it into the funding to completion of these students at Los Angeles State College and Long Beach College and the University of Georgia, several other universities.

Mr. PASSMAN. How many students are involved, and when will you finally get them out of the country?

Mr. POATS. About 160.

Mr. PASSMAN. What will be the total cost of this project?

Mr. POATS. That is the figure.

Mr. PASSMAN. $1.5 million?

Mr. POATS. Perhaps as much as $1.6 million.

Mr. PASSMAN. Will that come out of money presently available for Cambodia?

Mr. POATS. That is right.

Mr. PASSMAN. There is no new obligation out of deobligated funds?

Mr. POATS. It will be an extension of the present participant program obligations.

Mr. PASSMAN. Which is going to be a new obligation out of deobligated funds?

Mr. POATS. Probably, yes.

Mr. PASSMAN. Thank you.

Mr. POATS. It may be necessary to use a combination of fiscal year 1964 funds——

Mr. PASSMAN. There is always a possibility that we will get back in there, too. We have gone back in Burma, we have gone back in Egypt, we have gone back in Syria, we have gone back in Yugoslavia.

Mr. MINSHALL. Will the Chairman yield?

Mr. PASSMAN. Of course.

CONTINUATION OF PARTICIPANT STUDENT TRAINING PROGRAM DESPITE TERMINATION OF AID

Mr. MINSHALL. This situation amazes me—bringing Cambodian students over to this country in view of Cambodia's hostile attitude. What kind of thinking is in back of this bringing 150 people over here for training?

Mr. POATS. These are students who are here now. These are teachers who are being trained as teachers.

Mr. MINSHALL. How long have they been here?

Mr. POATS. Some have been here a full academic year, some are completing an academic year.

Mr. MINSHALL. Why do we not terminate their training like the Cambodians terminated our aid?

Mr. POATS. Because the Department of State——

Mr. MINSHALL. Who in the Department of State, Dean Rusk or who? Who in the shop espouses this kind of silly thinking?

Mr. POATS. The Agency for International Development received a request from the Under Secretary of State for Political Affairs, Governor Harriman.

Mr. MINSHALL. That explains it.

Thank you very much. Deal me the next card down.

Mr. PASSMAN. He would continue it indefinitely.

Mr. POATS. We are not giving money to Cambodia in this sense. These students are all in this country anyway.

Mr. PASSMAN. It amounts to the same thing.

Mr. POATS. We are training them here, the funds stay here. We hope the students will go back and will be a very significant element in that country, an element trained in the West as teachers. They will be functioning as teachers.

(Discussion off the record.)

Mr. MINSHALL. What is the population of Cambodia?

Mr. POATS. About 6 million.

Mr. MINSHALL. How many teachers do you have here?

Mr. POATS. We have 160, but you must realize that the total school population at the higher levels in Cambodia is very small. I have an education sheet showing that if you want it for the record.

Mr. PASSMAN. With 160 students and $1,600,000, that is $10,000 per student.

Mr. POATS. To completion of their academic——

Mr. PASSMAN. How much longer will they be here? How many for 1 year, how many for 2 years, how many for 3 years?

Mr. POATS. The bulk will be 1, and a large number for 2, I believe.

Mr. PASSMAN. Break it down for us.

Mr. POATS. We have it by years. It shows a large number for 2 years, a somewhat smaller number for 1, a few for 3 years.

Mr. PASSMAN. We do have a program going for Cambodia. Does Cambodia take the money earned from its exports to educate some of her people?

Mr. POATS. Yes; a very small number.

Mr. PASSMAN. Why do you say it is not helping Cambodia?

Mr. POATS. We think it will be a great help to Cambodia.

Mr. PASSMAN. I thought you said you were not helping Cambodia.

Mr. POATS. We are not sending dollars to Cambodia.

Mr. PASSMAN. What is the difference? Instead of their spending money they earn from their exports, we take our money and educate their people.

Mr. POATS. I think they would be unable to maintain them in a foreign school.

Mr. PASSMAN. Have you submitted a program to this subcommittee for $1.6 million for this project?

Mr. POATS. No; this was an extension of the participant programs in the book last year and the year before. Those books did show the cost to completion of participant training. In that sense the answer is we have presented it to you.

Mr. MINSHALL. I would like to have put in the record where these students are getting their training, the different schools.

Mr. PASSMAN. Yes, put in the record the number of students in the United States, what schools they are attending this calendar year, the number who will go home, the number who will be in the program next

year, what school they will be attending, and the year after, and what they are teaching them.

Mr. POATS. Vocational education and agricultural education are the two biggest elements.

(The information follows:)

CAMBODIA—STUDENTS IN THE UNITED STATES, DURATION, SCHOOLS ATTENDING, STATUS OF TRAINING

Cambodian students in the United States by year of expected graduation

1964 (10 STUDENTS)

Name	University	Candidate for degree
Kuoch Kyleng	Ohio University	M.A. in education.
Suon Saroeung	University of Washington	B.S. in marine fisheries.
Sam ElJulcofy	University of Florida	B.S. in long vegetable fibers.
Huon Chhun Huor	Mississippi University	B.S. in seed technology.
Yeth Kim Srun	University of Florida	B.S. in entomology.
Kang Keng	Kansas University	B.S. in general agronomy.
Sim Sun Huor	University of Florida	B.S. in horticulture.
Sau Plin	Oklahoma University	B.S. in sanitary engineering.
Ly Chhay Heang	University of Georgia	B.S. in forest management.
Chhuon Khan	Arkansas University	B.S. in plant breeding.

1965 (39 STUDENTS)

Pan Sothi	Ohio University	Ph. D. in education.
In Nhel	North Carolina	M.S. in civil engineering.
Thong Sarath	California State Polytechnic	B.S. in soil fertility.
Saing Hok San	University of Georgia	B.S. in soil morphology.
Kiet Srang	do	B.S. in agricultural engineering.
Tin Taing Heang	University of Michigan	B.S. in marine fisheries.
Kong Sarom	University of Oregon	B.S. in forest management.
Nouth Chantha	Louisiana State University	B.S. in sugar crop production.
Meas Sivon	California State Polytechnic	B.S. in mechanized farming.
Som Chieng	do	Do.
Kem Sos	Mississippi University	B.S. in soil fertility.
Keat Keng Sin	University of Georgia	B.S. in agricultural industrial development.
Ear Kim Nal	University of Florida	B.S. in soil fertility.
Keo Saric	University of Georgia	B.S. in crop breeding.
Hou Sisavann	California State Polytechnic	B.S. in horticulture.
Chhay Neth	Los Angeles State [1]	B.S. in machine shop.
Meas Phanna	do	Do.
Yang Huong	do	B.S. in auto mechanics.
Sean Ell	do	B.S. in sheet metal.
Kuy Heng	Long Beach State	B.S. in electronics.
You Yoeurn	do	Do.
Plong Chhath	do	B.S. in electricity.
Sie Chhorn	do	Do.
Pol Khorn	do	B.S. in architectural drawing.
Yen Kantang	New Mexico	B.S. in arts and crafts.
Neal Samroeun	Kansas University	Doctor of veterinary medicine.
Lim Lay	California State Polytechnic	B.S. in business management.
Lim Kheng Lam	California State Polytechnic	B.S. in agricultural irrigation.
Uong Chhonn	Iowa University	B.S. in crop breeding.
Bou Chhuon Leap	California State Polytechnic	B.S. in agricultural journalism.
It Sareth	University of Georgia	B.S. in forestry.
Duong Sok San	do	B.S. in horticulture.
Sin Meng Srun	do	B.S. in forestry.
Nouth Bun Chhoeun	do	Do.
You Sambath	do	B.S. in crop production.
Yim Youvaing	do	B.S. in food technology.
Uk Tinal	do	B.S. in forestry.
Trang Meng Kry	do	B.S. in general agronomy.

1966 (30 STUDENTS)

Tun Sovan	Tennessee University	B.S. in agricultural economics.
Cheam Venghuot	Oklahoma University	Premedical.
Say Kanal	do	Do.
Tan Poly	do	Do.
Ouch Mau Noral	Ohio University	B.S. in civil engineering.
Punne Soonthornpoct (Miss)	Louisiana State University	B.S. in plant pathology
Ghanty Abdoullah	Wisconsin University	B.S. in agricultural cooperatives.
Khlok Ly Ngan	do	Do.

Cambodian students in the United States by year of expected graduation—Continued

1966 (30 STUDENTS)

Name	University	Candidate for degree
Uk Solang	Louisiana State University	B.S. in entomology.
Keo Sokrin	University of Pennsylvania	B.S. in banking and commerce.
Kheang Lim Hak	do	Do.
Sakou Siphon	Long Beach State	B.S. in physics.
Hang Chan	do	B.S. in chemistry.
Ok Hoeun	do	B.S. in physics.
Thong Mamith	do	B.S. in chemistry.
Leng Mith	do	B.S. in woodworking.
Meng Hing	do	Do.
Lam Trieu Luong	do	B.S. in auto mechanics.
Chieu Chin Banon	do	Do.
U. Sam Oeur	Los Angeles State	B.S. in machine shop.
Ny Bun Heang	do	Do.
Hor Savath	do	B.S. in electronics.
Cheth Sokhon	do	Do.
Houi Huong Vi	Long Beach State	B.S. in foundry.
Prom Sam Ol	do	B.S. in technical drawing.
Saing Kim Say	University of Oklahoma	B.S. in sanitary engineering.
Prak Yoeung	do	Do.
Minh Thien Voan	University of Georgia	B.S. in agricultural engineering.
Chhim Sun Him	do	B.S. in horticulture.
Sor Savay	do	B.S. in livestock.

1967 (48 STUDENTS)

Kim Chandaboth	Los Angeles State	B.S. in chemistry.
Lim Lay Sreng	do	Do.
Tuot Neat	do	B.S. in physics.
Phok Ell	do	Do.
Om Sopek	do	Do.
Ou Samkoeurn	do	B.S. in history.
Oung Saly	do	Do.
Paolim Neurat	do	B.S. in refrigeration and air conditioning.
Tat Sroeung	do	Do.
Chak Onn	Long Beach State	B.S. in machine shop.
Sam Chhorn	do	Do.
Thor Lan	do	Do.
Lay Kheng	do	B.S. in woodworking.
Phu Ly Seng	do	Do.
Prak Chun	Los Angeles State	B.S. in sheet metal.
Tran Can	do	Do.
Chey Pheany	Long Beach State	B.S. in foundry.
Ek Sareth	do	B.S. in auto technology.
An Vin	University of Southern California	B.S. in English teaching.
Sieng Lapresse	do	Do.
Tea Ngeht Chheng	do	Do.
Dan Sipo	Long Beach State	B.S. in radio and television.
Lu Lay Sreng	do	Do.
Has Chhon	Los Angeles State	B.S. in mathematics.
Men Vinsong	do	Do.
Sin An	Long Beach State	Do.
Sor Damrey	do	Do.
Taing Maryn	do	Do.
Chum Kanyr	Los Angeles State	B.S. in technical drafting.
Kim Cone	do	Do.
Srin Chhiv Lim	do	Do.
Khieu Savy	Long Beach State	Do.
Try Chheang Huot	do	Do.
Hy Sun Veng	West Virginia	B.S. in forestry.
Cheng Huor	North Carolina	Do.
Mak Sony	University of Florida	B.S. in agriculture industry.
Kousoum S. Sakhan	California State Polytechnic	B.S. in crop production.
Seng Try Kheng	do	B.S. in crop irrigation.
Chin Bun Sean	University of Wisconsin	B.S. in agricultural economics
Mao Chamrong	Oklahoma University	Premedical.
Meas Sam Ay	Michigan University	B.S. in fisheries.
Thuon Sopheasy	Ohio University	B.S. in agricultural economics-marketing.
Nou Nilean	Kansas University	Doctor of veterinary medicine.
Kreng Ketsarik	Ohio University	B.S. in electrical engineering.
Kreng Ketviradeth	do	Do.
Chhang Song	Louisiana State University	B.S. in animal husbandry.
Chap Chamnan	University of Georgia	B.S. in agricultural engineering.
Keo Tan	do	Doctor of veterinary medicine.

Cambodian students in the United States by year of expected graduation—Continued

1968—(42 STUDENTS)

Name	University	Candidate for degree
Bun Eak Ly	Long Beach State	Vocational education.
B. L. Buoy An Binh	Los Angeles State	Do.
Che Yang	Long Beach State	Do.
Du Thanh Ty	Los Angeles State	Do.
Em Chandy	Long Beach State	Do.
Heang Chheng Eang	Los Angeles State	Do.
Hen Sarun	Long Beach State	Do.
Hien Kim Sreng	Los Angeles State	Do.
Hing Naing	Long Beach State	Do.
Hong Theav	Los Angeles State	Do.
Hor Kong	Long Beach State	Do.
Im Saroeun	Los Angeles State	Do.
In Suvacha	Long Beach State	Do.
Iv Saroeun	Los Angeles State	Do.
Ken Vath	Long Beach State	Do.
Ker Bun Han	do	Do.
Khor Sun Heap	Los Angeles State	Do.
Kim Kethavy	do	Do.
Kit Nay	do	Do.
Kong Sam Ul	Long Beach State	Do.
Lao Bun Eng	Los Angeles State	Do.
Lor Peng Kim	do	Do.
Ly Meng Kheng	Long Beach State	Do.
Mau Kun	Los Angeles State	Do.
Mean Savy	Long Beach State	Do.
Meas Phan	do	Do.
Mouv Chhan	Los Angeles State	Do.
Ouk Heng	Long Beach State	Do.
Pech Kim Crean	do	Do.
Pon Ya Yun	Los Angeles State	Do.
Ros Saphan	do	Do.
Sam Or Deng	Long Beach State	Do.
Seng Try	Los Angeles State	Do.
Slaut Siphat	Long Beach State	Do.
Som Sun	do	Do.
Uch Thoeun	do	Do.
Um Be	Los Angeles State	Do.
Van Chhorn	do	Do.
Yan Sem	do	Do.
Heng Kim Dan	Long Beach State	Do.
Yos Ham	Los Angeles State	Do.
You Sam Ell	do	Do.

SPECIAL (5 STUDENTS) ALL COMPLETE 1965 [3]

Sar Savathly	Oregon University	Business machine and office practice.
O. T. Molyse Thourk (Miss)	do	Home economics.
Pech Phoeun	do	Business administration.
Kuch Sam Ol	do	Mathematics.
Sau Vandy	do	History.

NONACADEMIC TRAINING 1964 (4 STUDENTS)

Nam Yon	Michigan University	English.
Son Kha	do	Do.
Um Amrong (Mrs.)	Tennessee University	Home economics.
Mam I (Mrs.)	do	Do.

1965 (2 STUDENTS)

Nisay Bunna	Michigan University	English.
Yi Seng Long	do	Do.

[1] Los Angeles State College, Los Angeles, Calif.
[2] Long Beach State College, Long Beach, Calif.
[3] 2-year program leads toward certificate of completion.

Mr. PASSMAN. We have a going program for Cambodia, an extension of an old program continuing for Cambodia. This is no fault of yours.

Mr. POATS. I would not want the record to leave the impression that I was casting blame. I endorse Governor Harriman's——

Mr. PASSMAN. You indicated that we are getting out of Cambodia, had no program there. Then you say, "By the way, we are extending a program there out of deobligated funds." You know and I know that deobligated funds become new funds that would lapse if you did not obligate them for a new project.

Mr. POATS. I stated that we had no request for new funds for Cambodia and are closing out the program. I said there was one exception which I wanted to explain. I finally had an opportunity to do so.

Mr. PASSMAN. You have an opportunity to do everything you want to if you would not confuse the record.

Mr. POATS. We have in the hearing last year on page 402 a discussion of the participant training program in which we say about 150 Cambodians are in the United States now, each costing about $4,000 to $5,000 a year for training. They are here to be trained as teachers, many in 4-year courses.

Mr. PASSMAN. How many will go home this year? You indicated the bulk of them.

Mr. POATS. I think leaving this June will be about 30-some-odd.

Mr. PASSMAN. That is not the great bulk of them.

Mr. POATS. Leaving next June, the first year of this supplementary add-on to the present obligations, would be a larger figure. I do not have it with me.

Mr. MINSHALL. After deleting for "security" they will shrink the record to about 10 percent of its original size, Mr. Chairman.

REPUBLIC OF CHINA

TOTAL AID

Mr. PASSMAN. I want put in the record at this point the total of aid we have given to the Republic of China, out of all the 16 spigots. Also put the unexpended balance for all categories, the estimate as of June 30.

Mr. POATS. The Republic of China on Taiwan?

Mr. PASSMAN. Yes, sir.

(The information follows:)

Aid to the Republic of China (Taiwan)

	Total U.S. assistance to Taiwan, 1949-63	Fiscal year 1964 program	Estimated total obligations and loan authorizations through June 30, 1964	Estimated obligations, June 30, 1964 (pipeline)
AID total	1,191.2	2.3	1,193.5	74.0
Loans	229.3		229.3	70.6
Grants	961.9	2.3	964.2	3.4
Soc. Prog. Gr. Fund				
Food for peace	205.6	46.9	252.5	23.5
Title I (total)	(146.6)	(33.5)	(180.1)	(16.8)
Less: U.S. uses	(31.5)	(7.3)	(38.8)	(3.7)
Title I loans and grants	115.1	26.2	141.3	13.1
104(e) grant	77.1	16.8	93.9	8.4
104(e) loan	15.0	4.5	19.5	2.2
104(g) loan	23.0	4.9	27.9	2.5
Title II	10.9	5.5	16.4	2.8
Title III	70.3	9.2	79.5	4.6
Title IV	9.3	6.0	15.3	3.0
Ex-Im Bank				
Other U.S. Econ.				
Total Econ.	1,396.8	49.2	1,446.0	97.5
Loans	276.6	15.4	292.0	78.3
Grants	1,120.2	33.8	1,154.0	19.2

Assistance from international agencies

U.N. technical assistance	3.6
U.N. Special Fund	3.5
Int'l Dev. Association	15.3

Mr. NATCHER. Will the chairman yield?

Mr. PASSMAN. Certainly.

SOURCE OF PRIVATE FOREIGN INVESTMENT IN TAIWAN

Mr. NATCHER. I notice in the justifications a statement concerning 79 new industrial enterprises with foreign capital established in Taiwan. I am just wondering as to where most of this money is coming from. It is on page 27 of your justifications.

Mr. POATS. The total of foreign investment, private foreign investment in Taiwan, has been $69.8 million, of which loan capital is $42 million. Oversea Chinese provided $16.6 million in investment and other foreign capital was $11.2 million.

Mr. NATCHER. What about the other?

Mr. POATS. The other foreign, 23 American investments, equity capital, 25 Japanese, and 1 Filipino. On the loan side, 9 Americans, 16 Japanese, 2 West Germans, 1 Liberian, and 173 oversea Chinese investors.

Mr. NATCHER. Thank you.

Mr. PASSMAN. Are you familiar with the criteria used in America for public works projects?

Mr. POATS. Yes, sir, I have heard you describe them.

I have never participated in it, so I suppose the answer is that I know secondhand.

LOAN FOR TACHIEN HIGH DAM PROJECT ON TAIWAN

Mr. PASSMAN. In this connection, we would like for you to comment on the Tachien multipurpose dam, for which you approved a $40

million loan on December 9, 1960, and as of December 31, only 0.6 percent of the funds under this loan had been disbursed.

Your justification states that in order to achieve these objectives, the Chinese were informed in October of 1963 that in place of Tachien, AID would consider reserving for a reasonable time the approximately $40 million for power development projects in Taiwan, if proposed by them and acceptable to AID, and to make funds available on the same terms as the old loan.

Why did not they proceed with this project, which is now approaching 4 years of age?

Mr. POATS. May I answer that?

Mr. PASSMAN. We are asking you to comment briefly.

Mr. POATS. The Tachien project was developed by the Development Loan Fund with the Chinese, and at the time of its development a U.S. engineer-contractor evaluated the benefit-cost ratio as being slightly above unity, perhaps 1.2, that is, the benefits exceeded the cost by a sufficient margin to justify going ahead.

Mr. PASSMAN. 1.02?

Mr. POATS. 1.2 to 1.

Mr. PASSMAN. That is really marginal, is it not?

Mr. POATS. It is very close.

He took into account some agricultural benefits to be derived from irrigation from this work. He also made estimates as to the construction costs which, as we got further into this thing and as our AID mission took over responsibility for the management of the loan projects in Taiwan, began to look questionable. The estimates of price seemed on the low side.

NONFEASIBILITY OF TACHIEN HIGH DAM PROJECT

The AID mission went into it further, and further studies were done, and it became evident there was not an assurance of adequate return on the investment if we continued on the plan then being considered and widely publicized in Taiwan, that is, a high, single dam on the upper reaches of the river.

So, we began discussing with the Chinese, revision of the project, postponement of the project, or the substitution of thermal power for hydro. The Chinese were reluctant to agree to stopping this plan. They had attached a great deal of political and psychological importance to it.

Mr. PASSMAN. Did you say political and psychological?

Mr. POATS. Yes.

Mr. PASSMAN. Thank you.

Mr. POATS. It would be a great thing in the area and it would have a profound effect on conditions in that part of Taiwan.

AGREEMENT TO POSTPONE CONSTRUCTION OF TACHIEN HIGH DAM

They realized on the technical level this project was becoming a very large investment for a very narrow return. So, we have worked out with them an agreement to postpone the construction of the big hydroplant and, instead, do immediately a thermal powerplant, 300 megawatts, and a smaller hydroplant of about 200 megawatt capacity downstream from this original site.

The purposes of the loan are essentially the same, to provide power for the development——

Mr. PASSMAN. A different location, though, is it not?

Mr. POATS. A change in the location downstream as far as the hydro is concerned, and also of course, a change for the thermal.

RATIONALE FOR EXTENDING AVAILABILITY OF AID FOR ALTERNATE PROJECTS

This negotiation as to the revision of the project took place in the context of a termination of the aid program. We were talking about the phasing out of aid to China. We found it necessary to recognize that inasmuch as we had caused the delays in going ahead with the original project by our insistence upon a review, that we should not further penalize them for these delays and that we should go ahead promptly with a revised power production loan.

Mr. PASSMAN. Are you penalizing people when you recognize that they have a project that does not meet reasonable criteria, when the benefit-cost ratio is established as being inadequate, and when you give them money on concession terms?

Mr. POATS. This loan was set up at 3½ percent repayable in NT (Taiwan) dollars.

Mr. PASSMAN. Thirty years with a grace period.

Mr. POATS. Right, 1-year grace. Here we have calculated——

Mr. PASSMAN. That is Taiwan dollars?

Mr. POATS. Yes; we calculated our requirements for Taiwan dollars into the future, and we found with the Treasury Department there will be a need for the conversion of U.S. dollars to Taiwan dollars to meet U.S. Government expenses in Taiwan which exceeds all the available sources of income in Taiwan dollars. Consequently, the receipt of these dollars will be a saving in conversion of U.S. dollars by the disbursing officers. The Taiwan dollars will have the value of U.S. dollars to us.

Mr. PASSMAN. The dollars are not coming back into the U.S. Treasury. They are actually to meet other commitments in the area of Taiwan.

Mr. POATS. The payments here would relieve the U.S. Treasury——

Mr. PASSMAN. I know that as well as you do, but if you convert these dollars into American dollars, you could send them back to the U.S. Treasury, but you are going to use the Taiwan dollars to meet certain U.S. expenditures in the Taiwan area.

Mr. POATS. The U.S. Government will.

Mr. PASSMAN. The U.S. Government. I expect AID will get in on the use of them, too.

Mr. POATS. If we do, we will buy them with appropriated AID funds, of course.

Mr. PASSMAN. Mr. Bell stated, with regard to the procedures involved in the approval of development loans for public works type projects, that all of these projects were very carefully scrutinized before approval.

Since this is a new project, in reality kindred but a different project, at a different location, a different type of power, would it not have been proper to have canceled this out completely and entered into a new contract?

Mr. POATS. We will still go through the process of evaluation of the application. We are doing that now.

STATUS OF FUNDS ORIGINALLY OBLIGATED FOR THE HIGH DAM PROJECT

Mr. PASSMAN. Why do you not let this money lapse and consider it for the future?

Mr. POATS. We have not obligated these funds. They are deobligated but in reserve status. We have simply told the Chinese we will consider a new application, and they have submitted a new application.

Mr. PASSMAN. Then this $40 million—is that he amount we are talking about?

Mr. POATS. Almost $40 million, yes.

Mr. PASSMAN. You are actually going to deobligate that sum?

Mr. POATS. We are going quickly to review, without undue haste review——

Mr. PASSMAN. What do you mean by undue haste? Do you anticipate that you will make this $40 million available before June 30 for some other project in order to throw it over into obligated funds?

Mr. POATS. No. We may make one or both of these loans by June 30. I do not know.

Mr. PASSMAN. If you do not approve these new projects, you are going to carry this one as obligated or reserved beyond June 30, are you not?

Mr. POATS. Carry as unobligated but reserved, that is right.

Mr. PASSMAN. As far as looking at the amount of money available, you deduct it from the total, do you not?

Mr. POATS. I am sorry, I did not understand the question.

Mr. PASSMAN. You have over here x number of dollars. Certainly this is in obligation status. You are debiting your total amount by this $40 million, are you not?

Mr. POATS. We have deobligated these funds, and we have put them in reserve status.

Mr. PASSMAN. You have deobligated these funds, but you have kept them in reserve status rather than building up the amount of unobligated funds on hand, have you not?

Mr. POATS. That is correct.

Mr. PASSMAN. There is no project for it. You just stick it over here to be used for a different type of project?

Mr. POATS. No. We went through the formal procedure of determining there are projects for it.

Mr. PASSMAN. Projects for it, but you have not approved them yet. You have not finished your review.

Mr. POATS. That is right, but we reviewed a rather elaborate presentation with details from the Taiwan power company before we reserved the funds on engineering information furnished.

Mr. PASSMAN. In round figures, you have $40 million that you obligated for a project, and you have been carrying it since 1960. Instead of deobligating these funds, letting these funds go back into the unobligated portion of the total, you are considering a new project that will not be firmed up in all probability until subsequent to June 30, 1964, the end of this fiscal year, but you are carrying the funds that would normally be deobligated in a reserve status.

Mr. POATS. It is correct that the funds are in reserve status, but those not obligated will be included in the list of unobligated loan funds on June 30, 1964.

Mr. PASSMAN. But you are reserving funds for projects that you are yet to finalize.

Mr. POATS. That is correct. We have taken a good enough look at them.

Mr. PASSMAN. If any other agency of Government should operate on this basis, they would be subject to prosecution.

You have a project which you know very well, Mr. Poats, that you are not going to go through with. Already we have reached agreement that you are not going to go through with this $40 million project, but there is a possibility that you will go through with another project in subsequent months or years that will require about the same amount of money. Knowing that you will at some subsequent date consider or maybe finalize a project before the end of this fiscal year, you have thrown the entire $40 million into a reservation category. You do not know whether the new project will cost half or twice that amount.

Mr. POATS. No, sir.

Mr. PASSMAN. You do not know whether you are going to obligate it in fiscal 1964 or fiscal 1965, but to make sure that you do not lose the money, you are going to carry all of it in a reservation status. Is that not just about plainly stated?

Mr. POATS. We have scheduled action on both of these applications for the month of June. We have detailed examination going on right now in Taiwan. We sent out a team to do the work of examining the applications. We have the applications in hand.

Mr. PASSMAN. All of this started since October of 1963.

Mr. POATS. That is right.

Mr. PASSMAN. That gives an idea as to how carefully these projects are scrutinized. It follows, nevertheless, that if you do not allocate 15 cents to these new projects before June 30, you are fully protected on the $40 million in a reservation status.

When we get the submission from the agency that you have a certain amount of funds unobligated, it will not include the $40 million, will it?

Mr. POATS. That is right, in the sense that if part of the $40 million is unobligated then it will be shown as reserved for the Taiwan power project.

Mr. PASSMAN. Thank you, sir.

Mr. POATS. We have a letter from the Corps of Engineers which suggests to me it takes longer to bring a project to completion overseas under an AID project than in the domestic work.

Mr. PASSMAN. That does not alter the fact that if you do not obligate one dime of this $40 million you are fully protecting yourself.

You anticipate that you will have a need for approximately this amount of money, more or less, in the future, for some other project at a different location, a different type of power. So as not to let the committee know the real amount of the unobligated funds, you are going to carry it in reservation status. Yet, there is no firm obligation as such.

Mr. POATS. Mr. Chairman, these are no-year funds. I do not know quite what the evil intent is.

Mr. PASSMAN. You know exactly what I am talking about.

Off the record.

(Discussion held off the record.)

INDONESIA

INCREASE IN PROGRAMED FISCAL YEAR 1964 STUDENT PARTICIPANTS OVER NUMBER JUSTIFIED

Page 41 of the project book indicates that in fiscal 1964 you programed 500 noncontract participants and 176 contract participants, for a grant total of 676 participants for Indonesia. Is that correct?

Mr. POATS. That is right. That was the plan.

Mr. PASSMAN. How many participants did you justify last year for Indonesia?

Mr. POATS. Somewhat less than that.

Mr. PASSMAN. Let us see the number.

Mr. POATS. I will have to look it up.

Mr. PASSMAN. It could be 99 percent less or 2 percent less. Let us get it accurate.

Mr. POATS. The figure is 461.

Mr. PASSMAN. So, you actually, on an illustrative basis, testified for 461 for Indonesia, a country that we are not getting along so well with now, but you programed 676, or an increase of 215. Is that correct?

Mr. POATS. That is the program figure, yes, sir.

Mr. PASSMAN. I am reading from what you have in this book here.

Mr. POATS. About an even 500 is closer to our present projection.

Mr. PASSMAN. You asked for 461?

Mr. POATS. That is right. But last fall we advised the Congress that the new projected figure was 538.

Mr. PASSMAN. Your book shows 676. Now you estimate it will be 500.

Mr. POATS. 500 or maybe slightly over. We had hoped to reach this figure.

Mr. PASSMAN. If there had been a tight program, you would have stuck with your original request, would you not?

Mr. POATS. This is one of the few types of aid that we are continuing in Indonesia, and we think it is clearly in our interest to continue it and to get as many Indonesians as we can to this country for training ———.

Mr. PASSMAN. You knew your predecessor, Mr. Janow, did you not?

Mr. POATS. Yes.

Mr. PASSMAN. Let us get into what he said.

Mr. POATS. He was very strong for this program.

INCREASE AND EXTENSION OF AGRICULTURAL COLLEGE CONTRACT ALLOCATIONS ABOVE THE FISCAL YEAR 1964 JUSTIFICATIONS

Mr. PASSMAN. Last year in connection with the development of the agricultural college project, on page 43, the testimony indicated that the very substantial pipeline on June 30, 1963, $1,388,000, was largely

due to the 2 years' advanced funding of a university contract and, in addition, that you were requesting an additional $700,000 to extend the University of Kentucky contract for an additional year.

Also, last year Mr. Janow testified as follows:

We have no intention of seeking any additional funds after fiscal year 1964.

This year I note that you have allocated $870,000, not $700,000 for contract services, and I note that you are requesting an additional $900,000 in fiscal 1965 for contract services, pursuing the University of Kentucky contract. Is that correct?

Mr. POATS. This is the development of agricultural colleges.

Mr. PASSMAN. I quoted from Janow's statement.

Mr. POATS. We are proposing these——

Mr. PASSMAN. Have I stated it correctly?

Mr. POATS. We are proposing $900,000.

Mr. MINSHALL. What page are you on now?

Mr. POATS. Page 43.

We are proposing $900,000 for forward funding——

Mr. PASSMAN. You increased the allocation. Let us keep it in proper sequence. You allocated $870,000, not $700,000.

Mr. POATS. We increased it from $700,000 to $800,000——

Mr. PASSMAN. $870,000.

Mr. POATS (continuing). $870,000, almost entirely because of the desire to increase the number of participants.

Mr. PASSMAN. Did not Mr. Janow say he would not expect any funds after——

Mr. POATS. It was to be phased out in 1966.

Mr. PASSMAN. Did not Mr. Janow say there was no intention of seeking any additional funds after fiscal year 1964?

Mr. POATS. If that is what the record shows, he said it.

Mr. PASSMAN. I want to find out if he did. He is your predecessor.

Mr. POATS. The presentation book last year showed this project was scheduled to end in fiscal year 1965. That is, the last funding would be put in in fiscal 1965. If he said 1964, that is what he said.

Mr. PASSMAN. I quote again:

Mr. JANOW. We have no intention of seeking any additional funds after fiscal year 1964.

That is what the gentleman said. But you are asking for $900,000 for fiscal 1965, which is more than you asked for and more than you allocated in fiscal 1964. Is that correct?

Mr. POATS. That is correct. The project book last year clearly stated the project was scheduled to end in fiscal year 1965; that is, the final year of funding.

Mr. PASSMAN. I am only asking about what your predecessor assured us.

Is that what he said?

Mr. SMITH. Yes, that is what he said.

Mr. MINSHALL. It was over a year ago, but I distinctly remember this interrogation.

Mr. PASSMAN. Certainly. If we had the time to go fully into this thing and Mr. Bell then had time to read the record, he would not think this thing had been cleaned up. They do not know what they want or where they are going.

INCREASE IN UNLIQUIDATED OBLIGATIONS FOR MEDICAL COLLEGES

Page 51 indicates that the unliquidated obligations on June 30 were $1,493,000, an increase of $603,000 above your estimate of last year. In addition, page 51 indicates that you allocated $363,000 for contract services for the university contract for fiscal 1966.

First, would you explain how the unliquidated obligations last June 30 were off by $603,000 and then explain why you need $90,000 for the University of California team?

Mr. POATS. The pipeline grew because the estimated June 30, 1963, pipeline originally assumed a contract payment for $319,000 which was not actually paid until after June 30 and it included about $300,000 for participants still in training and forward funding for the University of California through October 31, 1964.

Whether that accounts for this differential between the pipeline figure estimated and the one we now see there unliquidated I am not sure.

Mr. PASSMAN. Let us be sure of something. Did I read the figures correctly, and the statement?

Mr. POATS. I didn't take it all down. What did you say estimated pipeline was last year?

Mr. PASSMAN. It grew by $603,000.

Mr. POATS. We showed last year in our notations on that sheet a revision up to $1,493,000.

Mr. PASSMAN. An increase by $603,000.

Mr. POATS. At the time we appeared before you last year we knew that figure was wrong and we apparently did not testify to that.

Mr. PASSMAN. You knew it was wrong but since we did not ask you about it you did not testify about it?

Mr. POATS. It was scribbled in ink, a revision of the printed figure. We have those on almost every sheet, Mr. Chairman.

Mr. PASSMAN. We never have actually expected you to volunteer information.

Mr. POATS. I volunteered a lot of information today which you wanted put in the record and I will do it with others. There are a number of changes on this sheet.

CONTRACT SERVICES—MEDICAL COLLEGES

Mr. PASSMAN. You are asking for—how about the contract sevices?

Mr. POATS. Use of the $363,000 in fiscal year 1964?

Mr. PASSMAN. Yes.

Mr. POATS. For 12 persons at the University of California.

Mr. PASSMAN. How much per person?

Mr. POATS. Eighty-four percent of the cost of the contract is for people.

Mr. PASSMAN. How much are the disbursements?

Mr. POATS. About $30,000 apiece; 84 percent is for people, so it is really about $25,000 each.

Mr. PASSMAN. You stated last year that fiscal 1964 funds would be needed to fund the contract for the final year of the project, fiscal 1966.

Mr. POATS. We decided to extend the project from June 30 through December 30 to allow an orderly administrative phaseout.

Mr. PASSMAN. But Congress has not decided.

Mr. POATS. We now propose to extend it for 6 months.

Mr. PASSMAN. We have to discount what they tell us one year when we get into the next? You do not live by what you justify.

Mr. POATS. This contract expires in June of 1966.

Mr. PASSMAN. I read what the man said last year.

Mr. POATS. Under the forward funding procedure we have to work that far ahead.

Mr. PASSMAN. Let us see what was said.

Mr. POATS. As we move toward completion of a job like this you have an evaluation on the work accomplished, what needs to be accomplished, whether the original schedule was correct or not.

That evaluation has been held on this project.

Mr. PASSMAN. Of what use are these books?

Mr. POATS. On the basis of that evaluation is was concluded an additional 6 months of contract service was desirable.

Mr. PASSMAN. Who concluded what, when, and where?

Mr. POATS. A group sent out from here.

Mr. PASSMAN. Did you justify it to the committee?

Mr. POATS. Justify the addition?

Mr. PASSMAN. Yes, sir.

Mr. POATS. We are proposing it to you—I see. You say this was added last year?

Mr. PASSMAN. That is my point. I am sorry you are so late catching it.

Mr. SMITH. Last year, Mr. Chairman, we asked for $580,000 for contract services, indicating that that contract was going to run through fiscal year 1966.

In fact, we have $363,000 for this contract in fiscal 1964 which brings the contract only——

Mr. PASSMAN. To run how long?

Mr. SMITH. The fiscal year 1964 funding will take the contract through October 1965, so our request for fiscal 1965 is for the additional period to bring the contract through June 1966.

Mr. PASSMAN. Here is what the book said last year; we will move on to another project.

Under the 2-year forward funding formula for fiscal year 1964 funds will be needed to fund the contract for the final year of the project.

Mr. POATS. Which would be through June 1966.

Mr. PASSMAN. You are asking now for additional funds.

Mr. SMITH. Because of the——

Mr. PASSMAN. Never mind the because. Put it in the record and justify it.

Mr. POATS. We did not use as much money in 1964 as we——

Mr. PASSMAN. The gentleman said you had an evaluation team leaving Washington to reach this conclusion.

Mr. POATS. Even with the additional 6 months schedule you will find that the composite of the fiscal year 1964 and fiscal 1965 funds for this contract is $503,000, whereas last year we proposed that we would spend $580,000.

Mr. PASSMAN. You had extra money so you extended it 6 months, did you not?

Mr. POATS. That was not the motivation.

Mr. PASSMAN. You did that, did you not, though? You funded it for an additional 6 months?

Mr. POATS. We propose that with fiscal 1965 money.

Mr. PASSMAN. The record will show you asked for too much money in the first place, and that is not unusual.

NATURE OF THE PROGRAM

Mr. MINSHALL. I would like the record to show what the nature of these contracts is, the number of people employed, the amount they received individually, and what they actually did.

Mr. PASSMAN. That would be valuable information.

(The information follows:)

INDONESIA: CONTRACT SERVICES, NATURE OF SERVICES, NUMBER OF PEOPLE INVOLVED, AMOUNT RECEIVED INDIVIDUALLY

UNIVERSITY OF CALIFORNIA (BERKELEY)—AIRLANGGA UNIVERSITY (SURABAYA)

Nature of services: The University of California Medical Center is helping to improve and expand the medical faculty, Airlangga University, by assisting in reorganizing the departments, revising the curriculums, improving laboratory and library facilities and providing inservice and U.S. training of the Indonesian faculty.

Number of people employed: 12.

Annual amount received individually: (Average figure) $26,000. This includes salary, post, and education allowances, travel, transportation of personal effects and automobile and storage of household effects.

Work performed: Eleven medical educators and one administrative assistant include the following specialties: pathology, biochemistry, surgery, hospital administration, anatomy, internal medicine, pharmacology, forensic medicine, ophthalmology, preventive medicine, and otolaryngology. These people are advising and providing inservice training to the Indonesian faculty, giving special lectures and conducting seminars.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. POATS. These are university professors from the University of California who are teaching and also selecting faculty members for study.

Mr. MINSHALL. How many are involved?

Mr. POATS. Sixteen in 1963 under the 1963 funded contract and 12 under the 1964.

Mr. MINSHALL. They make $30,000 apiece?

Mr. POATS. The cost is close to $30,000 each, counting transportation there and back.

Mr. MINSHALL. What do they do?

Mr. POATS. Sixteen percent of this contract goes to commodities; that is, equipment for laboratories.

Mr. MINSHALL. What do they do?

Mr. POATS. Teach and assist in the development of the curriculum and they select junior people for advanced study in this country, in other words, participant trainees, to go back and strengthen the faculty.

Mr. MINSHALL. What are some of the things they are taught?

Mr. POATS. This is a medical school.

Mr. MINSHALL. What do they teach?

Mr. POATS. Premedical, preclinical, clinical courses. These courses have been revised. Normally, they are not teaching them but supervising them.

They have directed improvement of physical facilities, including design of laboratories and buildings, and they have selected books for instruction in the libraries.

They have participated in working with the university on the use of Public Law 480 funds.

Mr. MINSHALL. They are not actually professors working as such but they are supervisors?

Mr. POATS. They actually teach as well as supervise.

EXTENSION OF FUND REQUESTS FOR SCIENCE AND ENGINEERING COLLEGES PROJECT

Mr. PASSMAN. You are asking $280,000 for the development of science and engineering colleges project, on page 52, despite the fact that last year Mr. Janow testified that you would not be requesting any additional funds after fiscal 1964. Is that what you are asking and is that what Mr. Janow said last year?

Mr. SMITH. That is correct.

Mr. PASSMAN. For what purpose did you allocate the $1,074,000 in contract services for fiscal 1964?

Mr. POATS. These were two contracts and two institutions involved here. You have the Institute of Technology of Bandung, and Gadja Mada University.

The University of Kentucky contract at Bandung is $688,000 in fiscal year 1964 which provides for 13 professors and administrators and also half of that amount is for participants to be trained in this country; 13 percent is for commodities so the 13 persons there are funded by 37 percent of this contract.

The second contract is the University of California at Los Angeles contract.

This is for 12 persons and there the professors represent half the cost, the participants represent 30 percent of it, and commodities 20 percent.

CONTRACT SERVICES

Mr. PASSMAN. Look at page 52. Contract services, estimate of $1,074,000. What period of time is covered there?

Mr. POATS. Contract extension?

For fiscal 1965?

Mr. PASSMAN. I said the contract service is estimated at $1,074,000 and asked what period of time is covered.

Mr. POATS. That covers the period from November 1964 through October 1965 for the Kentucky University contract, and from, however, 1964 through June 1965 for the UCLA contract.

Mr. PASSMAN. The book states the estimated unliquidated obligation at June 30, 1963, covered forward funding of the university contract through fiscal year 1965. Is that what it states?

Mr. SMITH. Yes, that is right.

Mr. PASSMAN. The book states fiscal 1964, referring now to the new book.

Mr. POATS. The 1964 funds in the pipeline include forward funding, it states here, of the UCLA contract until June 1965 and the University of Kentucky contract through October of 1965.

Mr. PASSMAN. You had funds on hand for that purpose from last year, according to your book.

Mr. POATS. That is the pipeline; that is right.

Mr. PASSMAN. You had better read the books again.

Give us an explanation.

Mr. POATS. The 1964 funds carry the Kentucky contract through October of 1965 and carry the UCLA contract through June of 1965.

Mr. PASSMAN. You had better read last year's book.

Mr. POATS. Well, let us look into that.

Mr. PASSMAN. Please do so.

(The information supplied follows:)

DEVELOPMENT OF SCIENCE AND ENGINEERING COLLEGES (497-11-660-163)

This project was presented in the fiscal year 1964 congressional presentation on page 520. In the last paragraph under "Need for Additional Funds," the first sentence is incorrect and should read as follows: "The estimated unliquidated obligations as of June 30, 1963, cover the forward funding of university contracts through fiscal year 1964." The project statement as presented in the fiscal year 1965 congressional presentation on page 52 states in the next to last paragraph that "the June 30, 1964, pipeline reflects forward funding of the UCLA contract until 1965 through June 1965) and the University of Kentucky contract until October 1965." This statement is correct.

Mr. PASSMAN. We are still in Indonesia now, the country we were supposed to get out of.

EDUCATIONAL PUBLICATIONS AND SCHOOL LIBRARIES

You have allocated $364,000 to the development of educational publications project, on page 53. How much did you justify for this project last year?

Mr. POATS. This was justified in several different projects last year.

Mr. PASSMAN. I said for this project.

Mr. POATS. It was scattered among the other higher education projects last year.

Mr. PASSMAN. But you did not have any specific——

Mr. POATS. Primarily in the higher education field.

Mr. PASSMAN. You had no specific request for this project last year?

Mr. POATS. These functions were covered in several projects last year. In higher education improvement there was one part of that project to provide for some of the services covered here.

Mr. PASSMAN. Here you have come out with a brandnew project.

Mr. POATS. We consolidated in this year——

Mr. PASSMAN. There was no indication to the committee that you would break it out and start under a new contract, now referred to as development of educational publications and school libraries, with a different number, 497-11-690-180.

Mr. POATS. You will remember that when you asked me about the new project I said there also were others. I have a list here. These were changed in title and they represented consolidations out of old projects. This is one of those.

I have several others I would like to volunteer before I am accused of withholding.

Mr. PASSMAN. Put them in the record and go to the next project.

Mr. POATS. There are three projects which fall in that category.

PUBLIC SAFETY ADMINISTRATION PROJECT

Mr. PASSMAN. I note you have allocated $948,000 in fiscal 1964 for the public safety administration project, on page 54, despite the fact that your estimate for fiscal 1964 was only $800,000. Is that correct?

Mr. POATS. That is right. The increase there——

Mr. PASSMAN. We want to know if that is correct.

Mr. POATS. That is right.

Mr. PASSMAN. Last year the justification for this project indicated that through June 30, 1963, you had obligated $4,247,000 in U.S.-owned local currencies and your estimate for fiscal 1964 was $4,940,000.

However, page 54 of this year's justification now indicates that through June 30, 1964, you will have obligated $22,363,000 worth of U.S.-owned local currency and that your estimate for fiscal year 1965 is $25,530,000.

Mr. POATS. If you notice the footnote you will see this is based upon the use of these official exchange rates which were in effect at the time.

We have the option in all of these of attempting to use the current realistic value in some inflated currencies or in selecting the official rate that was in effect at the time, or back through the years calculating this out at the proper rate.

In this case we chose to footnote the rate used and——

Mr. PASSMAN. I read it into the record correctly?

Mr. POATS. That is right. We changed our system.

Mr. PASSMAN. That is not unusual.

Mr. POATS. This gives a higher figure of obligations than the other system did.

I can understand why you would complain if we had reduced the figure——

Mr. PASSMAN. We are doing business in dollars, if you please. Please go to page 54.

Mr. POATS. U.S.-owned local currencies converted at these exchange rates.

Mr. PASSMAN. You say it is dollars. You are looking at $25,530,000.

Mr. SMITH. That is dollar equivalent.

Mr. PASSMAN. It is something we own.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. We should have at least 1 full day on every country, but we have been asked to abbreviate the hearings in order to meet a schedule. I want the record to be clear, however, that it is against my wishes to have to dispense with the asking of these tremendously important questions, but in the circumstances, I have no alternative.

AIR TRANSPORTATION, OPERATION, AND MAINTENANCE

Mr. MINSHALL. I notice on page 49 of the justifications they are installing some radio facilities. I would like more description of these. I notice you have fiscal year 1965 funding of technicians, $249,000.

Mr. POATS. You will find these projects in a number of countries. They are requested usually by the American airlines to strengthen the safety factors.

Mr. MINSHALL. Are we subsidizing the airlines when we put these installations in in foreign countries? I know you do it in this country.

Mr. POATS. The airlines and the FAA over a number of years have urged the AID to undertake this kind of project in the general area of improving transportation facilities in developing countries. They argue we are willing to invest in the improvement of other forms of transportation and that international air transportation is an appropriate area of assistance.

Mr. MINSHALL. Does the foreign government contribute to this establishment of these aids? They use them, I presume.

Mr. POATS. That is right; in some areas it is my belief, I would have to check this, it is my belief in the African countries the French are doing similar work.

Mr. MINSHALL. I refer to Indonesia.

Mr. POATS. No; not recently.

Mr. MINSHALL. What other countries use these facilities?

Mr. POATS. The other major airlines would include the Dutch, Japanese, Australian, and the British.

Mr. MINSHALL. We are footing the entire bill?

Mr. POATS. We are footing the bill in helping them to improve the air safety——

Mr. MINSHALL. We are footing all of the bill.

Mr. POATS. That is right.

Mr. MINSHALL. How much did we put in there altogether in navigation aids?

Mr. POATS. Including cost of technicians?

Mr. MINSHALL. Everything.

Mr. POATS. That shows on the book through the current fiscal year, $1.6 million. We are proposing to continue these technicians and participant training for 25 Indonesian civil aviation technicians in the United States in fiscal year 1965, which is the final year of this project.

Mr. MINSHALL. What will the entire program cost?

Mr. POATS. If we go ahead with the planned fiscal year 1965 assistance, it will add $374,000 to the figure I gave you, making a total of $1,995,000. The project is now under review.

Mr. MINSHALL. Practically $2 million where we are contributing 100 percent. You have at least seven or eight other countries using this program and they are not putting up one red cent.

Mr. POATS. I am not sure that is the case. I know of no evidence that it is.

Mr. MINSHALL. Would you find out and if it is not so would you put it in the record?

Mr. POATS. Very well.

Mr. MINSHALL. It seems out of line that we should contribute to other countries providing air service to Indonesia and they are not contributing anything.

Mr. POATS. You realize air transportation is important internally in Indonesia. They have poor long distance transportation of any sort. This is for use in their domestic air transportation.

Mr. MINSHALL. Rather than take this time give us more detail on the number of these stations they put in and what we have gotten for the $2 million.

Mr. POATS. All right; I can put that in the record.

(The information follows:)

INDONESIA-NUMBER RADIO FACILITIES AND COSTS INVOLVED

The purpose of the air transportation, operations and maintenance project is (1) the operational efficiency and safety of domestic and international commercial air traffic in and out of Djakarta, and (2) the maintenance and overhaul services of Garuda Indonesian Airways operations.

To help meet these objectives, the United States is providing necessary safety and training equipment for Djakarta's Kemajoran International Airport, technical advisory services under a PASA, with the FAA, and participant training in civil aviation.

The most important elements of this project stem from a survey of Indonesian air needs and a recommended plan of action completed by the FAA in 1960. Pursuant to that plan a visual omni range (VOR) facility was procured and installed. Equipment for an instrument landing system (ILS) began arriving in fiscal year 1964. To support the technical operation of these facilities, a ground calibration laboratory costing $76,000 was installed. A specially equipped U.S. surplus CE–47 aircraft was supplied to the GOI's Department of Civil Aviation for flight inspection and calibration of the above equipment. Five excess property Beechcraft were delivered to the GOI's Civil Air Academy for training purposes.

Through a contract with Lockheed Aircraft International, U.S. experts have been providing training for Garuda Indonesian Airways personnel in maintenance, overhaul, and other aspects of airline operations. Complementing this "on-the-job" training, Garuda and Department of Civil Aviation personnel have been sent to the United States for training in subjects such as engine overhaul, radio engineering and aircraft structure and systems.

Current emphasis is being given to putting the VOR and ILS facilities into operation and on training Indonesian personnel to operate them under FAA supervision. Present plans call for termination of this activity in fiscal year 1965, when the training objectives will have been achieved.

The United States provided VOR is located on Njumak Kitjil Island, near Djakarta. The Indonesia Government has procured three VOR units with their own foreign exchange at a cost of $225,000 plus $45,000 for auxiliary installation equipment for support of these facilities.

U.S. CONTRIBUTION TO COMMERCIAL AIRFIELDS

Mr. MINSHALL. How much have we put there in the way of airfields, commercial airfields?

Mr. POATS. We have not built any airfields in Indonesia to my knowledge.

Mr. MINSHALL. You have not contributed to them at all?

Mr. POATS. We have contributed in this way: We have allocated Public Law 480 local currencies to the budget of the civil aviation ministry and perhaps other ministries which have been concerned with construction.

Mr. MINSHALL. It came out of another spigot, then. How much have we contributed altogether out of the American taxpayers' pocket? I refer to transportation, air transportation, air navigation, airfields, airplanes, or whatever it might be.

You know we gave Sukarno not too long ago some airplanes. I have forgotten the details of the deal but we gave him some 707's if I remember correctly.

Mr. POATS. No; he bought three planes.

Mr. MINSHALL. He bought them on a crazy loan.

Mr. POATS. Absolutely commercial terms, not even Export-Import Bank was involved.

Mr. MINSHALL. We had quite a go-around on it.

Mr. POATS. The question was, How could he afford to spend cash for airplanes? We did not give him any planes.

Mr. MINSHALL. We gave him the cash to buy the airplanes.

Mr. POATS. No; we gave him specially controlled industrial equipment, spare parts and raw materials. He bought with the funds we loaned him—at 3½-percent interest, 10 years—raw cotton and industrial spare parts. You can say that he used those funds and thereby was relieved of the necessity of making those imports.

Mr. MINSHALL. That is exactly what we say.

Mr. PASSMAN. Will the gentleman yield?

Mr. MINSHALL. Yes.

Mr. PASSMAN. It has been testified to time and time and time again that all countries, even the primitive ones, earn dollars and other convertible currencies from their exports. If you credit these people free dollars down at the U.S. Treasury out of the taxpayers' till, by which they can get their needed commodities, this releases to them to that extent what they earn from their exports to do with as they please. They can do as Sukarno did and buy these superjets. It is just that simple.

TOTAL AID REQUEST

The administration requested this year $3,391,700,000 for the aid program, title I; is that your understanding?

Mr. POATS. Correct.

Mr. PASSMAN. Then, top echelon people have said that in the event there are unobligated funds on June 30, we shall say of $200 million, they would request that this figure be lowered. Are you familiar with that matter?

Mr. POATS. I know of that kind of consideration; yes.

Mr. PASSMAN. That if they have a substantial amount of unobligated funds on hand, they will ask for a reduction in this amount?

Mr. POATS. Correct.

RESERVATION OF DEOBLIGATED FUNDS

Mr. PASSMAN. If the aid agency would take projects such as one we discussed in China and go ahead and deobligate these funds and not reserve them for a contract not finalized, it would simplify the situation.

Would you go through your books and ascertain how many projects you have in a similar status as that $40 million contract?

Mr. POATS. We have no other reserved funds of that sort.

Mr. PASSMAN. That is the only one?

Mr. POATS. That is the only case.

Mr. PASSMAN. Gentlemen, we shall adjourn until 1 o'clock tomorrow afternoon.

WEDNESDAY, MAY 6, 1964.

Mr. PASSMAN. The committee will come to order.

Reviewing, Mr. Poats, you had $40 million obligated for a project out in Taiwan. We were to be paid in Taiwan dollars at 3½ percent interest, 1 year grace, 30 years. Even though we had been told previously that very close scrutiny had been given these projects, it was

determined they should not proceed with this contract, and the agency deobligated the $40 million.

But, rather than to let that money go back into the unobligated funds they placed it in a reservation status, hoping to find some other project this would fit.

It is stated on page 30:

> In order to achieve these objectives, the Chinese were informed in October of 1963 that in place of Tachien, AID would consider reserving for a reasonable time the approximately $40 million for power development projects in Taiwan.

I do not like the idea of throwing some money into reservation status for entirely different projects, at different locations from the one originally obligated. It is reserved and there is a degree of uncertainty as to when, where, and how much will be obligated in fiscal 1964, which means that if they do not obligate the $40 million for the new project, or projects, then it would be carried over in a reservation status and reserved—for what, we do not yet know, and it would be into 1965.

Mr. RHODES. You mean to say that the reservation was for no purpose at all?

Mr. PASSMAN. It was for a purpose, as you see on page 30, that they might approve a kindred project. You know the money should have gone back into the unobligated funds.

The project has since been proposed and it is under consideration, and you indicated yesterday, Mr. Poats, that you might fund some part of it in fiscal 1964.

Is that correct?

Mr. POATS. That is correct, Mr. Chairman.

Might I make a comment on several of the points you stated there? We have not reserved this fund for just any purpose. We have reserved it explicitly for the two projects which were submitted prior to our decision to deobligate and reserve these funds.

Mr. PASSMAN. Why did you not deobligate it and let it go into an unobligated category and through the regular process?

Mr. POATS. Our purpose here was not to hope to find other projects, as you put it.

Mr. PASSMAN. That is what the statement says here:

> If a proposal by them should come in—

and I am reading what you said.

Mr. POATS. We did not deobligate these funds until we had completed the review with the help of the Walker Cisler power survey team which recommended two explicit projects—a 300-megawatt thermal plant and a smaller hydroplant on the same river.

We received these projects in considerable detail. Our engineers and our loan officers reviewed them. They were reviewed by the entire agency staff concerned, with the help of the Cisler power survey team.

We stated in reply to the Premier of the Republic of China, in a letter from the Administrator, that we are deobligating the funds we had originally obligated for this $40 million project for power development and instead we were reserving funds for two other power development projects which he had submitted.

All of this was backed up by studies and attached documents from our engineers declaring these two projects to be in sufficiently advanced

and thoroughly described terms to permit the assumption we would be able to accept and approve loan applications.

Mr. PASSMAN. You stated here on page 30 of the justifications:

> Early in 1963 AID requested the disbursing bank to issue no further letter of credit. Shortly thereafter, a power survey team was sent to Taiwan to make comprehensive analysis of all aspects of the power situation in Taiwan.

Now, in the second paragraph you state:

> To achieve these objectives the Chinese were informed in October of 1963 that in place of the Tachien, AID would consider reserving for a reasonable time the approximtaely $40 million for power development.

Why did you not deobligate the funds in 1963 when you reached that decision?

Mr. POATS. We might well have done that, sir, but——

Mr. PASSMAN. I asked why you did not.

Mr. POATS. These were reserved for particular projects and not general power development.

Mr. PASSMAN. It was reserved for the Tachien Dam. Is that what it was reserved for originally?

Mr. POATS. Yes.

Mr. PASSMAN. You deobligated it?

Mr. POATS. That is right.

Mr. PASSMAN. Normally, with reference to these new projects which you were discussing, and you made your statement about October of 1963, at that stage would you have obligated $40 million out of fresh, clean money if you did not have $40 million which you had deobligated?

Mr. POATS. We were not in a position to obligate funds for these new projects, no.

Mr. PASSMAN. All right. You had $40 million you deobligated which should have gone back into the deobligated category until the projects had been finalized.

However, you said, "We will reserve this money until such time as we can justify this project if a proposal is submitted."

Mr. POATS. We acted under provisions of chapter 2, title I, section 201(e). We expect we will be able to complete the review of the loan applications which are now being studied in detail in Taiwan and we will be able to make the loans formally to these projects in the very near future.

Whether we do it by June 30 is immaterial in terms——

Mr. PASSMAN. It is not immaterial to me.

Mr. POATS. In terms of the status of the funds.

CHRONOLOGY OF OBLIGATIONS, RESERVATIONS, AND DEOBLIGATION OF FUNDS

Mr. PASSMAN. You obligated $40 million for the Tachien multipurpose dam. Is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. When did you obligate the money?

Mr. POATS. December 9, 1960.

Mr. PASSMAN. Is that when you reserved it?

Mr. SMITH. Authorized.

Mr. PASSMAN. You reduced the amount of obligated funds.

Mr. POATS. It was authorized in December of 1960.

Mr. PASSMAN. Three years thereafter it was determined that this project would not be constructed. Is that correct?

Mr. POATS. That is correct, sir.

Mr. PASSMAN. Two and a half years, which certainly indicates you had not given it this very critical examination which Mr. Bell said all projects were given.

Before you reserved the $40 million in October of 1963, did you comply with section 611?

Mr. POATS. This was done by the Development Loan Fund before it was consolidated with ICA to form AID.

Mr. PASSMAN. I refer to your language of October of 1963.

Mr. POATS. I must have misunderstood the question.

Mr. PASSMAN. Before you reserved the $40 million waiting for a proposal in October of 1963, had you complied with section 611 of the Mutual Security Act?

Mr. POATS. In essence we did, to the extent required by section 201(e) when we reserved the funds.

Mr. PASSMAN. In what way?

Mr. POATS. We had a study by our engineers, by the power survey team in the first instance and by our own engineers, who determined that the estimated costs and the proposed plan of the engineering on the projects were accurate to the degree sufficient to assume that we could consider seriously this loan application, and that these costs appeared to be in line with experience in that country and in our own programs elsewhere. We will, of course, meet all requirements of section 611 before obligating funds.

Mr. PASSMAN. On what date did you deobligate these funds?

Mr. POATS. It was during the month of November, I believe, or perhaps December.

Mr. PASSMAN. What year?

Mr. POATS. The letter from the Agency to the Government of China advising it of the decision to deobligate and reserve for these projects was February 3, 1964.

I believe that the formal deobligation was very close to that date.

Mr. PASSMAN. Then you agreed to provide the $40 million to Taiwan for a new and different project in a different part of the stream prior to deobligating the funds.

Mr. POATS. We told the Chinese we were deobligating the funds and were simultaneously reserving. The act of doing one was simultaneous with doing the other.

Mr. PASSMAN. If you will answer my question I shall be grateful.

You reserved, authorized, obligated, or debited the unobligated balances on December 9, 1960, in the amount of $40 million?

Mr. POATS. That is correct.

Mr. PASSMAN. Early in 1963 you decided that you would not go through with the project. Is that correct?

Mr. POATS. The latter part of 1963.

Mr. PASSMAN. You said early in 1963 in the record here.

Mr. POATS. All right——

Mr. PASSMAN. I am not arguing. We want to know if this is correct—early in 1963 AID requested the disbursing bank to issue no further credit.

Mr. POATS. Early in 1963 we recognized that this project needed very extensive professional review.

Mr. PASSMAN. It was finally canceled.

Mr. POATS. In late 1963 we decided we would not go ahead with the project.

Mr. PASSMAN. What is "late?"

Mr. POATS. October.

SUBSTITUTION OF NEW POWER PROJECTS

Mr. PASSMAN. Then:

To achieve these objectives the Chinese were informed in October 1963 that in place of Tachien, AID would consider reserving for a reasonable time the approximately $40 million for power development projects in Taiwan if proposed by them and acceptable to AID, and to make funds available on the same terms as the old loan.

We are dealing entirely with a different project in a different location, are we not?

Mr. POATS. We are dealing with the same kind of project. One is a smaller dam on the same river for the same purpose. Another one is a thermal project which would provide main line continuous power.

Mr. PASSMAN. Is it a different part of Taiwan further down the river?

Mr. POATS. It is further down the river, very shortly, a few miles.

Mr. PASSMAN. A loan had been canceled but you were reserving the funds. When you notified the Chinese Government that you would consider funding a new project if they submitted a proposal, that commitment within itself would not have been sufficient reason for you to have reserved $40 million out of new funds, would it?

Mr. POATS. That is correct. We did not at that time deobligate or reserve.

Mr. PASSMAN. You knew very well you would deobligate these funds and you were uncertain as to whether you would use the money but to keep from raising your unobligated balance by $40 million you put it in the reservation status?

Mr. POATS. No, sir. I think you are forgetting that during the period of the summer we had the power survey team there, the Cisler team, which recommended precisely these projects. It was only after——

Mr. PASSMAN. Must I take what you are saying now or what is in the book?

Mr. POATS. There is nothing I am saying inconsistent with the book.

Mr. PASSMAN. It is the way I interpret it.

Mr. POATS. I am sorry, but——

Mr. PASSMAN. When did you receive the power team's report?

Mr. POATS. The first draft of the report was received in August 1963.

We received the first draft of the report dealing with this matter at that time.

Mr. PASSMAN. Why did you not deobligate it prior to June 30, then?

Mr. POATS. We have deobligated it prior to June 30.

Mr. PASSMAN. Not last year. You knew last year you were not going to go through with this project.

Mr. POATS. I stated we received the first draft of the power survey report in August.

Mr. PASSMAN. Fiscal 1964?

Mr. POATS. That is right.

Mr. PASSMAN. And you decided not to go through with the project in fiscal 1963?

Mr. POATS. No, sir. We had not made that decision.

Mr. PASSMAN. You say so—early in 1963 AID requested the disbursing bank to issue no further letter of credit. Then you speak of the survey team to make a comprehensive analysis on Taiwan. It was decided, therefore, you say, that no action would be taken on the Taiwan project until receipt of the team's report, which was received in August of 1963.

Mr. POATS. We did not decide in fiscal year 1963 not to go ahead with this project. We decided in fiscal year 1963 this project was sufficiently doubtful that it needed thorough review, so we sent a team to make that review. The review was made during the summer of 1963, last summer.

Mr. PASSMAN. You answered in the affirmative, that had this money not been reserved for a prior project, a prior loan, for a different location on the river, if you had not had that $40 million authorized in that category, you would not have funded projects under discussion now at the time that you agreed to reserve the funds. It would not have been advanced to the point that you could make an obligation; is that correct? I refer to the projects referred to at the time these books were printed.

Mr. POATS. At the time of this——

Mr. PASSMAN. You would not have pulled money out of the unobligated funds and put them in a reservation status for the two projects under discussion as early as October, would you, or as early as February of this year?

Mr. POATS. That is correct.

Mr. PASSMAN. But as you had this other money, and you had deobligated the funds, rather than let the funds go where they belonged, you placed the money in a reservation status.

Mr. POATS. The Chinese had this money. We had obligated this money.

Mr. PASSMAN. The Chinese did not have a dime until it was disbursed. You were awaiting a proposal.

Mr. POATS. The old project——

Mr. PASSMAN. No; the old project is canceled and deobligated.

Mr. POATS. It takes two to deobligate.

Mr. PASSMAN. You hid in a corner $40 million, and you are holding that money for projects yet to be finalized.

You just said you would not have funded these two projects out of new funds, because they had not reached the stage that they could be funded.

Mr. POATS. I think using the term "hiding" or "holding back funds" is strong and strange language in view of the fact this is presented in the project book before you.

Mr. PASSMAN. You know and I know that if you have some projects which have not reached the stage where you could obligate or commit money that you would not make an obligation or a commitment for these new projects, but as you had $40 million previously committed for another project, which you had canceled and deobligated, rather than for the money to go back where it belonged you put it in a reservation status despite any assurance as to whether you would ever finalize these projects. At that time they had not even made a proposal to you.

Mr. POATS. We did not deobligate and we did not reserve until we had received rather detailed proposals.

Mr. PASSMAN. That makes it even worse. You kept this money in a status of being reserved or obligated, waiting for them to submit a proposal to use it.

When you say you would not have funded this new project because it had not reached that stage, and you knew you had deobligated, had canceled the old project, yet you keep the $40 million in a gray area which is hard to find.

You said there is only one situation of this nature in your area; is that correct?

Mr. POATS. Yes, sir.

Mr. CONTE. Mr. Poats, last year's presentation before this committee states as follows on page 503 of the Agency for International Development, project data, fiscal year 1964:

> As a result a new scheme was developed calling for a lower dam, thus eliminating the auxiliary dam and revising other aspects of the project. This new plan is being reviewed by a power study group which is surveying Taiwan's overall power needs and plans. A decision will be made on this project after the group submits a report this summer.

Mr. POATS. That is correct.

Mr. CONTE. In other words, last year at the presentation of your budget you explained that you were making a study of this and were going to make a report?

Mr. POATS. That is correct.

Mr. CONTE. A report in the future?

Mr. POATS. Yes.

Mr. CONTE. Also in your presentation book of this year, Agency for International Development, page 30 which has been quoted extensively, you mention again that this study has been made, and you are reserving this money, $40 million, to be made available to the Chinese for a new power project. Is that right?

Mr. POATS. That is right, for two projects, which were already being considered as you see at the time we submitted our presentation last year, 1 year ago.

Mr. CONTE. Assuming that you did not do this under this system of reserve, how else could you have done it?

Mr. POATS. We simply would have deobligated the funds by forcing this upon the Chinese Government and not giving them any assurance at all as to whether we would make alternative loans to alternative power projects.

This would have resulted in reducing the loans we had already agreed to make to China for power development, about $40 million.

Mr. CONTE. And that $40 million at that point would have reverted back to the Treasury or stayed in the program?

Mr. POATS. It would revert to the general unobligated balances for development lending which is reported at the end of each fiscal year.

Mr. CONTE. At this point, when you came up with this new project, they could have made a reapplication for the project and you could have given them the money at that time?

Mr. POATS. That is correct.

Mr. CONTE. In other words, you are laying it right out in the open in this justification, that you want to use this method and you are arriving at the same result?

Mr. POATS. That is right.

Mr. CONTE. As if you had deobligated the money and then they reapplied for the money and you OK'd the loan?

Mr. POATS. That is right. Mr. Conte, this is a major project.

Mr. CONTE. Let me say this: I have been in Taiwan and I have seen many of these projects. I have been up there and I saw the dam referred to here. I traveled all through this country about 5 years ago.

RATIONALE OF DECISION TO ABANDON THE TACHIEN DAM PROJECT

Mr. POATS. As you know, a project of this size has a psychological meaning to the people, just as a major public works project in this country does.

When you make a loan to a country for such a project and then decide to pull it back away from them because in the meantime the price calculations and other considerations have so changed as to make it uneconomical, this is not easy to explain to the public. This is a matter of technical calculation.

Furthermore, there had been no reduction whatsoever in the requirement for power in Taiwan. The problem was to be sure we used our money efficiently. It certainly made sense to use this money, this $40 million, for projects which had higher benefit-cost ratio. There was still the same need for power. We recognized this need for power and loaned funds to Taiwan for the production of power.

The change transfers these moneys, if these two loans are accepted, into more efficient power uses.

Mr. CONTE. I speak only for myself, of course; I want to commend you for not going through with the project if you felt it was not warranted or if it was too high.

Mr. POATS. I should think that would be the attitude.

Mr. CONTE. That is the way the program should be run. If you did otherwise I would be most critical.

Mr. POATS. This took a lot of difficult explaining to the Chinese Government on the political side because it did represent pulling back from a commitment.

Mr. PASSMAN. To start with, it has been admitted, by inference if not otherwise, that the project never should have been funded. It did not have the proper feasibility study. The information used to obligate the $40 million was such that you had to later deobligate it.

You know I am not criticizing the Agency for not going through with this project.

I am criticizing the Agency because they state categorically that the two new projects which you are presently considering had not reached the stage that you could fund them.

You stated that, in substance?

Mr. POATS. That is right.

Mr. PASSMAN. You deobligated the money, and you knew very well at the time you deobligated the money you never would spend one dime of the money on the original project, yet you pushed the $40 million over into a gray area. Your unobligated funds did not go up $40 million because you never returned it there. You put it over into a gray area, in a reservation awaiting a submission, or a proposal, by the Chinese Government as to whether or not they wanted to go through with other projects.

The Chinese are eligible for loans or credits. You are still getting development credit appropriations every year.

It would have been well and good to have looked at those applications when they submitted them, and then either reject them or fund them.

But you obviously wanted to keep this $40 million, not knowing whether you would receive a proposal or whether you ever would use it; and, in addition, you know and I know that had you returned this $40 million to the unobligated funds, where it belonged, then when you went back into Taiwan you would have had to negotiate a loan on a different basis.

When you reserve money for one project and you reserve those funds, commit those funds, obligate those funds on inaccurate information, you have a perfect right to cancel that project.

I know last year they said, "Yes, we justified a highway in Argentina. We could build a brick building in Algeria with that money."

I say this is not the way to handle it.

I am concerned about whether there are maybe hundreds of millions of dollars worth of projects around the world, canceled, which we know very well we will not go through with, and we have no way of knowing how much of that money should go back into the unobligated funds and be available for new projects.

What if we find out later that maybe you have $400 million around the world in this same kind of status? You say this is the only project in your area where you made such a reservation. Until recently you had no such thing as a reservation of this nature. It came in with development credits.

You had that device in the MAP because it was reserved to pay for future deliveries.

I hope that you people do not start reserving funds when there is a degree of uncertainty as to whether or not you will use those funds.

COST OF SUBSTITUTED PROJECTS

How do you know that this project, even if it is good, and you do not know yet it will be good, and you have so indicated, will cost the same amount of $40 million?

Mr. POATS. We would not be paying the entire foreign exchange costs. We would be paying $29 million on one, on the thermal project, and about $10 million on the hydro.

Mr. PASSMAN. It has not been finalized; has it?

Mr. POATS. I have the figures, not with me, but we have detailed presentation from the Chinese Government.

Mr. PASSMAN. Has it been finalized? Have you arrived at actual costs yet?

Mr. POATS. The engineers have completed their feasibility studies and the loan application with these studies attached is being reviewed in detail by a group we have sent out to Taiwan for this purpose.

Mr. PASSMAN. But has it been finalized to the point that you know the actual cost of the project?

Mr. POATS. Yes.

Mr. PASSMAN. What is the exact cost?

Mr. POATS. I haven't that with me.

Mr. PASSMAN. Can somebody get us that information?

Mr. POATS. Yes.

(EDITOR'S NOTE.—For additional discussion, see p. 532.)

Mr. POATS. I believe it would help the committee if we were to suggest, and I will suggest to the Controller and to the Administrator, that we in our reports to the Congress establish a special category, described properly as unobligated but reserved for identified projects so you would know precisely the status of funds being carried over in an unobligated or reserved status.

Mr. PASSMAN. I am not arguing that you do not have the law on your side.

This is illustrative.

I am not denying you have the right, but I do not like the idea of reserving money that should be in an unobligated status.

When you cancel out a project you have a perfect right to make loans to China?

Mr. POATS. That is right.

Mr. PASSMAN. And if you had made loans they would have been under harder terms?

Mr. POATS. If we had made new loans we undoubtedly would.

As I said yesterday, it happens that the local currency in Taiwan is required for U.S. uses so these local currency payments will have the value——

Mr. PASSMAN. We know about that situation.

NO SIMILAR TRANSACTION OF DEOBLIGATION AND RESERVATION OF FUNDS

Mr. Controller, do you know of other projects around the world similar to this one?

Mr. TENNANT. I do not know of any comparable to this transaction.

Mr. PASSMAN. That would make it the exception, then?

Mr. TENNANT. This is an exception so far as I know.

Mr. CONTE. May I finish?

Mr. PASSMAN. Certainly. I thought you had finished.

Mr. CONTE. No. I wanted to make the record clear so far as I am concerned that there is nothing hidden here and it does not take any genius to find this out.

It is on page 30, spelled out on page 30 as to exactly what you did.

It is in the justifications and it is our obligation and responsibility, as Members of Congress, to read the justifications.

You have not tried to hide this in any way, have you?

Mr. POATS. No, sir.

Mr. CONTE. In fact, if you wanted you could have hidden it through different methods.

That is all.

Mr. PASSMAN. You canceled the project more than a year ago, did you not?

Mr. POATS. No, sir.

Mr. PASSMAN. You said "early in 1963."

Mr. POATS. As I said before, sir, in early 1963 we realized this needed intensive review. We did not cancel it until after that review.

Mr. PASSMAN. In October 1963 the Chinese knew you canceled it?

Mr. POATS. No, sir.

Mr. PASSMAN. Let me read this:

In order to achieve these objectives, the Chinese were informed in October 1963 that, in place of Tachien——

Mr. POATS. October.

Mr. PASSMAN. Yes. [Continues reading:]

AID would consider reserving for a reasonable time the approximately $40 million for power development.

Mr. POATS. I understood you to say early in 1963.

Mr. PASSMAN. Early in 1963 is when you reached a conclusion. You held up early in 1963.

Then in October you told them that this project was canceled and you would reserve the money for a reasonable time, affording them an opportunity to submit a proposal.

The proposal may be well and good, but the question is that you have reserved funds for a project which had not reached the stage that you could obligate funds to it.

Is that a statement of fact?

Mr. POATS. That is correct.

Mr. PASSMAN. I have nothing else to say.

Mr. CONTE. I move we put that page 30 in the record, Mr. Chairman.

Mr. PASSMAN. If it is not classified, put it in the record.

(The page 30 referred to follows:)

TABLE V.—*Status of loans*

[In thousands of dollars and equivalent]

Country: China (Taiwan).
Borrower: Taiwan Power Co.
Funds: Development loans.
Title and number of loan: Tachien multipurpose dam, 484-22-220-516 (484-A-024).
Date approved: December 9, 1960.
Date signed: June 21, 1961.

Loan status as of Dec. 31, 1963:	*Amount*
Approved	$40,000
Letter of commitment issued	$1,560
Disbursed	$234
Repayments	$150
Interest collected	$11
Loan terms:	
Duration—years	30
Grace period—year	1
Interest rate—percent	3½
Currency of repayment	NT$

Purpose of loan: To assist in the construction of a multipurpose dam to provide electric power, irrigation, and flood control. This project was part of Taipower's long-range power development plan designed to help meet the 14-percent annual growth in demand for electric power.

Physical status: Limited work has been done on this project, including engineering investigation and design, construction of site camps and access roads.

Financial status: As of December 31, 0.6 percent of the funds under this loan had been debursed for a U.S. consulting engineering firm's services. Repayments are on schedule.

Host country contribution, procurement source: The borrower had agreed to provide local currency required by the project in the amount of US$23,953,000 equivalent for local charges and costs. In addition, Japanese supplier credits totaling $12,624,000 were available for powerhouse equipment and spillway gates and hoists. All procurement under the U.S. loan was to be from the United States.

Comments on implementation: As preparatory work for the dam construction proceeded, detailed engineering and cost studies were made which resulted in a decision that, although the original plan was economically and technically feasible, project revisions should be considered because of anticipated cost increases. Early in 1963 AID requested the disbursing bank to issue no further letter of credit. Shortly thereafter, a power survey team was sent to Taiwan to make a comprehensive analysis of all aspects of the power situation on Taiwan. It was decided, therefore, that no action would be taken on the Tachien project until receipt of the team's report; it was received in August 1963. It emphasized the need for additional power structures, but recommended deferment of the Tachien project until after the construction of additional thermal units and small hydro projects. Such alternative power schemes would: (1) provide optimum power generation at the lowest practicable cost to keep pace with increasing demand, (2) establish and maintain Taipower's credit worthiness, (3) maintain the GRC's debt-servicing capacity to attract other international lenders, and (4) provide the most economic use of AID funds for power development in Taiwan.

In order to achieve these objectives, the Chinese were informed in October 1963 that, in place of Tachien, AID would consider reserving for a reasonable time the approximately $40 million for power development projects in Taiwan, if proposed by them and acceptable to AID, and to make the funds available on the same terms as the old loan. In November, the Chinese proposed, in place of Tachien, the construction of a 300,000-kilowatt thermal plant and a small hydro project downstream from the original Tachien site. After determining that the information available indicated reasonably that the funds would be used in an economically and technically sound manner, AID informed the Chinese that the remaining $39.7 milion would be reserved for the proposed projects and a like amount deobligated from Tachien. Loan applications are being prepared.

Mr. PASSMAN. You have stated categorically it had not reached the stage where you could obligate funds and it is a new project.

Mr. POATS. That is why it is in a reserved status; that is correct.

Mr. PASSMAN. The controller says this is the only one of this type on the face of the earth that he knows anything about. He says it is the exception.

KOREA

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total amount of aid in all categories to Korea?

Mr. POATS. The total gross figure through fiscal year 1963, including all categories of economic and military aid, is $5,626 million.

Mr. PASSMAN. That does not include the cost of the Korean war?

Mr. POATS. That is right.

Mr. PASSMAN. The money for that purpose came out of the Defense appropriation, did it not?

Mr. POATS. That is right; it does include aid provided by the U.S. forces during the war.

Mr. PASSMAN. How about the other 16 spigots? How many of them did you put together? How about Public Law 480?

Mr. POATS. Total for that period is $472 million. That is included in the total I gave you.

Mr. PASSMAN. How about the international organizations?

IDA LOAN

Mr. POATS. The only international organization loan made to Korea has been by the IDA for——

Mr. PASSMAN. When you speak of loans you refer to the credits? Is it a real loan?

Mr. POATS. Yes, an extremely soft-term loan.

Mr. PASSMAN. That is what the record should show.

Mr. POATS. IDA made a loan for $14 million, I believe, about 2 years ago.

Mr. PASSMAN. What are the terms of that loan?

Mr. POATS. I believe 50 years, $14 million being the amount.

Mr. PASSMAN. How much interest?

Mr. POATS. I believe it is simply a service charge, three-quarters of 1 percent.

Mr. PASSMAN. No interest. Is repayment in dollars or local currency?

Mr. POATS. Dollars; repayment in the currency loaned.

Mr. PASSMAN. It can be converted only if the won becomes freely convertible?

Mr. POATS. No, sir; it is repaid——

Mr. PASSMAN. It is one or the other.

Mr. POATS. It is repaid in the currency in which loaned.

There is also additional aid which I have not given you.

Mr. PASSMAN. It is repayable in dollars or convertible currency; is that correct?

Mr. POATS. Convertible currencies. I believe the terms are to be paid in the same currency in which made or in other convertible currencies.

TECHNICAL ASSISTANCE GRANTS FROM THE UNITED NATIONS

In addition there have been technical assistance grants by the U.N. Special Fund.

Mr. PASSMAN. Give us the total.

Mr. POATS. $4.8 million for the Special Fund.

Mr. PASSMAN. Give us the grand total, please.

Mr. POATS. The last item is $1.6 million from the U.N. technical assistance.

Mr. PASSMAN. Give us the grand total, if you will.

Mr. POATS. These are not entirely U.S. aid. They are contributed to by the United States.

Mr. PASSMAN. The record explains that when you put it in there; does it not?

Mr. POATS. So if you want to add the U.S. aid and the international——

Mr. PASSMAN. We want the total. The people who read the record know we contribute 43 percent to some of the international accounts and 50 percent in others.

Mr. POATS. A total of $5,646 million. Repayments and interest have totaled $9 million.

Mr. PASSMAN. In what kind of currency?

Mr. POATS. Dollar and local currency repayments.

INDUSTRY AND MINING GRANT PROGRAM

Mr. PASSMAN. I note, on page 66, your estimate of $2,944,000 for the industry and mining sector of the development grant program for fiscal 1965. How does that sum compare with your program for fiscal 1964?

Mr. POATS. $827,000.

Mr. PASSMAN. The mineral production project, on page 68, which is scheduled to end in fiscal 1967, seems to be a consolidation of two projects, the coal production project and the ferrous and nonferrous metal production projects; is that correct?

NO SIMILAR DEOBLIGATION AND RESERVATION OF FUNDS AS IN TACHIEN DAM PROJECT

While you are looking that up, let me ask the controller whether, if this $40 million project was the exception in Taiwan, as you testified, and it was the only one you knew of on the face of the earth, if there were others you would have knowledge of them, would you not, in all probability?

Mr. TENNANT. There may be a question of interpretation, sir.

When I said this was an exception, this case in Taiwan is an unusual set of circumstances.

Mr. PASSMAN. That is understood. If this is the only one you know of——

Mr. TENNANT. Of that type?

Mr. PASSMAN. Yes.

Mr. TENNANT. I know of no others.

Mr. PASSMAN. Your word is good enough for me.

Mr. TENNANT. That is the only one I know of.

Mr. CONTE. Can we hear from him about this project?

Mr. PASSMAN. He has answered it, but when you get around to your turn to question, you may certainly discuss it.

Mr. CONTE. All right.

Mr. POATS. There were two projects.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

MINERALS AND MINING PROJECTS IN KOREA

Mr. POATS. There were two mining projects in Korea last year, coal production and ferrous and nonferrous metals production.

Mr. PASSMAN. How much did you request for these two projects last year and how much have you allocated?

Mr. POATS. We consolidated them because we have one direct-hire technician and one Bureau of Mines person in Korea working on both of these matters.

Mr. PASSMAN. All I want to know is how much you requested for these two projects last year.

Mr. POATS. $76,000.

Mr. PASSMAN. How much did you allocate to these two projects?

Mr. POATS. $350,000. The difference reflects, first of all, the increase in the number of participants, from 3 to 5——

Mr. PASSMAN. We know there is a reason for it. But, the record shows that you people pay but little attention, if any, to your justifications.

You may fill in the record as to what it is for.

Mr. POATS. I will have that added for the record.

KOREA'S PROJECTS IN MINERALS AND MINING

The increase in the fiscal year 1964 allocation for the project, "Increase in Mineral Production," from $76,000 a year ago in the fiscal year 1964 congressional presentation to $350,000 in the present (fiscal year 1965) congressional presentation reflects identification of additional needs as follows:

Item	Fiscal year 1964 presentation of fiscal year 1964 program	Current presentation of fiscal year 1964 program	Comments
Technicians	58,000	65,000	
Participants	18,000	30,000	
Commodities		150,000	Laboratory apparatus, mining equipment.
Contract		105,000	Additions to previously funded Pierce Management Corp. and Minerals Industries Engineers, Inc., contracts of coal utilization and beneficiation expert (about $30,000), and an iron ore use survey, respectively.
Total	76,000	350,000	

These commodity and contract items reflect decisions as to requirements needed to help the ROKG to put this industry on the most profitable basis possible, in recognition of the fact that minerals constitute Korea's greatest potential source of wealth, both for domestic uses and as a source of foreign exchange. Coal is Korea's largest extractive product; iron ore is a large foreign exchange earner, with two-thirds of the production now exported.

Mr. PASSMAN. Two projects last year were both scheduled in fiscal year 1966. Is that correct?

Mr. POATS. I assume that is correct.

Mr. PASSMAN. We want to be sure.

Mr. POATS. That is correct.

Mr. PASSMAN. When do you intend to conclude them? Have you changed the date?

Mr. POATS. We have. We decided to negotiate a contract for two purposes, iron ore survey and coal beneficiation which will require services of contractors through 1967.

Mr. PASSMAN. What will the projected additional cost be?

Mr. POATS. The cost after fiscal year 1964 would be $1,200,000. That is what the sheet shows.

I would like to comment on that. The figure we show here for fiscal year 1965 assumes the requirement of a contract extension for Mineral Industries Engineers, Inc., and for Pierce Management Corp.

I do not believe we will need to extend this contract with Pierce Management which represents $450,000 of the $978,000 you see there,

nor will an extension of Mineral Industries Engineers for more than 1 year be required.

Mr. PASSMAN. You are actually going to need only what?

Mr. POATS. I think we will need approximately $528,000 instead of $978,000.

EXPANSION OF POWER GENERATION PROJECTS

Mr. PASSMAN. I note, on page 70, that you have allocated $222,000 for expansion of power generation projects. That also represents a consolidation of two projects which were in the project book last year; is that correct?

Mr. POATS. That is correct. There were two similar technical assistance activities.

Mr. PASSMAN. How much did you request for these two projects last year?

Mr. POATS. I believe the total was $155,000.

Mr. PASSMAN. How much did you allocate for these two projects?

Mr. POATS. We have allocated for the current year $222,000.

Mr. PASSMAN. Against a request of what amount?

Mr. POATS. $155,000.

Mr. PASSMAN. Mr. Controller, I notice that rather than breaking out contracts there is a trend to consolidate them. Is there any way we can keep up with the number of projects you have?

TOTAL NUMBER OF PROJECTS WORLDWIDE

How many projects do you show this year, or do you have that information? I refer to worldwide projects.

Mr. TENNANT. About 2,300.

Mr. PASSMAN. That is not talking about subprojects, but prime projects?

Mr. TENNANT. What we call projects.

Mr. PASSMAN. How many consolidations have you had, worldwide?

Mr. TENNANT. I haven't that figure. There are some consolidations——

Mr. PASSMAN. We are running into them frequently. We want to know how many.

Can you give us information on that matter?

Mr. TENNANT. I will have to get this later and it may take some time.

Mr. PASSMAN. It is important.

Mr. TENNANT. 2,358 is the total number of projects.

Mr. PASSMAN. We have agreed that you have subcontracts and subprojects; is that correct?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We would like to know as nearly accurately as possible the number of projects there are, prime, subprojects which you consolidate under the heading of one project.

(Information supplied later follows:)

NUMBER OF PROJECTS

At the present time AID's internal procedures require that an identifying number be assigned to each project—i.e., each integrated undertaking designed to carry out a specific program objective. For each such grant project, a project agreement is entered into between AID and the cooperating country. For each

such loan project, a loan agreement is entered into by AID and the cooperating country or private borrower.

At the close of fiscal year 1963 there were 2,358 such projects which had unliquidated obligations under the economic appropriations. Many of these projects affect various activities within a cooperating country in the sense that the project operation (*a*) may occur at more than one geographic location, (*b*) may involve more than one field of activity, or (*c*) may consist of a number of phased operations designed to carry out a broad objective. For practical purposes it is not feasible to calculate on a global basis the total number of project components, subsidiary activities, or subprojects without extensive analyses of information available only at the oversea locations, and without developing a completely new set of definitions to provide comparable breakouts on an across-the-board global basis.

Since the agency's policy has generally been to minimize the number of project activities and to avoid fragmentation of projects, it is believed that the only practical statistical count that can be made at this time, is the number of specific project undertakings which we have with cooperating governments on either a loan or grant basis. The agency's count of approximately 2,300 active projects (sometimes referred to as prime projects in this hearing) is calculated on this basis and represents the number of projects that are fiscally active—i.e., have unliquidated balances in the economic appropriations as of the close of fiscal year 1963.

PROPOSED POWER SURVEY FOR KOREA

Mr. POATS. Mr. Chairman, on the projects you have asked me about, to be sure the record shows I have given you the current information, instead of obligating $300,000 in grant funds for transmission and distribution and supervisory services under the loan application we are now taking that out of the proposed loan funds rather than the grant funds.

However, we propose to conduct there in Korea a power survey similar to the one we discussed in Taiwan which would use a good part of that money, but it would be for that purpose rather than for transmission and distribution services in connection with——

Mr. PASSMAN. Have you obligated the funds?

Mr. POATS. This is in the proposed program for fiscal 1965.

Mr. PASSMAN. The justifications will have to be amended. You have taken it out of development credits rather than grant aid?

Mr. POATS. That is correct.

ESTIMATED UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Last year the two projects under discussion had an estimated unliquidated obligation of $1,053,000. This year I note that the unliquidated obligation as of June 30, 1963, was $2,315,000. Is that correct?

Mr. POATS. The figure for this year is $2,315,000.

Mr. PASSMAN. Check last year for the same two projects.

Mr. POATS. This is as of June 30, 1963.

Mr. PASSMAN. I am taking these data from your justifications.

Mr. POATS. I have no reason to doubt it.

Mr. PASSMAN. Do not take my word on anything, please. Go to your records.

Mr. POATS. I will check that.

Mr. PASSMAN. How about it, Mr. Controller? Do you find you are in accord with those figures?

Mr. TENNANT. What was the figure?

Mr. PASSMAN. $1,053,000, estimated unliquidated obligations last year.

Mr. POATS. $1.053 million

Mr. PASSMAN. This year shows $1,215,000.

Mr. POATS. That means expenditures in 1963 were not nearly as high——

Mr. PASSMAN. How much did you tell us you had allocated to the two projects?

Mr. POATS. Total obligations to the two projects through June 30, 1963, were $3,181,000.

Mr. PASSMAN. For fiscal 1964?

Mr. POATS. In fiscal 1964 it was $222,000.

Mr. PASSMAN. $222,000 and $1,053,000, does that add up to $2,315,000?

Mr. POATS. You are looking at the pipeline estimated last spring for the end of fiscal year 1963 for one of the two projects.

Mr. PASSMAN. That is correct.

Mr. POATS. The sum of the pipelines of the two consolidated projects was $2,315,000. To that you add the obligation in 1964.

Which would give total funds available for the project of $2,537,000.

Mr. PASSMAN. Do $1.053 million and $222,000 add up to $2,315,000?

Mr. POATS. No.

Mr. PASSMAN. What is it?

Mr. POATS. Instead of an unliquidated balance of $1.053 million at the end of fiscal year 1963, the actual unliquidated balance for the two projects was $2.315 million.

Mr. PASSMAN. Where did you get the additional money if you did not allocate it?

Mr. POATS. Expenditures in 1963 were much less than we projected. They were $866,000. We had predicted a higher level of actual expenditures. Total obligations through June 30, 1963, were $3,181,000 against which were expenditures of $866,000, leaving a pipeline of $2,315,000 as of June 30, 1963.

Mr. PASSMAN. You had an unliquidated balance on June 30, 1963, of $1,053,000; is that correct?

Mr. POATS. That was our projection last spring when we were before the committee, but we didn't spend as much as we originally estimated.

Mr. PASSMAN. How much did you allocate in 1964 to that account?

Mr. POATS. $222,000. That is the estimate.

Mr. PASSMAN. What is the total of those two figures?

Mr. POATS. They add up to $1,275,000, but they have no real meaning since $1,053,000 was an estimated figure which was never achieved.

Mr. PASSMAN. Now you show $2,315,000. Where did you get the extra money? One of the estimates is wrong.

Mr. POATS. Mr. Chairman, the $2,315,000 is the actual pipeline at the end of fiscal year 1963. The gross obligations figure shown in last year's project book was wrong. There must have been a difference in project makeup.

Mr. PASSMAN. If you had a pipeline of $1,053,000 and only added $220,000, if you had not spent a nickel, you could not have gotten it up to $2,315,000.

If I have $3 in my pocket and add another dollar bill to it, I do not come out with $7.

Mr. POATS. The pipeline at the end of fiscal year 1964 will be about $930,000 according to our present projections.

Mr. PASSMAN. You just stated there was going to be $2,315,000, did you not?

Mr. POATS. That was at June 30, 1963. This box must be confusing the way it is set up. That is not the way it should be read.

Mr. PASSMAN. I will try to read it your way next time.

Mr. POATS. I find it pretty difficult myself.

GROUND WATER SURVEY PROJECT

Mr. PASSMAN. I note that you have allocated for fiscal 1964 $1,069,000 for the ground water survey project, on page 73; is that correct?

Mr. POATS. That was correct at the time this book was prepared, but it now appears unlikely that we will start this survey in fiscal year 1964.

Mr. PASSMAN. How much did you request for this project last year?

Mr. POATS. We testified last year that we would put in $650,000. This was under the——

Mr. PASSMAN. Just answer the question, please.

Mr. POATS. $650,000.

Mr. PASSMAN. Did this project originate in 1963 under the project then titled "Technical Assistance to ROKG Operations"?

Mr. POATS. No, sir; this project was under "Rural Policy Planning and Survey," according to my notes. We pulled it out in our effort to break up these catchall projects and show more discrete elements.

Mr. PASSMAN. I notice, I think, that this project originated in 1960 under a title of "Technical Assistance to ROKG Operations." I am only asking if that is correct.

Mr. POATS. No, sir; it was in the project book submitted this time last year, discussed this time last year, under "Rural Policy Planning and Survey."

Mr. PASSMAN. Was that one of the consolidated projects?

Mr. POATS. That is right. We broke it out when you complained about this consolidation.

Mr. PASSMAN. Now you break some of them in again; is that right?

Mr. POATS. I do not think that is quite fair, Mr. Chairman.

Mr. PASSMAN. I think it is fair.

Mr. POATS. We have one technician working on two projects.

Mr. PASSMAN. You put the two together and allocate more money and extend the completion date.

Mr. POATS. I do not ever expect to have the last word.

VOCATIONAL TECHNICAL AND INSERVICE TRAINING PROJECT

Mr. PASSMAN. If I did not make a statement of fact, you have a right to refute what I said. Last year on the vocational technical and inservice training project you indicated that through fiscal 1963 obligations were $2,825,000, that your unliquidated obligations on June 30, 1963, would be $15,000. Is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. However, on page 75 it indicates your obligations through June 30 were $3,423,000. That is an increase of $598,000 above the presentation last year; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. And the unliquidated obligations as of June 30, 1963, were $631,000, approximately $616,000 above your estimate last year. Is that correct?

Mr. POATS. That is correct. The reason for this is we put in deobligated funds, and added excess property commodities into this project.

Mr. PASSMAN. If you had deobligated funds, if they had reverted back to the Treasury, you would not have to increase that allocation, would you?

Mr. POATS. We certainly made good use of them.

Mr. PASSMAN. It gives us an idea of the looseness of this thing. How much did you actually obligate to this project in 1963?

Mr. POATS. 1963? Do you mean 1963, sir, or 1964?

Mr. PASSMAN. 1963.

Mr. POATS. $688,000.

Mr. PASSMAN. Last year the justifications indicated this project would be completed in fiscal 1966. Page 75 this year indicates it is now scheduled for completion in fiscal year 1967; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Can you assure us it will be completed in 1967?

Mr. POATS. I can only state at this time, sir, without looking into this further, that that is the present intention of the mission in Korea. I have no reason to doubt this will be carried out, but I cannot guarantee it.

Mr. PASSMAN. You certainly have a lot of leeway in that answer.

TECHNICAL ASSISTANCE TO ROKG ACTIVITIES

I note that you have allocated $291,000 to the technical assistance to ROKG activity project, on page 76; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. POATS. $178,000. We decided to add short-term consultants and demonstration equipment.

Mr. PASSMAN. Did you just have to make jobs for some fellows who were on the waiting list?

Mr. POATS. No, Mr. Chairman, those are temporary consultants, 4 months each on the average for Government operations, tax accounting, administration, customs.

Mr. PASSMAN. I just want to show what you obligate as compared to what you request on these projects.

CIVIC ACTION PROJECTS

I note that you request $500,000 for civic action projects, on page 78, the same amount as was allocated to this purpose in fiscal 1964; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. What type of commodities do you need in this project that require a long leadtime?

Mr. POATS. This is heavy construction equipment and heavy construction materials.

Mr. PASSMAN. What is the leadtime?

Mr. POATS. I would say in the order of 12 months at a minimum and sometimes it runs longer. These are procured largely through the Defense Department. It can run as long as 18 months.

Mr. PASSMAN. What kind of equipment is this?

Mr. POATS. Heavy construction equipment. The Army uses the equipment to build roads, schools, and so on.

Mr. PASSMAN. It is not special equipment; it is standard, is it not?

Mr. POATS. It is not often possible to get heavy contruction equipment off the shelf. A number of private contractors have to invest considerable funds in acquiring these stocks because they cannot depend on quick delivery on heavy construction equipment.

In fact, there is another explanation for this large pipeline. That is that the funds were obligated late in the fiscal year.

Mr. PASSMAN. That fact has been true generally, has it not?

Mr. POATS. It is acutely true, sir, it is a problem we hope to cure this year.

OBLIGATION AUTHORITY UNDER CONTINUING RESOLUTION

Mr. PASSMAN. You operate under a continuing resolution, do you not?

Mr. POATS. We have not made adequate use of it, in my opinion.

Mr. PASSMAN. You did have a continuing resolution, and under the continuing resolution you could obligate more each 30 days than was appropriated for fiscal 1964; is that not correct?

Mr. POATS. The Agency can obligate at the same rate as the previous year for the same fund category.

Mr. PASSMAN. Under the continuing resolution, you had the right actually to obligate at a higher figure than the funds which were eventually appropriated; is that right?

Mr. POATS. We had the right, but as an administrative practice we did not do it.

Mr. PASSMAN. You have operated under the same type of system for the 9 years I have been chairman of this subcommittee.

TECHNICAL SUPPORT PROJECT

Last year you requested $589,000 for 33 authorized positions under the technical support project. This year I note that you have allocated $873,000 for the cost of U.S. technicians. What is the basis for this very substantial increase of $284,000 above what you requested last year?

Mr. POATS. We have shifted some personnel from projects into tech support. There is an increase in technicians.

Mr. PASSMAN. Shifted from where and for what reason?

Mr. POATS. We shifted from a number of terminating projects.

Mr. PASSMAN. You had to utilize them? Why not let them come home?

Mr. POATS. You will note in the total staff, the staffing sheet will show the total number of technicians in Korea did not stay the same but was reduced.

Mr. PASSMAN. That is commendable.

You requested a certain amount of money for this project, but you increased it substantially, the reason being you had technicians coming off projects that had terminated or were terminating?

Mr. POATS. Projects that were terminating for which no new funds were required, but for which there was need for these people on the job for some additional months.

Mr. PASSMAN. You did not know these jobs would be terminated when you were before the committee last year, but after you terminated these jobs, you decided you needed more money on the project to take care of those you had terminated on other jobs. Is it just that simple?

Mr. POATS. There are terminating projects——

Mr. PASSMAN. If you had not terminated them, you would not have increased the allocation to this project, would you?

Mr. POATS. We did not send them home during the course of the fiscal year, but the fact is we had 83 technicians under program funding in Korea in 1963, and we propose by the end of this fiscal year to have it reduced to 66.

Mr. PASSMAN. Very commendable. Now, if you will, please answer my question.

Mr. POATS. I think I have answered it before.

Mr. PASSMAN. I said, when you justified this item last year, at a subsequent date you had contracts that had terminated or were terminating, making available certain technicians which at the time you testified for this money you did not know would be available. If they had not become available from terminated projects, would you have increased the allocation to these projects, nevertheless?

Mr. POATS. No.

Mr. PASSMAN. Thank you.

SODA ASH PLANT DEVELOPMENT PROJECT

Last year we discussed the soda ash plant development credit, on page 80. Mr. Janow described it as a "sick" project, and in response to a question as to when funds for this loan would be deobligated, the agency submitted an insert, which I quote:

> The unliquidated loan funds on this project will be deobligated not later than December 31, 1963, unless by that date a full reworked loan justification is submitted which clearly demonstrates that the project is economically sound.

Have you deobligated these funds yet?

Mr. POATS. No, sir; we received the plan for revision of the project. The owners of the plant have agreed to come up with the additional equity investment that we required. The new site was examined and determined to be an improvement on the originally proposed site. The question of availability of salt and the price of salt was settled satisfactorily. There remained a major financial question as of the end of the calendar year.

(Off the record.)

Mr. PASSMAN. When did you obligate funds for this "sick" project?

Mr. POATS. December 1959.

Mr. PASSMAN. It remained sick, right at the point of death, until May 1964, then recovered for a different location; is that correct?

Mr. POATS. It is the same project, same plant capacity, same source procurement, et cetera. The only question here was the site and the degree of equity participation.

Mr. PASSMAN. Did I make a statement of fact, that you changed locations?

Mr. POATS. Yes; changed locations.

Mr. PASSMAN. How do you know it is not going to get "sick" again?

Mr. POATS. I suppose we never have a guarantee of that, but we have a thorough analysis of it by experts in this field. We believe that if they go through with their plans to provide the additional equity, there is a good chance that this plant, producing essential chemicals that are imported now, will make a good contribution to the Korean economy.

Mr. PASSMAN. It is to be finalized yet. You said if they go through with it, if they—if who goes through with it?

Mr. POATS. The company.

Mr. PASSMAN. Is it not a matter of fact that this is strictly in the paper stage at this time?

Mr. POATS. No; we have exchanged letters on this.

Mr. PASSMAN. What are letters but paper? Has there been any construction?

Mr. POATS. No; we have had the engineering completed and some site work.

Mr. PASSMAN. Are we not actually dealing with paperwork from 1959 up until now, going into fiscal 1965?

Mr. POATS. We have not completed the papers; that is correct.

Mr. PASSMAN. These people are yet to come up with their financial end of it; is that right?

Mr. POATS. They have agreed to double stockholder subscriptions. You understand they could not proceed themselves until they had a clear knowledge of the exchange rate.

Mr. PASSMAN. Here we are, with this sick project, for which you have been carrying money obligated since 1959. We are now considering funds for fiscal year 1965, and you still have a high degree of uncertainty as to whether this project will ever go forward. We are still dealing with paperwork, waiting for the participants, the Koreans, to come up with their part of the finances. How much are they going to endeavor to raise?

Mr. POATS. 250 million won in addition to the 250 million they had subscribed to previously. Altogether their capital will amount to 500 million won, or the equivalent of $2 million.

They are going to raise an additional 250 million won.

Mr. PASSMAN. Are those people eligible to borrow from the United States out of the different funds?

Mr. POATS. I beg your pardon?

Mr. PASSMAN. Are these individuals who are going to come up with the $2 million eligible for loans out of the development credit fund of the United States?

Mr. POATS. No; we are making only the original loan for this project.

Mr. PASSMAN. They are supposed to come up with what amount?

Mr. POATS. The borrower has to raise locally in equity capital investment an additional $1 million.

Mr. PASSMAN. With reference to the people in Korea who are endeavoring to raise $1 million, are those individuals eligible for any type of U.S. loans, direct?

Mr. POATS. No, sir; not for this purpose.

Mr. PASSMAN. Could you identify these people?

Mr. POATS. Yes; I can. I can do it for the record.

(A classified document was submitted to the committee.)

Mr. PASSMAN. Have you a report concerning the stability and net worth of these people?

Mr. POATS. We have reports on that from several sources.

These are people who have interests in a number of industrial fields.

Mr. PASSMAN. Where?

Mr. POATS. I will have to provide this for the record.

Mr. PASSMAN. Are they in Government?

Mr. POATS. No, sir; they are businessmen.

Mr. PASSMAN. Could you give us something of their records, a little résumé of their worth?

Mr. POATS. Yes; I will be glad to do that.

(Information was furnished the committee.)

Mr. PASSMAN. You can assure us they have no source of supply from the U.S. Government?

Mr. POATS. Certainly we would require them to raise investment funds for this purpose.

Mr. PASSMAN. You are not going to ask them where they got the money?

Mr. POATS. Provided it is invested on equity terms, it would be satisfactory.

Mr. PASSMAN. If they come up with $1 million more, will you find out where they got it?

Mr. POATS. No; I do not think that would be applicable any more than in this country, a bank would not require that.

Mr. PASSMAN. Sometimes they do. A bank would want to know something about it. A bank would want a financial statement.

Mr. POATS. The question is whether or not the corporate entity itself is financed by equity funds.

Mr. PASSMAN. This project is still running a temperature, it is still "sick," and it will be in this category until these people come up with their money; is that correct?

Mr. POATS. That is right.

QUALIFICATION OF PROJECT FOR LOAN AUTHORIZATION

Mr. PASSMAN. The project that we are considering normally would not have reached the stage that you could positively obligate money if you had not previously obligated it, would it?

Mr. POATS. Yes, this project is in a position in which we would normally authorize a loan.

Mr. PASSMAN. And obligate the funds? At what stage did you reach that position?

Mr. POATS. This would be in the status awaiting fulfillment of a condition precedent under a loan agreement in which we require as one of the conditions of disbursement, the deposit of equity. It is at that stage.

Mr. PASSMAN. Did we require that type of agreement 5 years ago?

Mr. POATS. We required a lower amount of equity.

Mr. PASSMAN. Do you have any reason to believe they will be able to raise the higher amount?

Mr. POATS. They did raise the lower amount. In the meantime there has been a change in the salt price, representing 30 percent of

the raw material cost, there have been changes in the exchange rate and changes in the tariff, and there has been a change in the imported competitive products.

Mr. PASSMAN. Are you going in with a larger plant?

Mr. POATS. It is the same size plant.

Mr. PASSMAN. At a different location?

Mr. POATS. A different location.

Mr. PASSMAN. Are we going to be repaid with won?

Mr. POATS. No. Under the new arrangements, we will be paid by the Korean Government in dollars. The company will pay the Korean Government in won, but we will get our money in dollars.

DISBURSEMENTS AGAINST PROJECT

Mr. PASSMAN. Have you disbursed anything on this project? Has there been any construction?

Mr. POATS. $289,000 has been disbursed.

Mr. PASSMAN. I am talking about anything other than paperwork. There has been no construction, has there?

Mr. POATS. There has been some site preparation work, but no construction.

TERMINATION DATE OF LOAN AGREEMENT

Mr. PASSMAN. When are you going to finally cancel this out if these people do not come up with this money? Do you have a target date?

Mr. POATS. We have already informed them earlier this year that we will go ahead, they may go ahead with this project provided they meet our conditions. The main one is this.

Mr. PASSMAN. They had planned last year to actually cancel this project on December 31—"unless." When are you going to determine that this thing should be canceled? It is getting long whiskers. How long are you going to give these people to raise the additional $1 million before you cancel this and make these funds available for new obligation?

Mr. POATS. I would have to check the terminal date shown on the loan agreement.

I do not have it with me. I will check it. We have a terminal date, a date of termination.

Mr. PASSMAN. Do you have any idea when you are going to have a cutoff?

Mr. POATS. I will have to check this and correct it, if I may. My personal inclination would be to require them to come up with the meeting of all conditions within the next 2 or 3 months. Now they know the new exchange rate, they know the tariff, they know the salt price, they should be able to go ahead.

Mr. PASSMAN. Do you think you could make it by June 30?

Mr. POATS. In addition to the investment already made, Oriental Chemical's stockholders have agreed to put the balance of their money into the company on a schedule which will keep the company well ahead of its cash needs during the construction period. We expect to formalize the reopening of this project in the very near future on this basis. I will try very hard to get this done by June 30, but I cannot guarantee this.

Mr. PASSMAN. As indicated earlier, we are having to dispense with asking a lot of important questions about this program. We are trying to meet a target date. We are working under an ultimatum.

Mr. NATCHER?

Mr. NATCHER. I notice in the justifications for the ground water survey project, the statement that as far as technicians are concerned, some 10 AID direct hire technicians would be funded for fiscal year 1965 and a smaller number of contract technicians. Can you give me some idea as to the smaller number?

Mr. POATS. We have struck that out. I have a later note here saying that part of this plan has been deleted. There will be no contract technicians on that project.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Conte?

RESERVATION OF DEOBLIGATED FUNDS FOR POWER PROJECTS ON TAIWAN

Mr. CONTE. If I may, out of order, I would like to ask Mr. Tennant that question back on the power project in China.

Mr. Tennant, I believe you said that in regard to this project, where the money was reserved, the method used here was the only one of its kind in the entire foreign aid program. Is that correct?

Mr. TENNANT. Yes, sir; I think when you talk about the transaction of deobligating and reserving for these two additional projects, it is the only one of that type of transaction I know about.

Mr. CONTE. Does that make it wrong? You are the controller, are you not?

Mr. TENNANT. I am the controller of AID, sir. My remarks were not intended to convey any impression that there was anything irregular about this transaction. There was a letter written from the Agency to the Chinese Government expressing these terms, as was brought out by Mr. Poats. The transaction was handled in accordance with that commitment to the Chinese Government.

Mr. CONTE. In your estimation, there is nothing irregular about it?

Mr. TENNANT. No, sir.

Mr. CONTE. That is all.

Mr. PASSMAN. It is the exception. The Administrator said that they had deobligated the funds from the old project, and if they had not placed those funds in a reservation category, the new project at this stage would not have reached the point that they could obligate the funds.

Such a procedure seems to me to be somewhat irregular.

Mr. CONTE. I just want to make sure the record is clear. I am not that keen on these programs, but as a lawyer I feel the record should be complete.

Mr. Tennant, I again direct my question to you. Is there anything improper in regard to the method that was used in this particular loan by the AID?

Mr. TENNANT. I do not think there was anything improper, sir, in the method used in this particular transaction.

Mr. CONTE. Let me ask you one further question. Had money been deobligated and then reloaned to the Chinese Government, this money would not revert back to the Treasury, there would not be a saving of $40 million, would there?

Mr. TENNANT. If it had been reloaned?
Mr. CONTE. Reloaned.
Mr. TENNANT. No, sir.
Mr. CONTE. It could have been reloaned?
Mr. TENNANT. Yes, sir; subject to the conversations and the points Mr. Poats raised to the effect that he wanted to work out some details on the two proposed projects.
Mr. CONTE. The minute AID deobligates the money, does it mean that automatically that money falls back into the Treasury?
Mr. TENNANT. No. These funds remain in the Development Loan corporate revolving account.

PROCEDURE FOR TREASURY WITHDRAWALS AND RETURNS

Mr. PASSMAN. If I understood our procedures correctly, no money is ever withdrawn from the U.S. Treasury until a check is written and somebody cashes it. Is that correct?
Mr. TENNANT. Until the Treasury writes a check.
Mr. PASSMAN. And it is cashed. Is that right?
Mr. TENNANT. Yes, sir. However, the figures I give you on disbursements——
Mr. PASSMAN. I understand it, but is it not true that when we say we return something to the U.S. Treasury, it has never really been withdrawn from the Treasury, that it returns to the account of the unobligated or unspent funds; is that not correct? I am not trying to ask you about this case, but nothing goes back to the Treasury until it has been withdrawn.
Mr. TENNANT. I think the term "turning back to the Treasury" has been used to a large extent in Government parlance as moving from agency control back into the Central Treasury control, and hence not subject to the control of the agency.

DISPOSITION OF DEOBLIGATED FUNDS

Mr. PASSMAN. You do have substantial funds out of deobligated funds that go back into the deobligated fund account, do you not?
Mr. POATS. We have funds which do stay in our accounts, unobligated, only if reappropriated by Congress.
Mr. PASSMAN. I mean if they did not lapse, if you deobligate a project, we shall say out in "Randolphville," when you deobligate that project, that money automatically reverts to that account and increases the unobligated funds by that amount, does it not?
Mr. TENNANT. That is correct, sir.
Mr. PASSMAN. Thank you, Mr. Tennant. If course, that is what we are interested in, controlling the unobligated funds.
When you put money in a reservation status, holding it for a project that is yet to be finalized, it is not returned to that account, is it?
Mr. TENNANT. It is in that account.
Mr. PASSMAN. You do not increase the account by that amount, do you?

RESERVATION OF UNOBLIGATED FUNDS

Mr. TENNANT. In this case it is in that account, it is in the balance. It is earmarked.
Mr. PASSMAN. You did not increase the unobligated funds by that amount, did you?

Mr. TENNANT. We did.

Mr. PASSMAN. When you tell us the unobligated balance, is this $40 million included?

Mr. TENNANT. It will take a little explanation.

Mr. PASSMAN. Just take your time.

Mr. TENNANT. Our accounts are set up at the present time to show two types of earmarking. One is loan authorizations, the other is obligations. This transaction was in fact deobligated at the time that the loan agreement was cut back. At that time a commitment was made to the Chinese Government that this money would be temporarily earmarked. We do not have a separate column or account for this earmarking in the sense you are talking about. This amount is carried as unobligated with a footnote as reserved or earmarked for these two proposed loan agreements.

Mr. PASSMAN. Which reduces——

Mr. TENNANT. It is carried as unobligated in that sense.

Mr. PASSMAN. Which reduces the total amount of unobligated funds in this fund by that amount?

Mr. TENNANT. No. Technically we are carrying it in the unobligated with a footnote on it.

EFFECT OF TAIWAN POWER PROJECT DEOBLIGATIONS ON FISCAL YEAR 1964 UNOBLIGATED BALANCE

Mr. PASSMAN. What is the figure for unobligated, purely unobligated funds, available for Mr. Poats as of June 30, the estimate?

Mr. TENNANT. The estimated unobligated development loans—that would be something like $2.3 million as of June 30, 1964; perhaps $2 million or $3 million.

Mr. PASSMAN. $2,300,000; is that right?

Mr. TENNANT. That is right, about $2.3 million; in the range of $2 million or $3 million.

Mr. PASSMAN. You will have $2,300,000. If you had not had this reservation, then it would have been $42 million, would it not?

Mr. TENNANT. No, sir. In the estimates, this transaction is estimated as being finalized in this fiscal year.

Mr. PASSMAN. It is committed but you will have $2,300,000?

Mr. TENNANT. Yes, sir, on the assumption——

Mr. PASSMAN. If this contract is not finalized and falls through, you are going to have $42,300,000; are you not?

Mr. TENNANT. That raises another technical problem, sir.

Mr. PASSMAN. You are not answering my question.

Mr. TENNANT. I want to answer it honestly.

Mr. PASSMAN. If you do not finalize these projects and they are canceled, that $40 million would become available in strictly unobligated funds, and would you have $42.3 million, if you did not use it?

Mr. TENNANT. On the assumption that they are canceled, yes.

Mr. PASSMAN. That is all I wanted to find out.

ESTIMATED COST OF NEW POWER PROJECTS ON TAIWAN

Mr. POATS. You asked a while ago, Mr. Chairman, about estimated costs of the new projects. While on that subject, perhaps you would like to have them.

I am told by telephone that the estimates we had before us at the time we decided to reserve these funds were that the new hydro, the smaller hydroplant, would cost in foreign exchange about $20 million for the dam itself and hydro facilities attached.

The new thermal plant would be approximately $30 million. There will be a local currency cost, of course, of construction and also transmission and distribution facilities which will be higher in the case of this new pair of projects than for the single original project.

Mr. PASSMAN. The new project is higher?

Mr. POATS. Certain transmission costs would be higher but those local costs will not be borne by the United States. They are local currency costs to be borne by the Taiwan Power Co. The estimate before us at the time of reservation would require an AID loan of about $10 million for the hydroplant and about $29 million for the thermal plant.

Mr. PASSMAN. If these projects actually materialize and you fund to this extent, there will be some money reverting? You have already spent $1,560,000 in engineering?

Mr. POATS. We have disbursed less than $300,000. We would use the approximate balance and the Chinese would have to borrow additional funds. They plan to borrow from Japan for some equipment to be used in the hydroplant in addition to the figures I gave you.

Mr. PASSMAN. How much do they propose to borrow from Japan?

Mr. POATS. They estimate $11 million.

Mr. PASSMAN. What will be their purchase from Japan?

Mr. POATS. Some of the electrical equipment.

Mr. PASSMAN. What will be the amount of the purchase from Japan?

Mr. POATS. It depends on the size of the loan they get from Japan. They do not have it yet. The estimate is $11 million.

Mr. PASSMAN. Can you tell the committee the purchases from Japan will be limited to that amount?

Mr. POATS. In any case, this would not be U.S. money. They would borrow from Japan additional funds because our funds are not adequate to cover these two projects.

Mr. PASSMAN. What is the total cost of the two projects, finally?

Mr. POATS. It appears likely to be about $50 million in foreign exchange.

Mr. PASSMAN. Do you have any idea as to what commodities we will sell against the total?

Mr. POATS. We would supply engineering and construction services and power generators and auxiliary equipment.

Mr. PASSMAN. To the extent of the total $40 million?

Mr. POATS. The likely ratio of exported commodities to total price, is that your question?

Mr. PASSMAN. Yes.

Mr. POATS. It will be entirely U.S. procurement. Every single dollar's worth of our loan would be for procurement of U.S. goods and services.

Mr. PASSMAN. That was my question.

Mr. POATS. Entirely.

Mr. PASSMAN. Mr. Minshall?

INCREASE IN FISCAL YEAR 1965 AID LEVEL FOR KOREA

Mr. MINSHALL. In examining the Korean sheets, I notice that there is an increase of $14 million in the total aid level this year over last year. In view of your glowing statements about the stability of the economic situation and conditions in Korea, why do we need this increase?

Mr. POATS. This is on the gross total figure. The increase there is not as great as that set of figures suggests. The total figures for Korea for this year——

Mr. MINSHALL. Here are the figures I was going by. You may correct them. You are proposing $120 million this year; is that correct?

Mr. POATS. That is correct.

Mr. MINSHALL. That is against $106.4 million last year. Subtracting, I get $14.2 million increase.

Mr. POATS. The point is the $66.2 million for supporting assistance is wrong. The correct figure is $76.2 million.

(Off the record.)

Mr. POATS. You are comparing here between 1964 and 1965. The comparison really is between $116.4 and $120.6 million, a difference of about $4 million. That is all in loans.

PROPOSED LOANS TO KOREA

I have a loan list I can show you which shows loans we propose to make in Korea on which we already have applications. Here is the list.

Mr. MINSHALL. Put it in the record and indicate the terms.

(A classified document was submitted to the committee.)

Mr. POATS. They add up to $42 million of quite hard projects in advanced stages of consideration, and $31.9 million of additional possible projects. We propose a loan program of $40 million. Assuming some of these will slip——

TOTAL AID TO KOREA

Mr. MINSHALL. Would you put in also our total economic and military aid at this point in the record, if you happen to have it available?

Mr. POATS. $5,600 million.

Mr. MINSHALL. That is all I have, Mr. Chairman.

Mr. PASSMAN. Mr. Gary?

U.S. MILITARY SUPPORT COSTS FOR KOREA

Mr. GARY. I expect it is classified as to how many troops we have in Korea today, is it not?

Mr. POATS. I do not believe so in round numbers. It is about 50,000.

Mr. LOFTUS. About 50,000 approximately.

Mr. GARY. Out of these funds, what part of their cost do we contribute? For our own troops we provide full cost?

Mr. POATS. Yes, sir.

Mr. GARY. How many local troops are there?

Mr. POATS. About 600,000 local troops.

Mr. GARY. What part of their cost do we provide?

Mr. POATS. We provide practically the entire military hardware that they require, including replacements, ammunition, et cetera. We provide part of their consumable costs such as uniform equipment, blankets, drugs, and petroleum products. We provide about two-thirds of the Korean defense budget local currency costs. The counterpart and Public Law 480 local currency generations are given to the Korean military budget and to the civil budget. The military budget is two-thirds financed by U.S. aid-generated funds.

Mr. GARY. How much does that cost us all together?

MILITARY ASSISTANCE PROGRAM COSTS

Mr. POATS. The military budget support for 1964 is 15 billion won which converts at the new exchange rate to about $60 million.

The MAP costs for military assistance, hardware, and those consumables that are now under MAP, $142 million in fiscal year 1964. Of that $142 million, about $25 to $30 million was in the form of consumables including POL. We are transferring these consumables on an annual, gradual basis over to the Koreans to finance.

One of the reasons we have to maintain this import program level here, import financing at ——— million next year is that we are having to transfer from MAP some of these military consumable costs. So the Korean foreign exchange will be hit for additional foreign exchange costs of importing the raw materials. For example, some of the crude oil they will import for their own refinery will make POL for the military.

This inhibits our capacity to further reduce the supporting assistance because we are engaged in balance-of-payments gap support.

Mr. GARY. But it costs us $140 million all together?

Mr. POATS. On the MAP side. If you add in the dollar equivalent of local currency contributions to the military budget, another $60 million at the present exchange rate would be involved, making $200 million. I think that pretty well covers all the contributions.

COST OF MAINTAINING U.S. TROOPS

Mr. GARY. How much would it cost us to maintain as many of our own soldiers in Korea as the Koreans now maintain?

Mr. LOFTUS. I can give you a figure on that, sir. It is an average estimated cost per man-year of maintaining a U.S. soldier in Korea of approximately $4,000. If you multiply that by approximately the number of Korean troops it gives you a figure. These figures I just got from our comptroller. They have been submitted to your committee as an insert to the record of April 9, 1964.

Mr. GARY. I thought you said they had ——— troops——

Mr. LOFTUS. That is right.

Mr. GARY. That we are helping to support. If you multiply $4,000 by ——— it would cost us in the neighborhood of ———.

Mr. POATS. On the order of $2 billion. We would not need to fully replace them. This is not quite comparable. If we had ——— troops there, my calculation shows ——— billion.

Mr. LOFTUS. ——— billion.

Mr. GARY. That is rather than the $200 million we are paying.

Mr. LOFTUS. To replace man for man—U.S. men with Koreans now in active service, yes, sir.

Mr. GARY. That would be on the order of $2 billion compared to $200 million we are now putting out?

Mr. LOFTUS. We are putting out $142 million in fiscal year 1964 plus the budget support figure of approximately $150 million a year.

Mr. POATS. I am using the new exchange rate, giving the benefit of the doubt. During the course of this year the dollar equivalent of this budget support is higher than $60 million because during the first quarter of the year, until last Sunday, the exchange rate was 130 to 1. Actually, for the whole year you might say our budget support amounts to $80 million.

Mr. LOFTUS. It would be $220 million.

Mr. GARY. $220 million compared with on the order of $2 billion?

Mr. LOFTUS. Yes, sir.

Mr. GARY. That is all.

Mr. PASSMAN. We have 50,000 U.S. troops there?

Mr. LUFTUS. Yes, sir. Approximately.

TOTAL AID TO KOREA SINCE 1946

Mr. PASSMAN. Aid to South Korea, not counting the cost of the Korean war, to maintain our troops and to support Korea, has been, I believe you said, $5,600 million; is that right?

Mr. LOFTUS. The total aid since the Korean war, I think Mr. Poats said.

Mr. POATS. That is not since the Korean war. That is for all time since 1946.

PER CAPITA COST OF U.S. TROOPS

Mr. PASSMAN. What is the cost of our U.S. troops in Korea? What is the per annum cost?

Mr. LOFTUS. Of keeping our troops in Korea?

Mr. PASSMAN. Yes, sir.

Mr. LOFTUS. I believe we provided this to you. I have a per capita figure. We would have to multiply it. It amounts to about $4,000 per man as the average figure of maintaining one of our soldiers in Korea, considering only pay, allowances, subsistence, and individual clothing.

UTILIZATION OF U.S. TROOPS IN TROUBLE SPOTS ABROAD

Mr. PASSMAN. We must first make up their minds as to whether it is to our interest to have American troops in every nation on the face of the earth. If it becomes our responsibility, then the troops just would not hold out, we would not have enough to go around; is that right?

Mr. GARY. I thought we were discussing Korea, Mr. Chairman.

Mr. PASSMAN. I am not arguing with your position.

Mr. GARY. I thought we were discussing Korea.

Mr. PASSMAN. We are discussing Korea, but we have a limited number of military personnel. If we attempted to fully man all armies all over the world where there are trouble spots, our men would not hold out. We do not have that many men, do we?

Mr. LOFTUS. We would have to increase the size of the Army.

Mr. PASSMAN. Consequently, you have to rely upon local people, do you not?

Mr. LOFTUS. Yes, sir.

Mr. PASSMAN. In most instances, wherever you have these hot spots, we have a substantial number of American military personnel, do we not?

Mr. POATS. In many cases, yes.

Mr. LOFTUS. Yes, sir.

Mr. PASSMAN. We do not know what they would do without our men being there. We do not know whether if we pulled out completely, they could stand on their own.

Mr. LOFTUS. It would increase the dangers of aggression in our judgment.

Mr. PASSMAN. Have we ever figured out on the average how much one of these foreign troops is worth compared to what one U.S. soldier is worth?

Mr. LOFTUS. Yes, sir.

Mr. PASSMAN. What is the average?

Mr. LOFTUS. In terms of maintenance cost?

Mr. PASSMAN. I am speaking about effectiveness.

Mr. LOFTUS. Yes, any Joint Chief of Staff studies on that are highly classified for obvious reasons because the enemy would like to know this also.

Mr. PASSMAN. We are told there are some countries where the effectiveness of their troops is questionable.

Mr. LOFTUS. Yes.

Mr. GARY. I have it from General Van Fleet direct, in his own words. He told me during the Korean war that the Koreans were very fine troops. He said, don't you let anybody in America tell you differently. That is when the discussion was going on as to whether we should substitute Korean troops for U.S. troops. That is not second hand. I got it from General Van Fleet himself.

If we did not have these foreign troops there, we would have to send our own troops. The Koreans are good troops, but they have no equipment. They have nothing with which to fight. It is absolutely essential if we are going to defend Korea to have troops there. Personally, I would rather pay to support the Korean troops than to have to support our own troops, which would cost approximately 10 times as much, and take our own boys out of America and send them over there to Korea.

I have been to Korea. I would like to say I personally would not enjoy a tour of duty there. I think this foreign aid program has been tremendously to our advantage, insofar as Korea is concerned.

I have never seen a military authority who did not say that Korea was absolutely essential to the defense of our own country.

(Off the record.)

Mr. PASSMAN. I want the record to show I am not arguing with the gentleman from Virginia.

Mr. MINSHALL. Have they changed their minds since a couple of months ago?

Mr. LOFTUS. (Off the record.)

Mr. MINSHALL. A public comment?

Mr. LOFTUS. (Off the record.)

Mr. PASSMAN. I think it is on the record, but classified.

It seems quite obvious to me that, with a $5,600 million expense, we should have accomplished something in Korea with respect to training. With that kind of money, if we have not trained them, we had better pull out as quickly as we can.

In addition, you have to consider the $232 million that we have paid to maintain our own troops there.

For this thing to be where we think we can have some reasonable assurance that it will not be reversed on us, we maintain 50,000 of our troops there.

Mr. LOFTUS. General Howze, our commanding general, considers a large part of these troops to be available for other actions in the Far East should the event arise. They are not necessarily——

Mr. PASSMAN. Have they been used in South Vietnam?

Mr. LOFTUS. We have used quite a few technicians in South Vietnam.

Mr. PASSMAN. Korean technicians?

Mr. LOFTUS. (Off the record.)

Mr. PASSMAN. I think there has been too much money spent, and I think a lot of money has been wasted.

Mr. LOFTUS. I would like to point out these U.S. troops would still be in uniform whether they were in Korea or not, and they are available for operations elsewhere, if necessary.

Mr. PASSMAN. That is exactly my point. I wish the time would come that we did not have to put a single American in uniform if we could have peace without it.

Mr. LOFTUS. I wish that were true.

Mr. PASSMAN. We all would hope that was so.

However, we know the situation in Korea very well. Actually, this situation was so bad that the Koreans, including the Korean military personnel, were stealing our supplies and stealing our equipment, and our Military Establishment was actually having to go downtown in shops and buy back equipment which had been stolen from us. They say it has been cleaned up.

Mr. LOFTUS. Yes, sir; this has been largely corrected.

Mr. PASSMAN. You are just as familiar with it as I am.

I hope this thing can stabilize.

CHANGES IN GOVERNMENT IN KOREA

How many governments have they had in Korea since the end of the Korean war?

Mr. LOFTUS. I think Mr. Hilsman gave you a number last year. We have not had any since then.

Mr. PASSMAN. It has been over a year since they have had a coup?

Mr. LOFTUS. Over a year.

Mr. PASSMAN. How many governments have they had?

Mr. LOFTUS. It has been since the spring of 1961, I believe.

You said how long had it been since they had a coup.

Mr. PASSMAN. I want to know how many governments there have been since the end of the war in Korea.

Mr. LOFTUS. Three, sir. This is the third.

Mr. PASSMAN. That includes the Rhee regime?

Mr. LOFTUS. Yes, sir.

Mr. SANDRI. That would be the fourth government, sir.

Mr. PASSMAN. They have had four governments?

Mr. POATS. Three governments in 16 years.

Mr. PASSMAN. I am not talking about 16 years. I am talking about since the end of the Korean conflict. Rhee went out, and how many governments have they had since that time?

Mr. POATS. Two.

Mr. PASSMAN. How are they getting along, actually, now?

Mr. POATS. The present Government was elected and will be in office for 4 years. It is in its first year. It offers the promise of greater political stability than we have had for some time.

Mr. PASSMAN. They are cooperating with us?

Mr. POATS. They are cooperating with us very well. They are also cooperating in efforts to reduce their dependence on us.

Mr. PASSMAN. How about their relationship with Japan?

KOREAN TRADE NEGOTIATIONS WITH JAPAN

Mr. POATS. They are negotiating. They have just appointed a group to resume negotiations in Tokyo, we hope next week.

Mr. PASSMAN. Do the prospects appear to be favorable?

Mr. POATS. There is a possibility they will be able to conclude them in time for ratification in the present session of the Diet.

Mr. PASSMAN. Is there just a possibility?

Mr. POATS. It is getting very tight because of the deadlines for adjournment of the Japanese Diet.

Mr. PASSMAN. But does it look promising that they are going to be able to reconcile their differences?

Mr. POATS. They certainly have a will on both sides to do that. There is a serious technical dispute now over the fisheries settlement, the terms of the conservation of fisheries resources in the area.

Mr. PASSMAN. Is that the main point of contention?

Mr. POATS. That is the main remaining point. It is an emotional point in Korea.

Mr. PASSMAN. What is the principal source of the opposition?

Mr. POATS. From three different kinds of people, really.

(Off the record.)

Mr. PASSMAN. Can't we arrest that fear?

Mr. POATS. Yes, there are obvious ways to arrest it.

(Off the record.)

Mr. PASSMAN. Unless Korea has a stable government willing to recognize the facts of life, they are going to be in serious trouble.

(Off the record.)

LAOS

Mr. PASSMAN. I believe you stated yesterday that Laos earns from its exports about $2 million a year?

Mr. POATS. Approximately $2 million. It may go as high as $2.5 million.

Mr. PASSMAN. Are you satisfied with that condition?

Mr. POATS. Yes. I'm afraid we have to be, under the present circumstances.

Mr. PASSMAN. We have given Laos since the inception of the AID program, military and total economic aid in all brackets, about $500 million?

Mr. POATS. Economic and military.

Mr. PASSMAN. I said all brackets. I will even let you pick up international, if you want to. I am not going to be technical. This is economic and military aid, grant aid total, about $500 million, through fiscal year 1963. Is that correct?

Mr. POATS. Yes.

Mr. PASSMAN. About $500 million. By simple division, our aid to Laos will equal their earnings, on the basis of present-day exports, for 250 years. Is that correct?

Mr. POATS. That sounds about right.

Mr. PASSMAN. I want to repeat: Our aid to this little country of 3 million people equals what they will earn, at the present rate of their exports, in the next 250 years.

Mr. POATS. Not the next 250 years.

Mr. PASSMAN. If it remained the same.

Mr. POATS. If it remained the same.

MILITARY AID TO LAOS

Mr. PASSMAN. Let us get the military aid. Do you have that figure for fiscal year 1965?

Mr. LOFTUS. Approximately ——— million, sir. Let me check that.

Mr. PASSMAN. Is it ——— million?

Mr. LOFTUS. Just a second. It is less than that. We do not have the determination yet for 1965, so we are not sure just what the final figure will be.

Mr. PASSMAN. Give us your lowest estimate.

Mr. LOFTUS. ———million is the figure I carry in the 1965 book.

Mr. POATS. Economic is ——— million.

Mr. PASSMAN. Then our aid for fiscal 1965 will equal their total earnings, at the present rate of earnings, for ——— years. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. The cost to maintain the embassies alone and the other invisible expenses is more than double the total earnings they receive from their exports; is that correct?

Mr. POATS. Slightly more than double.

Mr. PASSMAN. They cannot even maintain these embassies without our support, can they?

Mr. POATS. That is correct.

POSSIBILITY OF INCREASE EARNINGS

Mr. PASSMAN. Unless they can increase their earnings, they cannot even maintain those embassies on their own, can they?

Mr. POATS. They are increasing their earnings, and I am sure——

Mr. PASSMAN. They would have to go at a rather rapid pace to double it within the next few years, would they not?

Mr. POATS. They will be able to double their foreign exchange earnings, I would say, in the next 2 years.

Mr. PASSMAN. On what do you base that assumption?

Mr. POATS. I base it on the rises that are occurring now in their sales of kip to foreign establishments in Laos.

Mr. PASSMAN. What are they exporting?

Mr. POATS. What they are exporting is limited to tin and other metals.

Mr. PASSMAN. You cannot base it on borrowed money. You have to figure what they manufacture and export.

Mr. POATS. The earnings of a country, like its expenditures, include invisible as well as visible. On the invisible side, they will be able to increase substantially their earnings.

Mr. PASSMAN. What is the invisible side?

Mr. POATS. That is the purchase of kip by embassies, visitors.

Mr. PASSMAN. Speculation?

Mr. POATS. No; not at all. The purchase of kip, the local currency, by tourists, by embassies, by other establishments, by persons involved in trade.

Mr. PASSMAN. You have said that they earn $2 million. That is the average, you said. How long have we been in there? Ten years?

Mr. POATS. We have been there since 1955; yes.

Mr. PASSMAN. Nine years; we want a record of their earnings from exports for 9 years. Our aid equals what they would earn in 250 years at the present rate of earnings, and you are giving them in 1 year what they would earn in ——— years. We have gotten ourselves involved in these invisible expenses, supporting these embassies and other invisible expenses of $4 million a year. I believe you said the cost of this kind of activity was more than double their total earnings.

(The information supplied follows:)

Laos—Foreign exchange earnings (estimated) [1]

[Millions of U.S. dollars]

	1955	1956	1957	1958	1959	1960	1961	1962	1963	Projected 1964
Commodity exports [2]	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.5
Invisibles	------	------	------	1.5	1.5	3.0	3.0	3.0	2.0	1.5
Total foreign exchange earnings	------	------	------	3.0	3.0	4.0	4.0	4.0	3.0	3.0
Government receipts [3]	------	------	------	2.5	2.5	3.5	3.5	3.5	2.5	2.5

[1] These figures are very rough approximations. Precise statistics do not exist. Data other than for exports for years prior to 1958 are insufficient to form the basis for an estimate.
[2] Excludes illegal exports (opium), the value of which is unknown.
[3] Share of total foreign exchange earnings accruing to the Government.

ROLE OF U.S. AID IN LAOS

Actually, Mr. Poats, how did we get ourselves into a mess such as this?

Mr. POATS. We have concluded that it is necessary to the maintenance of security in southeast Asia, in the containment of communism in that area, a very aggressive brand of communism, to support the existence of a buffer state in that section bordering on Communist China and Communist North Vietnam, to protect Thailand immediately to the south primarily.

We also assume that it would be possible—and we still believe there is some possibility of this—to use the stabilization of Laos, the establishment of Government forces there and the commitment of the country to neutrality.

(Off the record.)

Mr. PASSMAN. Is the situation any better there now than when the Geneva Treaty was worked up?

Mr. POATS. Oh, yes, much better, because then I think most of us felt——

Mr. PASSMAN. There was an attempted coup the other day, was there not?

Mr. POATS. An attempted coup in the sense of a group of rightwing generals demanding a stronger leadership in the government and a greater unity of action between the conservative and neutralist forces.

LEADERSHIP OF LAOTIAN GOVERNMENT

Mr. PASSMAN. Are there two men, one Communist and one so-called anti-Communist, who are half brothers, participating with one other in attempting to run the country?

Mr. POATS. You have Souphanouvong, who is a half brother of the Prime Minister, Souvanna Phouma. Souphanouvong is a Communist.

Mr. PASSMAN. What about the other man?

Mr. POATS. He is a neutralist. He increasingly has discovered that he cannot count upon the loyalty of the pro-Communists to Laos or to the concept of a neutral Laos. He has broken increasingly with the pro-Communists on this issue, increasingly cooperating with the conservatives.

Mr. LOFTUS. I think we should mention the third man, too, who is definitely pro-West.

Mr. PASSMAN. You know and I know that the testimony is complete that Laos has a Communist and a so-called anti-Communist and a so-called neutral heading the Government. There are two half-brothers. Then, the third man is a cousin to whom?

Mr. LOFTUS. Of former Prime Minister Sarit of Thailand.

Mr. PASSMAN. What are you going to do if these people receive only $2 million a year income from their exports and they have built themselves up to living at the rate of $50 million a year, with embassies all over the world?

Mr. POATS. We are planning for that.

PROJECTED COURSE OF AID PROGRAM FOR LAOS

Mr. PASSMAN. Do you plan to continue this kind of aid into the distant future?

Mr. POATS. We certainly do not plan to continue it on this scale.

Mr. PASSMAN. What would you do, Mr. Poats? You have not answered my question. What are your plans for getting out of this mess?

Mr. POATS. The plans are to reduce substantially Laos' dependence on the United States and other countries for aid, but I do not pretend that Laos as a nation can exist in the foreseeable future without some grant aid.

Mr. PASSMAN. Then we are just stuck there?

Mr. POATS. We are stuck to some extent. We can reduce that extent greatly. We had a plan to reduce it, and that plan was frustrated by the renewal of Pathet Lao insurrection.

Mr. PASSMAN. Could you ever reduce it to the point that all we do is support their "invisibles" of $4 million, which is double their intake? Could they get along if we gave them only twice their earnings and supported these invisible expenses you have described?

Mr. POATS. If I could postulate a situation in which the Communists ceased to be aggressive and in which Laos did not have to worry about Communist China to the north and Communist Vietnam to the northeast, if peace broke out to that extent, then they would not need to maintain the large military forces or the large police forces they have now and they probably could get along without aid except for very small balance-of-payments support. I could not even then, even under those ideal circumstances, picture a Lao Government capable of maintaining police services and external relations and normal development projects and processes in the country without some outside help.

CAMBODIA

Mr. PASSMAN. Cambodia told us to "get out and stay out" with our aid. What is Cambodia's importance to us in that part of the world?

Mr. POATS. Cambodia is insulated by geography from the immediate presence on its borders of Communist countries, so it has a somewhat lower priority in these terms, but of course Cambodia has been important to us because it lies at the center of southeast Aisa, and if it became a Communist cancer in that area it would spread out.

WITHDRAWAL OF U.S. AID

Mr. PASSMAN. But we are out of that country with aid, are we not?

Mr. POATS. We have stopped all aid to Cambodia and are hoping for the best; but I am not at all sure, with the best of intentions and internal organizations, that the economy of Cambodia can be maintained without outside help. We hope that the French will provide that.

Mr. PASSMAN. Have you or any of our people in Cambodia been trying to get them again to accept our aid?

Mr. POATS. No; we have not. We have withdrawn all aid.

Mr. PASSMAN. How about the State Department?

Mr. POATS. There is a small embassy there, but all the military aid mission and all the economic aid mission was withdrawn.

Mr. PASSMAN. We cannot do without them until we lose them, and then we figure out some way we can do without them. Is that how it is?

(Off the record.)

AID TO INDONESIA

Mr. PASSMAN. I want to read from a current Washington Daily News item:

> President Sukarno of Indonesia for the second time in several weeks told the United States to "go to hell with your aid" but State Department spokesmen feel nothing will be accomplished by eliminating technical aid programs in effect in Indonesia.

Did you see this one?

Mr. POATS. Yes; I did.

Mr. PASSMAN. They say "go to hell" again, but our State Department says we shall not cut off this aid.

Mr. POATS. May I state on that, that what he said was——

Mr. PASSMAN. Are you saying this is not quoted correctly?

Mr. POATS. No. I am explaining the context of the full statement.

Mr. PASSMAN. I did quote that item correctly, did I not?

Mr. POATS. This news dispatch was quoted correctly.

But the news dispatch does not properly reflect what he said. What he said, in effect, was, "In making a speech, I said a few weeks ago to the Americans, if they insist on tying their aid with political strings to the requirement that we stop our policy of confrontation against Malaysia, then I say to hell with your aid." He quoted himself as having said substantially that.

We have stopped all forms of aid that would support this campaign against Malaysia. That is why he can make this statement.

Mr. PASSMAN. What benefits that country benefits Sukarno, and what benefits Sukarno benefits his country, does it not?

Mr. POATS. No, I would not say so.

Mr. PASSMAN. We pour aid into Indonesia and you say it does not benefit this man, and he is the President of the country for life.

Mr. POATS. Mr. Chairman, did you see another clipping in the paper this morning on Assistant Secretary of State Bundy's speech yesterday?

Mr. PASSMAN. Yes, I did, but it did not particularly impress me.

I want to put this news article in the record.

(The newspaper article follows:)

[From the Washington Daily News, May 5, 1964]

IT'S NEFOS VERSUS OLDEFOS—SUKARNO NOW LEANS TOWARD MAO

(By W. D. Friedenberg)

JAKARTA, May 5.—In foreign policy, Indonesia is veering sharply to the left, moving out of the world's camp of neutralists into the band of irreconcilable revolutionaries.

Ten years ago Sukarno was one of the world's big four neutralists, along with India's Nehru, Egypt's Nasser, and Yugoslavia's Tito. Now he has left that company as too conservative.

Today, Sukarno, to hear him talk, has more in common with Communist China's Mao Tse-tung, as a fiery foe of "imperialism, colonialism, and neocolonialism."

SCRAPPED

Sukarno has scrapped the three-bloc analysis of world affairs and, admittedly inspired by Marxist dialectics, now finds only two: the new emerging forces (NEFOS) and the old-established forces (OLDEFOS).

The NEFOS, by his definition, are the "oppressed" and "progressive" nations of Asia, Africa, Latin America, the "socialist" countries and "progressive groups in the capitalist countries."

The OLDEFOS are everybody else: "The imperialists, colonialists, neocolonialists, and capitalists who threaten the safety of the world." The United States is included by implication.

What is going on, according to Sukarno's speeches, is a "revolution of mankind," pitting the NEFOS against the OLDEFOS, who must be crushed to "make the world anew."

CRUSHED

Boiled down, the NEFOS are of the postwar generation of new nations, poor and colored. The OLDEFOS are old, rich, and white.

The racial element is clear. It is underlined in dozens of propaganda billboards around Jakarta that show three cartoon heroes—brown, yellow, and black—foiling the greedy, warlike actions of a dollar-stuffed, arms-bearing white man, who often is labeled additionally with British and American flags.

COLORED, WHITE

What Sukarno is preaching is a new international class warfare drawn on colored versus white, have-not versus have lines.

In this struggle, he has said, Indonesia is a "pioneer nation." "We are a dynamic and militant member of the NEFOS. The greatest evil in the world is imperialism"—even as it is nearly gone.

Last month, he again condemned "interference, subversion, and intervention" in Vietnam and Laos—implying the United States is the aggressor, not North Vietnam or Red China.

What are the sources of this increasingly radical standpoint?

It is partly personal: To Nehru, Nasser, and Tito, Sukarno has become persona non grata because of his "revolutionary" ranting and the level of his personal sexual morality.

Part of it is compensation for Indonesia's failure to make gains in the international contest for the quickest economic development.

NOT HEARD

Part of the reason is that after the burial of parliamentary government, Indonesia, reasonable or even pro-Western voices no longer are heard.

While Sukarno has persuaded most of his own people of the rightness of his revolutionary course, and the Chinese are glad to win a new revolutionary from the nonalined ranks, others among the NEFOS are not necessarily following Sukarno's "leadership."

In March, Afro-Asian Foreign Ministers meeting here sidetracked an Indonesian bid to hold a "second Bandung" conference here this summer, decided instead to hold it in Africa next year.

If Sukarno's revolutionary foreign policy were only talk, there would be no harm. The trouble is that Sukarno has found neighboring Malaysia "a neocolonialist plot," and in keeping with his own revolutionary dictates, he is trying to "crush" Malaysia by the very "interference, subversion, and intervention" he condemns elsewhere.

Mr. POATS. I am telling you something that currently happened.

Mr. PASSMAN. Please proceed.

Mr. POATS. Mr. Bundy made a speech yesterday in which he stated that if the Indonesian Government continued or intensified—he used both terms—its policy of military confrontation against Malaysia, it would be impossible for the United States to continue aid.

Mr. PASSMAN. Then where does this (indicating clipping) come in?

Mr. POATS. This is a statement summarizing something said by a State Department spokesman the preceding day. Mr. Bundy's statement represents the policy of the Government.

Mr. PASSMAN. You said I was quoting this item correctly.

Mr. POATS. Mr. Chairman, there is nothing inconsistent in what is said here. I do not think cutting off the present technical assistance would increase the prospects of peace.

Mr. PASSMAN. He knows we are so gullible we will keep pouring our aid in, regardless of what he said.

Mr. POATS. As I pointed out, Mr. Bundy stated we would not be able to continue aid——

Mr. PASSMAN. Can you tell the committee that you are going to cut off aid? Do these people mean you are going to continue it as they said, or do they mean that you are going to discontinue it? We have given those people hundreds of millions of dollars, and there should be some decision reached about what we are going to do.

I think we are entitled to know at what point we are going to get enough of these insults and stop the aid.

Find out, if you can, just what our policy is.

Mr. POATS. Obviously, I cannot speak for the President on a matter like this or the precise actions that he would take. This is a matter for the President.

FOREIGN EXCHANGE OPERATIONS FUND IN LAOS

Mr. PASSMAN. Last year during the hearings on Laos, we had quite a bit of testimony from Mr. Janow and others about the exchange rate of the kip. At page 591, part 3 of the hearings, Mr. Janow is quoted as saying:

> Sir, we have not rushed in with grants of cash as we did in the past trying to soak up this extra kip. We are holding out to make our system work.

However, I note on page 154 of the justifications that we have joined in the formation of foreign exchange operation funds for open market trading and foreign exchange to hold down the spread between the official and open market rates of the kip, and the United States contributed $4 million from fiscal 1964 aid money to this fund. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Mr. Janow did not mean what he said last year, then?

Mr. POATS. Mr. Janow described our plan and our intent and he said we were trying to avoid having to revert to cash grants on that basis.

What happened was that our plans last year included several assumptions which proved not to work out. One, we assumed a reduction in the military forces. We described our plans in those terms. We assumed progress toward unification of the country. This has not worked. At the time we were coming up to testify to you last year, you may recall, there was an outbreak of attacks by the Pathet Lao on the Plaine des Jarres. There were several other military developments, all of which made it impossible to proceed with the whole process of making the coalition government anything more than a plan.

The actual integration of the military forces has not occurred at all. Instead, the Lao Government has had to maintain military forces which were described to you 2 days ago, about ——— men altogether. The budget deficit that was incurred as a consequence of the cost of maintaining these forces was much higher than anticipated. Consequently, large excess——

Mr. PASSMAN. Are you talking about our budget?

Mr. POATS. No.

Mr. PASSMAN. Of course, our budget is going to be about $8 billion overdrawn.

You may proceed.

ECONOMIC PROBLEMS

Mr. POATS. The Lao budget deficit was much greater than it should have been or would have been had not this military development occurred. We therefore found it necessary to prevent the consequences of the very great inflation that was growing as a consequence of this budget deficit.

The IMF was asked to look at the problem and see what was the most sensible way of dealing with it. There were two problems. One was the domestic inflation, which was undermining confidence in the government and causing discontent, and the other was the reexport

of AID-financed goods which was naturally encouraged by this great depreciation in the Lao currency.

To deal with these problems, we got the IMF to look at it, and they recommended to us, the British and the French that we join in a foreign exchange operations fund and that we impose the requirement that the Lao Government adopt a stablization program with budget ceilings, a tight lid on the deficit and the money supply, and that it tighten up its tax collections.

So, we have adopted these measures.

REEXPORT OF AID-FINANCED GOODS

Mr. PASSMAN. What do you mean, reexportation of AID-financed goods?

Mr. POATS. I mean it is natural in a situation in which individuals in a country do not have any access to foreign exchange, that if the value of the currency depreciates heavily, they will convert goods into foreign exchange. This was beginning to happen.

Mr. PASSMAN. We heard the story about the customs inspection program out there last year. You are dealing with the same people you dealt with, a good many of them, years ago; is that not true?

Mr. POATS. That is right. The customs inspection does not deal with this problem.

Mr. PASSMAN. I did not say that it did, but the record of previous years document incredible racketeering, overcharges, for example, of 300, 400, or 500 percent.

Mr. POATS. It was not this sort of thing at all.

Mr. PASSMAN. I am talking about the people you are doing business with, relatives of the officials in government. Only certain individuals could get import licenses. Later they said, and I paraphrase, "Yes, this is true, and we are sorry." So we filed claims. That was years ago.

Can you tell us whether or not the Government was reimbursed for those claims?

Mr. POATS. The Government is in the process, and I think——

Mr. PASSMAN. How long have they been in the process? About 5 years?

Mr. POATS. Let me tell you about our scheme on this.

Mr. PASSMAN. Just tell us how long they have been processing these claims.

Mr. POATS. They have not paid the claim. They do not have the funds to pay it with.

Mr. PASSMAN. Have they admitted the shenanigans that brought it about?

Mr. POATS. There never has been any argument that these were valid claims under regulation 1.

Mr. PASSMAN. I asked, do they admit to the shenanigans?

Mr. POATS. Some of it was shenanigans, not all of it.

Mr. PASSMAN. The same people you are dealing with today?

Mr. POATS. Some of it was very technical violations.

Mr. PASSMAN. I do not see how you people justify this kind of business.

Mr. POATS. Mr. Chairman, may I say we are negotiating with them now a scheme under which we will withdraw from their blocked

account in New York in the Federal Reserve Board in their credit, the full amount of these claims, $1,068,000——

Mr. PASSMAN. And give it back to them in some other way?

Mr. POATS (continuing). And, furthermore, will set up an escrow fund from which we will automatically, on our own initiative, withdraw funds whenever a new refund claim arises. This is the only way we can handle the problem in Laos, because they have no foreign exchange.

Mr. PASSMAN. How much is this money?

Mr. POATS. $1,068,000.

Mr. PASSMAN. That is as much as they would earn from their exports in 6 months; is it not?

Mr. POATS. Earn from their visible exports in a year.

Mr. PASSMAN. If it is $2 million a year, then you are going to take half of their earnings for a year to pay these claims; are you not?

Mr. POATS. Half their total foreign exchange earnings; yes, sir.

Mr. PASSMAN. You are going to turn around and give them in economic aid alone in fiscal 1965, you estimate, ———.

Mr. POATS. That is right.

Mr. PASSMAN. Thank you.

AID TO LAOS FROM OTHER COUNTRIES

Mr. POATS. They are also receiving nonproject aid from the United Kingdom; Britain, $3 million; from France, $1,7 million; from Australia, about $700,000; plus project aid from the United Kingdom and about $3 million in project aid from France.

Mr. PASSMAN. After all, you have said we have given to Laos, I think we estimated, $370 million in economic aid alone.

Mr. POATS. These other country figures are for 1 year.

Mr. PASSMAN. You talk about their budget deficit. Have you had a look at what ours will be this year?

Mr. POATS. Yes, sir; I have seen reports on it.

Mr. PASSMAN. What do you think it will be?

Mr. POATS. I am not an authority on it.

Mr. PASSMAN. How could you be an authority on this in Laos if you are not an authority on the budget from which you are getting the money to give away?

Mr. POATS. This is not my official responsibility, Mr. Chairman.

Mr. PASSMAN. Do you not think you should first find out something about the budget from which you are getting the money?

Mr. POATS. Oh, I am fairly well informed on the U.S. budget.

Mr. PASSMAN. What will our budget deficit be?

Mr. POATS. I have a sheet on that.

Mr. PASSMAN. You put your figure down, and I shall put mine down, and let us see how far apart we are.

Mr. POATS. I think it is still a matter of estimation.

Mr. PASSMAN. What is your estimation?

Mr. POATS. I have seen recent estimates by the Treasury that run as high as $7 or $8 billion.

Mr. PASSMAN. My estimate is that it will be between $7.5 billion and $9 billion.

NAM CADINH-NAM HIN BOUN ROAD PROJECT

Last year we had some rather extensive testimony on the Nam Cadinh-Nam Hin Boun Road project, which is on page 93 of this year's project book. At that time AID had obligated $8,650,000 for the construction of this road, and the testimony indicated that after a period of 3 fiscal years the contract had been let for construction in the amount of $7,374,000; Mr. Janow further indicated there was a possibility of a deobligation of funds under this project.

However, page 93 indicates that you are keeping your obligation at $8,450,000. Is that correct?

Mr. POATS. We have not deobligated much; only $200,000 so far. We have a contract for the total——

Mr. PASSMAN. How about Mr. Janow's statement, and why is it that you have not deobligated as he indicated?

Mr. POATS. My point is that we do have a requirement which totals $8,323,000.

Mr. PASSMAN. Are you looking at page 93?

Mr. POATS. I am looking at an insert sheet I have here to back up page 93, yes, which shows the pipeline and shows the figures for the project. The contract itself is for $7,374,000 for the construction. It would be concluded in November 1964.

Mr. PASSMAN. We know what the project is.

We want to know why the money has not been deobligated.

Mr. POATS. Because we are not sure there is any excess money in the project.

Mr. PASSMAN. When are you going to find out?

Mr. POATS. I would say along about the end of this year.

Mr. PASSMAN. You are talking about fiscal or calendar year?

Mr. POATS. Calendar 1964. The construction would be completed, according to the contract——

Mr. PASSMAN. You do not know whether the project will be overfunded until then, do you?

Mr. POATS. That is correct.

Mr. PASSMAN. So it must have been that you started the project without sufficient justification, feasibility studies, and estimates as to the benefit-cost ratio.

Mr. POATS. No, sir. We think it is quite close. We have $7.5 million, roughly, in the construction contract, and the total obligation is nearly $8.5 million. We think that we will be able to finish this road with a little bit of extra money, but we are not sure, because in a country like that, that far away from the home base of the contractor, and so on, prices can escalate, as they do right next door to the Capitol.

Mr. PASSMAN. In what Mr. Janow was saying all during last year, he did not know what he was talking about, in effect?

Mr. POATS. I think Mr. Janow said we thought we would be able to deobligate some funds. I think so, too.

Mr. PASSMAN. But you are putting it off to the future.

Your counterpart for Africa said that they always funded on the high side and had a reservation account or contingency fund built in all projects. Do you subscribe to that practice?

Mr. POATS. There is a contingency fund in all construction projects everywhere in the world, yes.

Mr. PASSMAN. Which means, of course, that they are inflated, and it is a question of determining how much.

Mr. POATS. Which means it is reasonable to assume there will be some increases. There is normally about a 10-percent contingency in the United States and abroad.

Mr. PASSMAN. Which means we could tighten up the program and reduce it 10 percent.

RESERVATION OF UNOBLIGATED FUNDS

Mr. Controller, as "reservations" to you mean that the funds are not obligated, in the future we want a list of all reserved funds, worldwide, so when we mark up the bill we can take into account that these funds are unobligated funds, but that you merely carry them in this category on account of a technicality. You said that this money was deobligated, so we are going to insist that you put that item in the deobligated funds. Make your footnote as you see fit.

Mr. TENNANT. Mr. Chairman, I am not sure I understand——

Mr. POATS. I think the chairman is saying what I suggested a while ago. Any reservation——

Mr. PASSMAN. Any reservations we will ignore as obligated and throw the funds into the unobligated category. If you say you have only $400 million in unobligated funds, we are going to add all of your reservations, such as $40 million in China, to that amount, because you said the funds are unobligated technically. We are going to take you at your word.

Mr. TENNANT. We had a fairly extensive discussion on this last year, Mr. Chairman.

Mr. PASSMAN. I know that we did. That is why I brought up the matter again this year.

Mr. TENNANT. These are our own commitments.

Mr. PASSMAN. You said the money is technically unobligated, and we are going to be sure that these funds are so included.

Mr. TENNANT. As you know——

Mr. PASSMAN. The funds are either obligated or they are not.

Mr. TENNANT. We did provide the figures to you last year.

Mr. PASSMAN. Please provide them again.

We shall take a brief recess.

(The information supplied follows:)

List of all outstanding reservations as distinct from obligations as of Apr. 30, 1964

[In thousands of dollars]

Area and country	Authorization No.	Description	Date of authorization	Alliance for progress	New development lending
Latin America:					
Argentina	510-L-013	Construction of animal disease and meat technology laboratories	Dec 26, 1963	$1,400	
	510-L-014	To finance cost of modern colleges and schools	Apr. 24, 1964	6,800	
Bolivia	511-L-005	To finance foreign exchange and local cost of equipment, materials, and services for the La Esperanza sugar mill project.	Aug. 17, 1963	400	
Brazil	512-L-013	Feasibility studies	June 27, 1963	1,500	
	512-L-015	Construction or improvement of State highways in northeast Brazil	Feb. 17, 1964	15,000	
	512-L-018	Modernize and expand National Steel Co. mill at Volta Redonda	Feb. 28, 1964	5,500	
	512-L-019	To finance acquisition of equipment, train mechanics and equipment operators for the highway department of the Northeast States in Brazil.	Feb. 18, 1964	9,000	
	512-L-020	To finance plant expansion for production of cast iron pipe	do	1,400	
	512-L-021	National malaria eradication program	Mar. 5, 1964	6,500	
Chile	513-L-020	Construction of deepwater port in Bay of San Vincente	Oct. 28, 1963	7,000	
	513-L-021	Construction of 23 public primary schools	Jan. 24, 1964	2,100	
Colombia	514-L-035	To finance cost of rural electric cooperatives	Apr. 7, 1964	1,300	
Costa Rica	515-L-011	To finance foreign exchange costs of cadastral survey	Apr. 23, 1964	1,600	
Ecuador	518-L-022	To finance the costs of the reorganization, expansion, and execution of Ecuador's highway maintenance program.	Apr. 22, 1964	13,300	
Guatemala	520-L-008	To finance local and foreign exchange costs of feasibility studies and general surveys.	Apr. 27, 1964	2,000	
Peru	527-L-025	Construct and equip Patavilca hydroplant	Dec. 13, 1963	2,000	
	527-L-028	Road construction from Pomacocha to Tarapota	Mar. 3, 1964	12,100	
	527-L-029	To finance supervised agricultural credit	Mar. 5, 1964	6,600	
Uruguay	528-L-017	Development bank, subloans to agricultural co-ops	Apr. 3, 1964	2,400	
Total, Latin America				97,900	
Far East:					
Korea (total)	489-H-022	Acquisition of 65 diesel electric locomotives	Mar. 5, 1964		$11,000
Near East and south Asia:					
Cyprus	233-H-001	To finance foreign exchange costs of equipment and consultants	June 29, 1963		2,275
Israel	271-H-081	To finance foreign exchange cost of the Timna copper project	May 21, 1963		4,400
India	386-H-101	To finance production expansion of National Engineering Industries, Ltd	Jan. 10, 1964		4,300
	386-H-104	To finance foreign exchange costs of a methanol plant at the Trombay fertilizer plant.	Jan. 31, 1964		7,800
	386-H-109	Sharavathi hydroelectric project III	Apr. 15, 1964		31,00
	386-H-111	Program loan.	Apr. 22, 1964		50,000

Agency for International Development

List of all outstanding reservations as distinct from obligations as of Apr. 30, 1964

[In thousands of dollars]

Area and country	Authorization No.	Description	Date of authorization	Alliance for Progress	New development lending
Near East and South Asia—Con.					
Pakistan	391-H-061	Construction of a new international airport at Kurmitola	Mar. 16, 1963		$4,300
	391-H-078	Sui gas transmission (3d)	Mar. 23, 1964		2,700
	391-H-079	Consulting services and water supplies	Mar. 31, 1964		3,600
	391-H-080	Program loan	do		100,000
	391-H-081	Karnafuli 3d hydroelectric unit	Apr. 22, 1964		3,800
	391-H-082	Siddhirganj thermal plant	do		8,500
	391-H-083	Lyallpur power station	do		18,100
	391-H-048	Malaria eradiction program	do		10,400
Total, near East and south Asia					223,275
Africa:					
Congo Republic	679-H-001	Road maintenance equipment and technical services	Mar. 31, 1964		2,700
Guinea	675-H-003	To finance foreign exchange costs of diesel electric generators and related equipment and engineering services.	June 18, 1963		2,400
Kenya	615-H-002	Nairobi water supply	May 24, 1963		2,200
Liberia	669-H-007	Monrovia elementary school	Mar. 20, 1964		350
Nigeria	620-H-006	Niger Dam	Mar. 31, 1964		14,000
	620-H-007	Expansion of Port Harcourt secondary school	Apr. 14, 1964		1,800
Senegal	685-H-002	Construction of 5 regional vocational schools	Feb. 28, 1964		1,300
Tanganyika	616-H-009	Acquisition of electrical equipment and services for the 3 towns of Musoma Singida, and Tukuyu.	Feb. 27, 1964		140
	616-H-011	To finance local and foreign exchange improvement costs of the Bunda-Nansio road.	Feb. 28, 1964		1,900
Tunisia	664-H-017	To finance foreign exchange costs of the technical management and training contract relating to a paper pulp mill.	Dec. 13, 1963		800
	664-H-019	Program loan	Apr. 22, 1964		10,000
	664-H-020	Construction and equipping Chott Maria Agricultural School	Apr. 20, 1964		2,000
	664-H-021	To finance foreign exchange costs of electrical equipment necessary to expand Tunisian distribution system.	Apr. 22, 1964		7,400
Total, Africa					46,990
Grand total, all areas				$97,900	281,265

DEOBLIGATIONS FROM ROAD PROJECT IN LAOS

Mr. PASSMAN. Back on this Nam Cadinh-Nam Hin Boun Road project in Laos, there is a difference of $1,076,000; is that correct? This is between the amount of the contract and what has been obligated.

Mr. POATS. That is correct.

Mr. PASSMAN. When will we get the $1,076,000 to be used for something else?

Mr. POATS. There is more than one contract involved here. The contract I referred to is for the construction. In addition there have been other contract services.

Mr. PASSMAN. Added later?

Mr. POATS. No, already completed.

Mr. PASSMAN. Do you think you will have this much money to deobligate?

Mr. POATS. The difference there? No. We estimate expenditures through the end of this fiscal year of $5 million. There will be further expenditures through the remainder of the project.

Mr. PASSMAN. You said you would have some money you could deobligate? You would know by the end of this year?

Mr. POATS. Yes.

Mr. PASSMAN. We want an estimate.

Mr. POATS. In the fall of this year I believe we will be almost finished with the construction. I believe there will be funds not required in this project, but in settling up with the construction contractor we can never precisely determine in advance how much the final bill will be.

BUILT-IN CONTINGENCIES ON CONSTRUCTION CONTRACTS

Mr. PASSMAN. You said you have a contingency fund built into all these projects?

Mr. POATS. That is right, sir, about 10 percent.

Mr. PASSMAN. So we can look at the unexpended balances, and if it is $7 billion at the end of the year which you have unliquidated, and things are favorable, we can expect at some subsequent date to pull back about $700,000. Is that correct?

Mr. POATS. I speak only of construction contracts.

Mr. PASSMAN. You have contingency funds built into the other types of projects than these, such as, for example, these people for whom you ask for a certain amount of money, and at a subsequent date you had personnel terminated. Rather than sending them home, however, you put them on other projects and increased the allocation.

Mr. POATS. We did not increase the total allocation to Korea.

Mr. PASSMAN. I refer to many of the projects, such as technical aid projects we discussed earlier.

Mr. POATS. We were talking about Korea at that time. We were terminating projects but we continued some technicians briefly——

Mr. PASSMAN. Contracts were being terminated.

Mr. POATS. The project had a technical status of terminating, not terminated, and we consolidated——

Mr. PASSMAN. What is the difference?

Mr. POATS. That means we are not putting any new funds into the project but people are supervising the completion of the project.

Mr. PASSMAN. You had an "overstaff" and you transferred them?

Mr. POATS. We transferred them into the central mission staff called technical support. They continued to work on these projects.

PUBLIC HEALTH DEVELOPMENT PROJECT

Mr. PASSMAN. I note that you program $1,834,000 to public health development projects, shown on page 94. Is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. How much did you request for this project last year?

Mr. POATS. We requested for this particular project $300,000.

Mr. PASSMAN. You added only $1,534,000. Is that correct?

Mr. POATS. Several things have happened.

Mr. PASSMAN. We want to know how much you requested and how much you obligated.

Mr. POATS. We have 100 Filipino doctors and nurses under contract——

Mr. PASSMAN. You asked for $300,000 but you put in the program $1,834,000?

Mr. POATS. We have added to this that portion which was formerly under the catchall project which you objected to.

We pulled that out and put it in this one. We had the funds under the old project called "Development of Rural Economy."

Mr. PASSMAN. On a line-item basis you could not have done that, could you?

Mr. POATS. No.

We were complying with your suggestion when we did this, Mr. Chairman.

You suggested breaking out this large project, development of rural economy——

Mr. PASSMAN. You are breaking out of some areas and breaking into others. Where it serves your purpose you break it in that direction.

You have broken into many projects. We went over several instances where you had consolidated two projects into one.

Mr. POATS. When one technician is working on two projects we show it as one project in the book. Otherwise we have broken them out.

MEDICAL CONTRACT SERVICES

Mr. PASSMAN. For what purpose did you obligate the $643,000 for contract services in fiscal year 1964?

Mr. POATS. $643,000 is the figure.

That is for the Operation Brotherhood Philippine medical contract staff.

The 1964 funding was for the period November of 1963 to November 1964.

Mr. PASSMAN. Did you fund in fiscal year 1964 for 1963 projects?

Mr. POATS. No, for fiscal 1964, through November of 1964. This is not forward-funded but almost currently. We do that in Laos. We don't fund far ahead on this kind of project because of the uncertainties there.

Mr. PASSMAN. Is that the Junior Chamber of Commerce and Operation Brotherhood?

Mr. POATS. Yes. These groups originally established this project and we are contracting now with the group they organized called Operation Brotherhood which supplies the Philippine doctors and nurses. They operate 100 village dispensaries, rural health centers, a 60-bed hospital, and 3 regional hosptials.

Mr. PASSMAN. Do you know of any project ever conceived by the mind of man that AID has not started in this program?

Mr. POATS. We reject many project proposals.

Mr. PASSMAN. I do not know of any project ever conceived by the mind of man that you people have not started one or more under this program.

Last year you requested $215,000 to provide commodities for the Operation Brotherhood program. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. What sum did you allocate?

Mr. POATS. $1,021,000.

That again is——

Mr. PASSMAN. We want you to tell us how much you requested and what you allocated. I am sure there is a reason.

Mr. POATS. Thank you.

Mr. PASSMAN. It give an idea as to how loose this program is.

Mr. POATS. If you look at the rural development project you will see we have funds there for this same purpose and we consolidated this all under——

Mr. PASSMAN. You asked for one amount and you allocated more.

BREAKDOWN OF MULTIPLE PROJECT INTO COMPONENT PROJECTS

Last year's project data sheet for the development of the rural economy projects indicated that through June 30, 1962, obligations were $7,020,000. You estimated obligations in fiscal 1963 of an additional $7,550,000, a grand total of $14,570,000. Is that correct?

Mr. POATS. That is right. That was a multiple project.

Mr. PASSMAN. Page 97 of the project book indicates that through June 30, 1963, obligations were only $6,929,000. Is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. Where did the other money go?

Mr. POATS. We broke the multiple project out and put obligations into the discreet new projects.

Mr. PASSMAN. "Discreet"?

Mr. POATS. Separate new projects to conform with your request.

Mr. PASSMAN. We wanted you to break out projects which were in being. I did not say anything about finding new ones.

Mr. POATS. They were in being. We separated the parts of the package and gave names to each part as individual projects.

Mr. PASSMAN. You canceled the old ones?

Mr. POATS. We divided up the total obligation among its elements.

For example, we put that portion of the obligation relating to this public health project here on page 97. We put it under Operation Brotherhood project which we were looking at—what page is it on?

Mr. SMITH. Page 94.

Mr. POATS. There are obligations there through 1963 of $2,947,000. That was drawn from the old catchall project.

Mr. PASSMAN. What parts of the old catchall project did you eliminate altogether in this so-called breakout arrangement?

Mr. POATS. We didn't eliminate any.

We divided them up.

UNDETERMINED PROJECT COSTS

Mr. PASSMAN. Will you complete them at the same time you estimated you would and at the same cost?

Mr. POATS. I am not sure we have any way of estimating ultimate cost.

In Laos we have to develop them——

Mr. PASSMAN. Do you have an estimate as to the cost to completion?

Mr. POATS. No.

Mr. PASSMAN. Did you have that information on the catchall project?

Mr. POATS. I don't believe so, no, we did not.

Mr. PASSMAN. Open at both ends?

Mr. POATS. Yes, to be reviewed annually.

This is continuing support.

Mr. PASSMAN. What is the land area of Laos?

Mr. POATS. 91,000 square miles.

VEHICLES FOR LAOS UNDER RELIEF PROJECT

Mr. PASSMAN. How many vehicles have been supplied to date under the relief project, mentioned on page 98, for which you are requesting $1,569,000?

Mr. POATS. I haven't the number of vehicles. There are two types shown.

Mr. PASSMAN. We are interested in the number. Who can give us that information?

Mr. POATS. I shall supply that for the record.

(The information requested follows:)

LAOS—VEHICLES SUPPLIED TO DATE UNDER RELIEF PROJECT ON PAGE 98

Four vehicles have been supplied to date for staff use under the Laos relief project:

Two Dodge trucks, model D500, 6 cylinder, 157-inch wheelbase with special stake body; and two Jeeps, Universal, model CJ-6, nonmilitary.

Procurement is in process for the following additional vehicles:

Two CJ-6 Jeeps; two ¾-ton cargo trailers; and four Cushman motorscooters.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Where will you get that information?

Mr. POATS. This kind of information would be in the book submitted from the mission, and those are enormous volumes.

Mr. PASSMAN. Are these vehicles for our use or the use of the Laotians?

Mr. POATS. For the use of our staff, which includes Lao employees.

Mr. PASSMAN. This item is carried under the relief project. How many vehicles would $1,569,000 buy? This is not military but our own AID staff and that of the Embassy?

Mr. POATS. The commodity portion of that project proposed for fiscal 1965 is shown there.

Mr. PASSMAN. How many? This is for the AID Agency, is it not?

Mr. POATS. Yes. The bulk of this is not for vehicles. This is for rice, rope, seeds——

Mr. PASSMAN. How do we know that?

Mr. POATS. I can assure you that only a very, very small percentage is for vehicles.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Find out how many automobiles you have included in the $1,569,000.

Mr. POATS. Jeeps and trucks but I will get the number.

Mr. MINSHALL. What is most of this money for?

Mr. POATS. Rice.

Mr. MINSHALL. How much?

Mr. POATS. I will give you total composition of the thing by title but——

Mr. PASSMAN. Get the automobiles first and then give the other components to us.

Mr. MINSHALL. We should have a breakout of what this is for.

Mr. PASSMAN. Can you get that information for us?

Mr. POATS. Yes, I can.

(The information supplied follows:)

Laos, breakdown of $1,569,000 for relief project shown on page 98

Commodities	*Amount*
Rice	$1,100,000
Pallets and rope	100,000
Blankets	100,000
Handtools	50,000
Clothing and household equipment	40,000
Seeds	20,000
Vehicles	20,000
Steel bars	15,000
Straw mats	10,000
Petroleum, oil, and lubricants	6,000
Miscellaneous	10,000
Total commodities cost	1,471,000
U.S. technicians cost	85,000
Local expenses (locally procured maintenance, repair, and operational items)	13,000
Total project cost	1,569,000

Mr. POATS. I believe about $1 million of this is for rice.

AIR TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. I note that you program $7,320,000 for air technical support in Laos for fiscal 1964. Is that correct?

Mr. POATS. That is the figure shown here. Our present estimate is that that will have to be increased.

Mr. PASSMAN. How much did you request last year?

Mr. POATS. This was requested in three different places in the project book.

Mr. PASSMAN. What is the total?

Mr. POATS. I have a sheet showing the total.

It is approximately $2½ million, Mr. Chairman. I will have to check it.

Mr. PASSMAN. You asked for $2½ million but the books indicated that you alloted $7,320,000, and you expect even that sum to be increased.

Mr. POATS. That is right. What happened there is that we had plans at the time we submitted these books last year for the completion of practically all of the air operations in Laos. That would include the resettlement of the refugees from the Communist-controlled areas and the Meo tribesmen.

It has been impossible to carry out that resettlement to a very large extent.

In addition we have had to add to our relief rolls a number of people. We are continuing to support them with food and seed and equipment for construction of schools and that sort of thing.

Mr. PASSMAN. Construction of schools?

Mr. POATS. Yes.

Mr. PASSMAN. If the Congress had given you a tight program last year and had a line-item appropriation you would have had to live on what you received, would you not?

Mr. POATS. That is right.

TRANSFERS FROM THE CONTINGENCY FUND

Mr. PASSMAN. Did you transfer the money from contingency fund into this account?

Mr. POATS. Oh, yes.

Mr. PASSMAN. How much?

Mr. POATS. Let me explain what happened. The areas that you see on the map—off the record?

(Discussion held off the record.)

Mr. MINSHALL. I have made a specialty of studying this situation.

Mr. POATS. I would like to ask someone from the Joint Chiefs of Staff to get in touch with you on that and tell you whether I am right or not.

Mr. MINSHALL. Either that or I have had a lot of misinformation or they were misinformed, or the situation has changed drastically in the last 2 months.

Mr. POATS. I have not said that ———.

Mr. MINSHALL. It changed, then, since we heard from them downstairs.

Mr. PASSMAN. We should have information on this matter.

Mr. LOFTUS. (Off the record.)

Mr. MINSHALL. Like what?

Mr. LOFTUS. (Off the record.)

Mr. POATS. I said that initially. What they have been most successful in is ———.

Mr. MINSHALL. They are still getting supplies and personnel through. That is why General LeMay said——

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. How could you, flying over and dropping food into Communist territory, know that it will go to a non-Communist?

Mr. POATS. Because we know the location of these groups in the hills.

Mr. PASSMAN. How do you know they are not Communists coming down to get the food?

Mr. POATS. Because they resist the Communists.

Mr. PASSMAN. And go to water shows at night?

Mr. POATS. I don't believe the tribesmen do this. This is a Lao characteristic and not tribal. They are an entirely different race.

Mr. MINSHALL. They used all the captured arms against us.

Mr. PASSMAN. It was said by high authority that these sides call a truce at certain times during the day, and they all go to a water show and have a lot of fun.

Then along in the afternoon or late at night they decide it is time to start fighting again, and they go back and resume their battles.

Mr. POATS. I don't know of a case in which the opposing sides have gone to the same show.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. I note that you have allocated ——— to the technical support, consumable projects, page 101. Is that correct?

Mr. POATS. That is right.

Mr. PASSMAN. How much did you request for this project last year?

Mr. POATS. This was not established at the time we printed the books. We discussed it in hearings.

Mr. PASSMAN. You did not even have an illustrative justification in last year?

Mr. POATS. We showed under "General technical support" in fiscal year 1963, ———.

Mr. PASSMAN. I am asking about this one. What was the amount?

Mr. POATS. ———.

Mr. PASSMAN. You allocated ——— this fiscal year; is that right?

Mr. POATS. It was part of the general technical support project last year. We broke it out.

Mr. PASSMAN. You allocated more money totally than you requested?

Mr. POATS. Yes.

Mr. PASSMAN. If you had a line item bill, you could not have done that, could you?

Mr. POATS. No. We increased the size of the tech support.

We are trying to be sure we can answer the concern you raised a while ago about what happens to these supplies.

Mr. PASSMAN. Last year you requested $2,600,000 for the general technical support project; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. How much did you allocate to this project?

Mr. POATS. $3,183,000.

CONSIDERATION OF A LINE ITEM FOREIGN AID BILL

Mr. PASSMAN. How long would it take the Agency to prepare for this committee a line item bill? Would you try to get the information for us?

Mr. TENNANT. We will see what we can do.

Mr. PASSMAN. To whom should we talk downtown?

Mr. TENNANT. On this particular item I am quite sure the Administrator, since this budget is not presented on a line item basis, would feel he would like to——

Mr. PASSMAN. I want some person in authority to tell this subcommittee how long it would take to draft a bill covering foreign aid on a line item basis.

You put the projects in this book, did you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. All you would have to do would be to list them for a bill in legislative form. Get that information, please.

Mr. TENNANT. We will cooperate fully with you, sir. Some of this is outside my jurisdiction and I would have to consult with others.

Mr. MINSHALL. Why is it out of your jurisdiction? It is your bill.

Mr. TENNANT. Out of my personal jurisdiction. It involves the lawyers and other elements of the Agency.

Mr. MINSHALL. It is all the same job.

Mr. TENNANT. I do not have the authority to work it all up myself.

Mr. PASSMAN. We would like to have a general idea.

Mr. MINSHALL. Are you for a line item bill?

Mr. PASSMAN. Yes.

Mr. MINSHALL. I agree.

Mr. PASSMAN. That way, they would not get the program fouled up by asking for $200,000 and allocating $1.2 million.

Mr. POATS. May I comment on the merits of the suggestion?

Mr. PASSMAN. We shall hear your comment later, but we would like to receive the information requested.

Now, gentlemen, we shall adjourn until tomorrow afternoon at 1 o'clock.

THURSDAY, MAY 7, 1964.

Mr. PASSMAN. The committee will come to order.

Mr. SANDRI. Mr. Chairman, in response to your request of Monday, here are the copies of the biographical sketch for Mr. Bundy.

Mr. Bundy also asked I tell you he is attempting to get the reports requested by Mr. Ford. These were reports which related to the ICC.

Mr. PASSMAN. Thank you.

EXAMINATION OF LIMITED PORTION OF AID PRIME PROJECTS

I believe we were told earlier that the total number of projects, not sub-subprojects, but prime projects, in this is about 2,300; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. I believe they are in 99 or 100 nations and territories which are receiving aid. In all of our interrogation, in all probability we ask questions on, let us say, maybe 250 projects. Would you say this is a fairly accurate rough guess? Would you say 500?

Mr. POATS. I am afraid I have no basis of judging that.

Mr. PASSMAN. Mr. Tennant, you know we do not ask questions on a lot of projects, and sometime we may hit four or five countries; is that correct?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. This is an uncontrolled and uncontrollable program as I see it. I want to make the record clear that with all of the voluminous hearings you see here, we can examine only a relatively small portion of these projects. I regret that this is so.

REQUEST FOR INFORMATION ON CERTAIN LOAN PROJECTS

We would like to receive all of the information available as quickly as possible on four projects for Pakistan under development loans, or credits, going through April 22.

(Information on the Pakistan projects is included on p. 662.)

Then we want full information on the commodity program loan to India in the amount of $50 million; the Tunisian nonproject loan in the amount of $10 million; the Tunisia electricity distribution loan of $7.4 million; the Ecuador consortium road loan in the amount of $13.3 million; the Argentina Junior Vocational College loan in the amount of $6.8 million, including the date each application was received and when the initialing processes started, and when the credits were approved.

(The information supplied follows:)

Loan authorized Apr. 22, 1964—India

Project name	Date of application	Amount of loan		Date field recommendation received—Washington	Date loan authorized by AID	Purpose of loan	Term of loan
		Requested (millions)	Authorized (millions)				
Program loan	Mar. 6, 1964	$50	$50	Mar. 7, 1964	Apr. 22, 1964	To cover imports to be licensed during the 1st quarter of Indian fiscal year Apr. 1 to June 30, 1964.	Maturity: 40 years including a grace period of 10 years. Interest: ¾ percent per annum during 1st 10 years; 2 percent per annum thereafter.

Comment

Informal discussions with the Government of India on the desirability of a program loan to cover imports to be licensed during the first quarter of the Indian fiscal year (April 1 to June 30, 1964) began in December 1963 and continued through January and February 1964. The Indian Government submitted a formal application for a loan on March 6, 1964. Review of the program loan was facilitated by the availability of economic data and of their analysis which had been used for the program loan to cover import requirements in India's fiscal year 1963–64, which was authorized in January 1964.

NONPROJECT LOAN TO TUNISIA

This program loan will provide foreign exchange support of Tunisia's 3-year plan by financing $10 million of imports required in calendar year 1964. The assistance will be provided under the U.S. section 202(b) commitment to furnish up to $180 million of aid in support of the Tunisian plan.

It is proposed that the loan agreement be signed after assurances are received from the Government of Tunisia regarding its willingness to draw up a program to improve the balance of payments and to seek additional non-U.S. aid of a program type.

In order to provide the earliest possible benefit to its foreign exchange situation, the Government of Tunisia has requested that the major part of the proposed loan make use of commodities to meet uncovered calendar year 1964 needs for imports.

Talks with the Tunisian Government over the need for such assistance began in the summer of 1963. Detailed discussions commenced in January 1964 when the Government of Tunisia requested a loan of at least $20 million to finance selected imports over the calendar year 1964 and calendar year 1965 period. The $10 million loan was authorized April 22, 1964, following receipt of a formal loan application from the Tunisian Government on April 17.

TUNISIA—ELECTRICITY DISTRIBUTION LOAN

This project consists of the expansion and improvement of the existing medium- and low-voltage electricity distribution system throughout Tunisia. Over a 3-year period, 1964 to 1966, 150 separate undertakings will add 1,163 kilometers of distribution lines and about 200 transformer stations. New service will be installed or existing service improved for 45,900 consumers.

This project was initially brought to the attention of AID in September 1962 when the Director of Planning and the Director of the Budget came to Washington for discussions on the implementation of the United States commitment to Tunisia. In a memorandum of understanding dated December 7, 1962, between AID and the Government of Tunisia it was agreed that AID would consider a loan application. Discussions between AID and the Government of Tunisia representatives were held in Washington and in Tunis concerning the scope and nature of the project.

On September 16, 1963, the Government of Tunisia submitted a detailed loan application requesting financing to cover the U.S. foreign exchange costs of imported materials. Subsequently, on October 10, 1963, AID received from the Government of Tunisia assurances that it would make available all local cost financing necessary for carrying out the project.

In February 1964 a capital development officer and an electrical distribution engineer from the Rural Electrification Administration (REA) visited Tunis in order to review the project in detail with STEG officials. As a result of this review the list of materials and equipment prepared by STEG was recosted for U.S. procurement and provision was added for shipping costs, insurance, and contingencies which raised the total cost from a previously estimated $4.8 million to $7.4 million.

After further intensive review in Washington, the loan was authorized April 22, 1964.

ECUADOR—CONSORTIUM ROAD LOAN, $13.3 MILLION; APPROVED APRIL 22, 1964

In 1959, the DLF and the IBRD joined the Government of Ecuador in financing its first 5-year highway development program. In 1961, upon application by the Government of Ecuador for further road financing, and while this first program was under construction, the IBRD and DLF reached an informal agree-

ment under which the IBRD agreed to assume the leadership in coordinating the efforts of the international financing agencies in financing an Ecuadoran highway program. This informal agreement was the result of a belief that a "common front" approach by the financing agencies would provide more leverage for successful implementation of the project than would be provided if each agency were independently financing separate road projects. The Government of Eucador is now embarking on a second highway program, and in January 1963 requested that AID participate in the financing, on the basis of feasibility studies made by TAMS.

The LA Bureau authorized intensive review in November 1963. The $13.3 million loan, authorized on April 22, 1964, will assist in financing the costs of the reorganization, expansion, and execution of Ecuador's highway maintenance program and construction and improvement of highways in order to establish, and provide for the maintenance of, an efficient road network designed to promote the agricultural and industrial development of Eucador.

ARGENTINA—INSTITUCION SALESIANA, $6.8 MILLION; APPROVED APRIL 24, 1964

In December 1962, AID received a loan request from the Salesian Institute for a loan of $221,000 for the expansion, modernization, and equipment of two secondary agricultural schools. Simultaneously, the Institute submitted an application to the Inter-American Development Bank for a loan of $6,558,000 for the expansion, modernization, and equipment of nine, equipment of one, and establishment of one junior college. When the IDB turned down the Institute's application (letter dated December 19, 1962) due to the fact that the use of the Social Progress Trust Fund is restricted to universities, this application was transferred to AID for consideration by this Agency together with the one which had been received directly.

Authorization of intensive review was granted by the LA Bureau Executive Committee on March 25, 1963. Requested supplemental information was received from the borrower by year-end 1963 and on January 31,1964, further data was requested from the borrower by the Mission Capital Assistance Committee. This data was received on March 23, 1964, and the loan was authorized on April 24, 1964.

TIMING OF PROJECT OBLIGATIONS

Mr. PASSMAN. Do you know, Mr. Poats, of any reason why, in your area, or anywhere, any legitimately and properly documented project should be obligated before you come before the committee?

Mr. POATS. In my experience, we have not been influenced by the question of timing of appearance before the committee at all.

Mr. PASSMAN. Do you agree there should be no reason why you should actually get projects obligated before any individual appearance before the committee on a certain date?

Mr. POATS. I cannot see any connection at all between the two.

Mr. PASSMAN. Thank you very much.

What has been the total amount of aid to the Philippines?

Mr. GARY. Mr. Chairman, would you yield for just 1 minute?

Mr. PASSMAN. Yes.

Mr. GARY. Have you finished with Formosa?

Mr. PASSMAN. Yes; the day before yesterday.

Mr. GARY. Can I ask one question on Formosa?

Mr. PASSMAN. Certainly.

Mr. GARY. Before we go to the Philippines?

Mr. PASSMAN. Yes.

COSTS FOR U.S. TROOPS ON TAIWAN

Mr. GARY. I asked a question yesterday about the troops in Korea. Could you give me the same information with respect to Formosa?

How many troops do we have on Formosa? How many troops does the Nationalist Chinese Government have there?

Mr. LOFTUS. There are no troops as such on Formosa. We have an advisory group there and some Air Force people there and we have some Navy people there. The 7th Fleet makes calls there, as you know, but the size of the indigenous force is approximately the same. The Chinese force is approximately ——— and we are supporting ——— under the MAP program.

Mr. GARY. How much do we contribute for the support of those troops in toto?

Mr. LOFTUS. The MAP program has approximately ——— million, as you know. There is some local currency involved and I think Mr. Smith would have the figure.

Mr. POATS. $25 million equivalent in local currency budget support to the Chinese national defense budget last year.

Mr. LOFTUS. That is right.

Mr. GARY. That is the total amount?

Mr. POATS. $25 million is that portion of the total generation of aid, counterpart, Public Law 480, that went to the defense budget. We also make loans of these funds through their development banks and so on.

Mr. LOFTUS. That was reduced to ——— million this year.

Mr. POATS. It is being cut and we are down to ——— million this year.

Mr. GARY. What would it cost us to maintain an army of ——— people on Formosa?

Mr. LOFTUS. About the same figure as I gave you yesterday, sir, about ——— as I think the figure is which I gave yesterday.

Mr. POATS. On the order of $2 billion.

Mr. LOFTUS. I am sorry.

Mr. GARY. It costs about the same thing?

Mr. LOFTUS. No; it was ——— times $4,000 approximately; that would be the figure.

Mr. POATS. On the order of $2 billion.

Mr. GARY. It would cost about the same thing on Formosa?

Mr. LOFTUS. Yes; I see no reason why it would be less in Korea. It is a little warmer in Formosa and probably a little less need for heat and that type of thing.

Mr. GARY. The total amount required for both Formosa and Korea would be more than the total amount requested for the foreign aid bill; is that correct?

Mr. LOFTUS. The way I add it up; yes, sir.

Mr. GARY. Thank you.

EFFECTIVENESS OF U.S. TROOPS COMPARED TO FOREIGN TROOPS

Mr. PASSMAN. You stated yesterday that you had some highly confidential information as to the value of some of the foreign troops compared to the effectiveness of American troops. I think you said it was classified?

Mr. LOFTUS. Yes, sir.

Mr. PASSMAN. Could you give that information to the committee, but not for the record, of course?

Mr. LOFTUS. The documents are a year old and I do not know——

Mr. PASSMAN. Find out, please.

Mr. LOFTUS. ———.

(Discussion off the record.)

Mr. GARY. Mr. Chairman, just excuse me 1 minute; I will admit there are no troops in the entire world as good as U.S. troops. I will admit that.

Mr. PASSMAN. I want the record to show that so far as I am concerned, if it can be established that it is America's responsibility to support some 65 nations militarily, I would much prefer to let them do the fighting than to use our own personnel for cannon fodder. I do not want any misunderstanding on that point.

Mr. LOFTUS. We are quite confident these soldiers will defend their own territory just as toughly and with as much sacrifice as we would do.

Mr. PASSMAN. We hope so; but if they are only as good in the countries where we have spent $10 or $12 billion—and we mentioned one figure of $5 or $6 million and that does not count the cost of our military, which runs some $225 million——

Mr. LOFTUS. They are not as well equipped and their educational standards are not as high in most cases.

Mr. PASSMAN. I think we do have a responsibility in Korea and Taiwan.

Mr. GARY. I was asking about Korea and Taiwan, Mr. Chairman.

Mr. PASSMAN. I know that you were. I wanted to make the observation all inclusive.

Mr. GARY. That is all right; you can put anything in the record you want to. I have the information I want.

PHILIPPINES

TOTAL AID

Mr. PASSMAN. What was the total amount of aid to the Philippines from the 16 spigots?

Mr. POATS. $1,912 million, including $857 million in immediate postwar aid.

Mr. PASSMAN. Does that figure include the sum of some $73 million which Congress authorized 2 or 3 years ago for the payment of certain war claims?

Mr. POATS. Mr. Chairman, I see $77.4 million of other economic programs for 1963. War damage claims of $73 million must be included in that $77 million.

Mr. PASSMAN. Anyway, have a look again at the grand total. Does it include international organizations?

Mr. POATS. It does; $94 million is from the international organizations.

Mr. PASSMAN. How much did you request for the Philippines last year?

Mr. POATS. We requested $25 million in loans and $3.8 million in development grants.

Mr. POATS. The request last year was for $25 million; $28.8 million is the total.

Mr. PASSMAN. What amount have you allocated?

Mr. POATS. We did not make any loans; we have not made any and we have only a technical cooperation grant program of $3.1 million. That is the present program for this fiscal year instead of $3.8 proposed.

Mr. PASSMAN. What sum are you requesting for the Philippines in fiscal year 1965?

Mr. POATS. We are requesting ——— million, of which ——— million is loans and $3 million technical cooperation.

Mr. PASSMAN. Are you including the ——— million for the same purpose you included the development credit part last year?

Mr. POATS. In one case, yes.

Mr. PASSMAN. How much was that case?

Mr. POATS. That was for a Luzon power grid.

Mr. PASSMAN. In what amount?

Mr. POATS. About ——— million. The exact figure is ——— million.

Mr. PASSMAN. And the others?

Mr. POATS. The others we are proposing for next year for consideration are a ———.

(Discussion off the record.)

Mr. POATS. I would like to say that in both of these cases we are not yet sure other sources of lending will not be available. We will only make these loans if other sources do not pick them up.

Mr. PASSMAN. You requested ——— million for development credits last year, and you did not use any of it?

Mr. POATS. That is correct.

Mr. PASSMAN. Are these requests just as uncertain as the others?

Mr. POATS. They are a year further along, Mr. Chairman.

Mr. PASSMAN. They might find ways of getting financing elsewhere?

Mr. POATS. That is correct.

Mr. PASSMAN. That may be determined later?

Mr. POATS. That is correct. In one case we have already gone through the process of screening and we know that there is no other funding available. In the case of the Luzon power——

Mr. PASSMAN. When will the committee know for sure whether or not these are going to fall largely in the same category as the projects last year?

Mr. POATS. We could not know that until well into the fiscal year. In the case of Luzon power grid, which is a well advanced project——

Mr. PASSMAN. Are you asking for funds before you determine for sure you are going to need the funds for the specific projects for which you are making the requests?

Mr. POATS. That is unavoidably the situation in development lending requests.

Mr. PASSMAN. Thank you very much.

TOTAL DEVELOPMENT LOAN REQUESTS FOR THE FAR EAST FOR FISCAL YEAR 1965

Mr. POATS. We have total requests for development lending in the Far East of $70 million in this proposal before you and we have projects under consideration totaling $102 million.

Mr. PASSMAN. You are asking for $70 million?

Mr. POATS. Yes.

We have ——— million in Korea alone, plus ——— million, in Thailand and the Philippines, for a total of ——— million in potential projects. We are asking for only $70 million.

COMMUNITY DEVELOPMENT PROJECT

Mr. PASSMAN. Last year the justifications stated that the community development project would terminate in fiscal year 1965; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. On page 118, this year, you say it will not terminate until 1967; is that correct?

Mr. POATS. That is the statement made in the sheet before you. I am reviewing that now. I think it can be terminated before that date.

COST TO COMPLETION

Mr. PASSMAN. Would you tell us the amount of cost to complete the project?

Mr. SMITH. As presently estimated, $2.2 million.

Mr. PASSMAN. Compared with what estimate last year?

Mr. SMITH. $2.1 million or $2,118,000.

Mr. PASSMAN. Up by how much?

Mr. SMITH. A little over $100,000.

Mr. PASSMAN. You moved the completion date up 2 years and increased the cost by $100,000?

Mr. POATS. That is right. They are moving into the problems of urban social developments.

Mr. PASSMAN. If this had been a line item appropriation, then you could not have increased the allocation, could you?

Mr. POATS. That is correct.

WATER RESOURCES PROJECT

Mr. PASSMAN. Last year Mr. Janow testified that an additional $382,000 would be required to complete the water resources project after fiscal year 1964; is that correct?

Mr. SMITH. $1,917,000 was the estimated cost to completion that was presented last year.

Mr. PASSMAN. I said "additional."

Mr. SMITH. Last year we said additional obligations after fiscal 1964—was that your question?

Mr. PASSMAN. I said that last year Mr. Janow testified an additional $382,000 would be required to complete the water resources project after fiscal 1964.

Mr. SMITH. That is correct.

Mr. PASSMAN. This year's books indicate it will require $549,000; is that correct?

Mr. SMITH. No, sir; $145,000.

Mr. PASSMAN. After fiscal 1964?

Mr. SMITH. $549,000 after fiscal year 1964, including $145,000 after fiscal year 1965.

Mr. PASSMAN. Have I made a statement of fact? He said $382,000 would complete it and you say this year $549,000; is that correct?

Mr. SMITH. That is correct.

Mr. PASSMAN. Thank you.

Mr. SMITH. However, Mr. Chairman, the estimated total cost to completion——

Mr. PASSMAN. I am talking about what you said you wanted.

What is the total cost of the project as projected?

Mr. SMITH. It is currently being projected at $1,768,000 and the total cost last year we projected at $1,917,000.

STATUS OF DEVELOPMENT LOANS

Mr. PASSMAN. I note that the "Development credit" item, on pages 122 and 123, are in default to the tune of approximately $2.5 million.

The third loan seems to be under intensive review by AID and a significant portion of the loan may be canceled; is that correct?

Mr. POATS. That is correct.

If I understand fully that question, it covered three or four projects?

Mr. PASSMAN. In all probability you are going to cancel them?

Mr. POATS. Cancel them?

Mr. PASSMAN. Yes.

Mr. POATS. No, we have worked out financial reorganization——

Mr. PASSMAN. What portion will be canceled?

PROPOSED PROJECT DEOBLIGATIONS

Mr. POATS. We believe we will be able to deobligate fairly soon approximately $3 million on the roads and bridges projects.

Mr. PASSMAN. Are you going to be able to deobligate that money before June 30?

Mr. POATS. I believe so. We are working on it.

Mr. PASSMAN. Are you going to be able to provide the committee with a list of all of these proposed deobligated projects before June 30?

Mr. POATS. I will do that; yes, sir.

(The information follows:)

PROPOSED PROJECT DEOBLIGATIONS BEFORE JUNE 30, 1964

The Far East Bureau prepared a listing of all project deobligations of fiscal year 1963 and prior year funds covering the period July 1, 1963, through March 31, 1964, for insert on page 3158. Detailed project listings on deobligations for the period April 1, 1964, through June 30, 1964, will not be available until mid or late July 1964. This insert is submitted as the best estimate now available as to the amount of project deobligations which will be available from April 1, 1964, through June 30, 1964. These are estimated as follows: $3,426,719 for development grants, $9,216,000 for supporting assistance, and $54,000 for contingency funds.

UNOBLIGATED FUNDS IN EXCESS OF ORIGINAL ESTIMATE

Mr. PASSMAN. I believe Mr. Bell stated, and subsequent witnesses also stated, that there is a possibility there will be several hundred million dollars more in unobligated funds than previously indicated. If so, they indicated they would amend the request for new funds and reduce it correspondingly. Is that a statement of fact?

Mr. POATS. I have not heard him put it exactly that way.

Mr. PASSMAN. Let us say it is the way I am putting it.

Mr. POATS. That certainly makes——

Mr. PASSMAN. Sense?

Mr. POATS. It certainly does.

Mr. PASSMAN. Let me ask if any supporting witness recalls Mr. Bell making that statement.

Did he not say that if they found additional unobligated funds were available, substantial unobligated funds on June 30, or at the end of this fiscal year, they would amend the request and reduce it? Is my understanding of that matter correct?

Mr. TENNANT. He indicated——

Mr. GARY. He said that, Mr. Chairman.

Mr. PASSMAN. Thank you.

I yield to Mr. Gary.

SOVIET FISHING FLEET ACTIVITIES IN THE FAR EAST

Mr. GARY. What problems do you have in this area as a whole with respect to Russian fishing fleets?

Mr. POATS. The Russian fleets are not very active in the Far East except in the extreme north. There have been a number of negotiations between the Soviet Union and Japan on conservation agreements and restrictions on fishing off the northern part of Japan. There have been Soviet fishing fleets in the Indian Ocean but I am not aware of any substantial incursion of Soviet fishing vessels in the Far Eastern waters with the exception of those on Hokkiado, Japan.

Mr. GARY. Their problems in the Far East are largely with the Japanese rather than with us; is that correct?

Mr. POATS. That is correct.

Mr. GARY. Your area does not include the area off Alaska?

Mr. POATS. No; I am concerned with AID programs in Korea, which would be the closest area.

Mr. GARY. We have had some problems off the Aleutians there and beyond.

Mr. POATS. There is a North Pacific Fisheries Convention of which the United States, Canada, and Japan are members. They have worked out arrangements for the limitation of the catch in certain designated waters. The Bristol Bay fishermen of Alaska have sought some revisions, I believe, of these arrangements from time to time, but I am not an authority on the subject.

Mr. GARY. Thank you, sir.

Mr. PASSMAN. Mr. Natcher?

INDUSTRIAL TRAINING PROGRAM—SUPERVISORY TRAINING INSTITUTES

Mr. NATCHER. Under your justifications you show in the industrial training program an average of $3,000 per person each year for attending supervisory training institutes and workshop sessions. You go on to state that a number of these have come to this country and others have gone to third countries for training.

Tell us some of the third countries.

THIRD COUNTRY PARTICIPATION

Mr. POATS. Japan would be the principal one. Japan has run a substantial participant training program. In the past we provided the costs of sending trainees we selected to go to Japan for that training and the Japanese provided some of the local costs.

They have now agreed to take over the entire costs of the training in Japan. That is, the Japanese have agreed to that. I suppose a few of these in the past may have gone for brief periods to other Far Eastern countries, but I am sure the bulk of the third country training was in Japan.

Mr. NATCHER. Can you give the committee some idea as to how much Japan is spending at this time in the Philippines? Do you have approximate figures on that?

Mr. POATS. Yes; we have a report on Japanese aid. It consists of reparation payments which are grants and Government facilitation of Japanese loans on long terms.

Mr. NATCHER. As far as reparation payments are concerned, you would not consider that mutual assistance, would you?

Mr. POATS. It is certainly not quite comparable to purely voluntary assistance, no. It is capital flow on grant terms to these countries in the area.

Mr. NATCHER. In addition to the payments you just mentioned, you also stated that there were certain loans being made?

Mr. POATS. That is right; there are two types of loans, a type comparable to our Export-Import Bank loan at approximately the same terms, and, in addition, loans that are financed by the Government at terms more liberal than that.

Mr. NATCHER. Is Japan making any grants at all to the Philippines or doing anything for the Philippines other than the payments she is committed to make as a result of World War II damage, and the loans you speak of?

Mr. POATS. I have a small item here on the list which looks like the value of technical assistance outside of reparations. I do not have a breakdown which discloses what it consists of.

Mr. NATCHER. Did it amount to as much as $10,000?

Mr. POATS. I am not clear; one item listed is $43,000. Otherwise, all I see here is Japanese reparations of about $25 million a year.

Mr. NATCHER. In other words, Japan is giving nothing as far as the Philippines are concerned from the standpoint of a foreign aid program? That is, as we know foreign aid?

Mr. POATS. They are giving technical assistance scholarships but are not making any other grants except reparation grants. That is correct.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. POATS. That is, to the Philippines. But there are some others.

THAILAND

TOTAL AID

Mr. PASSMAN. What has been the total amount of aid to Thailand from all 16 spigots?

Mr. POATS. $1.37 billion.

Mr. PASSMAN. Does that figure cover both economic and military aid?

Mr. POATS. That is right; and the international organizations which total $187 million of that.

(Discussion off the record.)

REQUEST FOR 1964

Mr. PASSMAN. What amount did you request for Thailand last year?

Mr. POATS. The request was $27 million.

Mr. PASSMAN. What sum will you allocate, total?

Mr. POATS. $14.4 million is the present estimate. We have not made any of the loans we had anticipated.

Mr. PASSMAN. Are you requesting any development credits for fiscal 1965?

Mr. POATS. We are requesting ——— million.

Mr. PASSMAN. Do you think the possibility of using that money is as uncertain as it has been for fiscal 1964?

Mr. POATS. Here, again, Mr. Chairman, these are projects that have matured an additional year. We think there is a greater chance they will come to us. We turned down several projects in the past and we have narrowed our criteria so we are now confined to projects related to rural development which limits the eligibility of Thailand for AID lending.

PREMATURE REQUEST FOR FUNDS

Mr. PASSMAN. Is that not what I have been saying all along, that you are just getting money for these projects before it has been finalized as to whether or not you are going to actually need the money?

Mr. POATS. Certainly it is true in the case of Thailand. Our request for funds for Thailand last year was premature.

Mr. PASSMAN. The same thing was true in the Philippines; is that not true?

Mr. POATS. For very different reasons.

Mr. PASSMAN. You are asking for money for projects and you do not go through with them. We are finding this fact all through the presentation, which is an indication that the request is far in excess of the amount of money needed.

You stated that in the Philippines some of these loans could be financed through other sources. You are saying the same thing here?

Mr. POATS. Could be; that is right. Of course, we could very easily obligate all of these funds by rushing forward.

Mr. PASSMAN. We certainly hope that you do not do so.

The fact is, you requested funds that you did not need and are doing so now.

I do not approve of people asking for funds so as to get the grand total of $3,392 million they may not have a use for.

Mr. POATS. That is precisely why the request this year was cut before submission to Congress.

Mr. PASSMAN. You are saying in this request that you do not know whether you will need these funds?

Mr. POATS. I am saying in last year's request I think that certain of our development lending proposals were premature. The projects have not come along to be sure.

Mr. PASSMAN. The one in Thailand is premature for fiscal year 1965?

Mr. POATS. No, sir.

Mr. PASSMAN. Did you say it was premature to the extent you might not use the money?

Mr. POATS. I said last year——

Mr. PASSMAN. Let me say, you have not cut the bill this year; you have increased it.

Mr. POATS. We have cut.

Mr. PASSMAN. No, you have not. You are asking for $3,392 million, and you received $3 billion last year. The unobligated amounts have been carried over every year, and you are going to ask they be carried over this year.

Mr. POATS. Last year we asked for $4.5 billion and this year we are asking for $3.4 billion.

Mr. PASSMAN. You did not indicate last year that your request was excessive. You said it was fully justified, even after Congress cut it. This program has been operated so loosely it is almost impossible to bring it under control. You have these commitments that are not firm.

Mr. POATS. Last year we asked for $105 million for lending in the Far East, this year we are asking for $70 million.

Mr. PASSMAN. The request was premature last year.

Mr. POATS. We have just as many projects before us this year.

Mr. PASSMAN. You did not fund the projects last year for which you asked the money. You had not reached a final decision you would need that money. Therefore, at a subsequent date, we had to determine through our interrogation that you did not need the money because you did not use it.

TOTAL ASSISTANCE TO THAILAND—1959–63

Could you give us the total amount of assistance to Thailand for 1959 through 1963, inclusive?

Mr. POATS. I can add that up in just about 1 minute.

Mr. PASSMAN. While you are adding that up, I note your statement on page 157:

> The Thai Government's conservative fiscal and monetary policies, while contributing to economic stability, have resulted in underuse of available Thai resources for development and security purposes.

Then, checking the facts of record, since 1959, Thailand has continued to increase its gold and foreign exchange holdings. I believe they have gone from $340 million up to $610 million in foreign exchange reserves during that period; is that correct?

Mr. POATS. Those are the gross figures, yes.

Mr. PASSMAN. What was the total U.S. aid during that same period?

Mr. POATS. $353 million.

Mr. PASSMAN. They have increased their foreign exchange reserves by $270 million?

Mr. POATS. Yes.

Mr. PASSMAN. Which is a figure very close to the amount of our aid during that same period; is that correct?

Mr. POATS. Yes, that is correct. I do not think there is any particular connection, though.

Mr. PASSMAN. I think so.

Mr. POATS. This aid was provided in military hardware to a large extent.

Mr. PASSMAN. Let us see how much economic aid they got during that period and how much military?

Mr. POATS. Total economic, including Public Law 480, was about $180 million, roughly.

Mr. PASSMAN. Let's subtract that figure from——

Mr. POATS. It is $178.8 million.

Mr. PASSMAN. So most of it was for economic aid.

MILITARY AID

Mr. POATS. The military total is $174.2 million; the economic is $178.8 million.

Mr. PASSMAN. Almost 50–50?

Mr. POATS. Just about even.

Mr. PASSMAN. You thought most of it was in the military?

Mr. POATS. $30 million of the economic was Eximbank loans.

Mr. PASSMAN. Long term?

Mr. POATS. That is included——

INCREASE IN THE FOREIGN EXCHANGE RESERVE OF THAILAND

Mr. PASSMAN. The point I am trying to make, Mr. Poats, is that while our gold reserves are diminishing and our balance-of-payments situation is still critical, these people increased their reserves of foreign exchange.

Mr. POATS. They have had successive good years for rice and other exports.

Mr. PASSMAN. I want the record to show that they have increased their foreign exchange reserves by an amount fairly close to the aid we have given them during the 1959–63 period.

Mr. POATS. All increases in Thai foreign exchange reserves have been in holdings of cash and Government securities. They have not bought any gold since 1949. The figures would make Thailand appear very propersous. Looking at Bangkok, that would be your conclusion. If you went out in the country in the northeast, you would see one of the most depressed and impoverished countries in the world. There are two Thailands.

Mr. PASSMAN. Why do they not spend some of their foreign exchange and gold holdings if they are in that condition? Why should we borrow money and spend it over there for them?

Mr. POATS. They have adopted a policy of borrowing against their holdings. They are increasing their expenditures of public funds in the northeast particularly. Even so, and even with increases in Government revenues running at about 9 percent a year, they are unable to begin to do the job in the time available to them in the northeast.

Mr. PASSMAN. Thank you, Mr. Poats.

Mr. RHODES. How much time is available?

Mr. POATS. ———.

(Discussion off the record.)

SHIFT IN PROGRAM EMPHASIS TO RURAL AREA DEVELOPMENT

We are not proposing to go ahead with additions to the present crash program of building security roads in extreme northern Thailand with U.S. engineers. We are going into another approach to the problem, which has a longer timespan and is less expensive.

Mr. RHODES. They are not building strategic hamlets, are they?

Mr. POATS. No. About 80 percent of our program for next year is in the rural areas. It is in the areas of the north and northeast. We are not doing anything for that prosperous part of Thailand which you see reflected in this gross increase in exchange reserves. We are pressing them to use their reserves for rural development to deal with their security problem.

We are pressing them to spend more of their own funds on their own military establishment and get this establishment out in the country instead of being quartered in the big cities.

Mr. RHODES. Do you actually believe that the activity of our Government in that area has caused such a dramatic change in the possibility of a Communist takeover? Is this the main reason for this change, or are there other reasons?

Mr. POATS. I am not clear of what change you speak.

Mr. RHODES. You are speaking of the change for the better that caused us to increase the time available for some sort of definite action to be taken.

Mr. POATS. I do not think we can take credit for a slowing of the pace of the Communist plans in the area. I do not mean to suggest that. Efforts we have made have inspired and moved the Thai Government to do a lot of constructive things a lot faster. In many respects the Thai efforts are a model to many countries of the area. They have established community development programs all over the area. They have gotten rural health people out in villages. They have transferred more of their funds into improving public works in the rural areas.

They are aware of, and alert to, the problem of the rural areas. They have mobile development units, something they organized; we are helping them. They go into rural villages that have never known the presence of the Government except as a tax collector and they are building schoolhouses and digging wells and providing medical clinics, and so forth.

Many things that the Thai Government is doing are worthy of our support and further encouragement.

DISPERSAL OF THAI TROOPS TO RURAL AREAS

Mr. LOFTUS. I think it is important to note, in addition, the Thai military have been encouraged to get their forces deployed much more effectively. They used to be around Bangkok.

Mr. RHODES. Has the Thai Army gone in for civic action units?

Mr. POATS. They are going into them now. Not as fast as we would like to see.

Mr. RHODES. How much of the project money which you have set forth in your justification book is going into the area of Thailand which you have described?

Mr. POATS. Roughly 80 percent of the ——— for grant funding is for this area, north and northeast.

That includes the malaria eradication, I may add, which is nationwide, but with that minor exception, that is true.

SOIL AND WATER DEVELOPMENT PROGRAM

Mr. PASSMAN. Now, I note that you allocated $486,000 in 1964 to the soil and water development management project, on page 131; is that correct?

How much did you request for this project last year?

Mr. POATS. $366,000.

Mr. PASSMAN. Did you make that request in January for the $366,000?

Mr. POATS. That is correct.

Mr. PASSMAN. Even after the bill was reduced from $5 to $3 billion?

Mr. POATS. That is part of our intensification in that area.

Mr. PASSMAN. Even after the total original request was reduced from $5 to $3 billion, you have money along the way to increase these projects?

Mr. POATS. Some other projects we cut in order to do this.

PORTABLE RADIO TRANSMITTER PROJECT

Mr. PASSMAN. This is the first year that the portable radio transmitter project, on page 134, is shown in the project book; is that correct?

Mr. POATS. That is correct.

This is one of those I listed for you the other day that were started during the course of the year. This was a contingency fund project.

Mr. PASSMAN. Without any illustrative justification?

Mr. POATS. We had an urgent request from the Ambassador——

Mr. PASSMAN. You did not answer my question.

Mr. POATS. That is correct.

Mr. PASSMAN. What was the date of obligation from the contingency fund in fiscal years 1963 and 1964 for this project?

Mr. POATS. $200,000 was obligated in late fiscal year 1963 after the project books were printed and $485,000 was obligated early in fiscal year 1964; that is, August of 1963. We rushed out a Signal Corps unit with this transmitter and set it up in northeast Thailand to counteract the Communist broadcasts into that area.

NUMBER OF FAR EAST PROJECTS

Mr. RHODES. How many projects are there in your area?

Mr. POATS. By our count, 111 are proposed for funding in fiscal year 1965. By the chairman's request to break these out into discrete units, I believe the figure is 138. In both cases, it is a reduction of about 20 percent from last year.

Mr. PASSMAN. I believe, Mr. Tennant, we established yesterday that the total of prime projects is around 2,300?

Mr. TENNANT. Correct; worldwide.

Mr. PASSMAN. That is not counting subprojects and sub-subprojects.

Mr. RHODES. I like the discrete type of project.

INDUSTRIAL DEVELOPMENT SUPPORT

Mr. PASSMAN. How firm is your estimate of $200,000 for contract services under the industrial development support project, on page 125?

Mr. POATS. I think this may be delayed until very late in the fiscal year because we are only starting now on the contracting for this fiscal year.

Mr. PASSMAN. You expect to try to get the obligation entered before the end of the fiscal year?

Mr. POATS. We will not be racing against the calendar at all.

Mr. PASSMAN. I asked you if you expected to get this project funded before the end of this fiscal year.

Mr. POATS. I believe we will be able to negotiate these contracts with eight persons during the course of fiscal year 1965.

SECURITY ROAD PROGRAM

Mr. PASSMAN. During the course of fiscal year 1965.

The next project is the security road project, on page 136, which was initiated in fiscal year 1963 by an allocation from the contingency fund in the amount of ———: is that correct?

Mr. POATS. That is correct. We did testify on that last year.

Mr. PASSMAN. And your current estimate for fiscal year 1964 is $750,000; is that right?

Mr. POATS. That is correct.

Mr. PASSMAN. You are not requesting any funds for this particular project in fiscal year 1965; is that correct?

Mr. POATS. That is correct, but we are doing something different.

GAO REPORT ON THAILAND ROADS PROGRAM

Mr. PASSMAN. I am sure you have seen a draft of the proposed report of the General Accounting Office dated March 1964.

Mr. POATS. Yes.

Mr. PASSMAN. This report contains a criticism of several economic assistance projects in Thailand, the first of which is the security road project.

The draft GAO report states:

> AID has provided Thailand with grant aid to construct feeder roads far more elaborate and costly than initially considered necessary to achieve intended security objectives.

The draft GAO report further states that this project was originated by the United States early in 1962 and that U.S. aid was to be furnished on the following criteria:

One, the program will apply only to roads clearly contributing to security purposes.

Two, the United States would be willing to provide grant aid assistance to the Government on an equal cost-sharing basis.

Three, the roads would be built to minimum standards.

Four, the high priority for roads in relation to other security projects would justify the use of U.S. contractors.

The draft GAO report continues:

> These criteria were either not understood or not accepted by U.S. agency officials in the field and the complete understanding and agreement was not reached with Thai officials regarding the criteria.

Despite the criteria involved in the project, it was ascertained that at Thai insistence the survey group was considering building the roads contrary to the criteria established by AID. Subsequently, the Ambassador obtained concurrence that the road would be built to minimum standards and subsequently the draft project was presented to the Thai Government on this basis, and the proposed project agreement was not accepted by the Thai Government, which insisted on higher than minimum standards. The USOM estimated that acceptance of Thai standards might add 45 to 50 percent cost to the project.

In April the U.S. country team recommended agreement with Thailand, for political and security purposes, to build in accordance with Thai standards. In April of 1963 a joint State Department and AID message concurred in the country team recommendation even though it was recognized that not all specifications the Thai desired were needed for internal security purposes.

The draft GAO report continues and makes reference to the actual security need for the remaining eight roads in the program and also indicates that AID proposed two alternatives to Thailand which at the time of the GAO review the Thai Government had indicated that neither AID alternative proposal for additional roads was acceptable to them, but that a Thai Government counterproposal would be forthcoming. Instead of the additional eight security roads, there is the accelerated rural development provincial public works project, on page 153, which has an allocation in fiscal year 1964 of $2,838,000 and the estimate for fiscal year 1965 is ———. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. We would appreciate knowing whether or not the recipients of our generosity are running this program, or whether AID is running it.

Mr. POATS. AID is running the program, sir, jointly with the Thai Government. The Thai Government is paying 50 percent of the cost of these roads and naturally has a voice in the standards.

Mr. PASSMAN. We agreed to minimum standards.

Mr. POATS. That is right.

They agreed to minimum standards, too. The question is of definition—what is minimum standards?

The lowest standards shown in their schedule of roads is class 5. These are class 5 roads. Our argument with them was, a whole new standard should be added to their scale.

Mr. PASSMAN. Are we supposed to discount what the draft GAO report states?

Mr. POATS. We are reviewing the draft statement there by the GAO.

Mr. PASSMAN. It is going to cost 45 to 50 percent more to meet their standards?

Mr. POATS. No, that is a misreading.

Mr. PASSMAN. Who is misreading?

Mr. POATS. That is their misreading of the facts if that is the way they presented it.

STATUS OF ROAD FUNDING

Mr. PASSMAN. What did you originally estimate this road program would cost as such—the one originally agreed upon?

Mr. POATS. That answer has to be complicated.

Mr. PASSMAN. Give us the original estimate when you started the program. You had an estimate?

Mr. POATS. And we submitted it. $14.5 million.

Mr. PASSMAN. Now what is the estimate to complete it on the basis of present-day criteria?

Mr. POATS. For these two roads, $6.3 million, and for the accelerated rural development program which will include roads and irrigation works and other things, $6.5 million if we continue it in additional provinces, for a total of $12.8 million. $14.5 million compared with $12.8 million.

Mr. PASSMAN. Are you giving us a complete projection here?

Mr. POATS. Yes.

Mr. PASSMAN. Do you have your 10-percent contingency built in, as you do in other projects?

Mr. POATS. We do in all construction projects.

BANGKOK-SARABURI HIGHWAY

Mr. PASSMAN. Last year in connection with the Bangkok-Saraburi project, the justification stated:

> No additional funds are required for the completion of this project.

However, on page 137, I note that you have allocated $14,000 for one direct-hire engineer for fiscal year 1964, and you are proposing an additional $14,000 for fiscal year 1965; is that correct?

Mr. POATS. That is correct.

We decided it was necessary to attribute to this project the cost of the mission engineer who is devoting most of his time to supervise the work on it.

Mr. PASSMAN. Was this brought about by any additional legislation passed by the Congress?

Mr. POATS. No; this was brought about by a judgment of the AID Agency that the technical support portion of the mission program should be broken out to show where these people are working.

Mr. PASSMAN. It was not imposed by additional legislation passed?

Mr. POATS. No.

GAO REPORT ON THE INEFFECTIVE UTILIZATION OF ROAD EQUIPMENT

Mr. PASSMAN. The draft GAO report has comments on the ineffective utilization of road equipment which was furnished to Thailand at a cost to the United States of about ———, which I believe was funded under this project. Is that correct?

Mr. POATS. No road equipment has been funded under this project. We did provide road equipment to them for a highway department pool. One of the purposes of this pool was to serve as a source of equipment for rental to contractors for the Bangkok-Saraburi Highway.

Mr. PASSMAN. Would you assume the GAO would know what they are talking about in this instance?

Mr. POATS. If they say it came from this project, I will check the record. We also provided it through assisting in the establishment of the equipment pool.

Mr. PASSMAN. Initially the equipment was to be used to help reconstruct the Bangkok-Saraburi Highway: is that correct? That is in the draft GAO report.

Mr. POATS. We have provided equipment to the pool for that purpose, yes.

Mr. PASSMAN. I said initially, the equipment to which I referred.

Mr. POATS. I do not recognize the figure of $610,000.

BANGKOK-NAKORNPATHOM HIGHWAY

Mr. PASSMAN. Did you request any funds last year for the Bangkok-Nakornpathom Highway project, on page 138?

Mr. POATS. No; that is a similar case of transferring technicians who were doing the supervision——

Mr. PASSMAN. You did not request any funds for it?

Mr. POATS. We requested funds for technicians.

Mr. PASSMAN. But not for this project?

Mr. POATS. We transferred them from technical support to this program.

Mr. PASSMAN. You did not request any funds for the project mentioned on page 138 last year, did you?

Mr. POATS. No, we did not.

Mr. PASSMAN. Thank you very much.

Subsequently, you terminated projects where you had personnel and you transferred them to this project; is that correct?

Mr. POATS. Yes; that is correct.

Mr. PASSMAN. At a cost of how much?

Mr. POATS. $27,000 on this project, $14,000 on the other one you mentioned. I think there may be another one.

Mr. PASSMAN. Let us get them all.

If you think there is any reason why the committee should not ask these questions, I will ask the Inspector General.

Mr. POATS. The Inspector General said we should attribute the cost of these technicians to the specific project rather than lump them under technical support. We have broken out project personnel from the consolidated technical support in line with your suggestion.

Mr. PASSMAN. Technical support is higher than you justified last year?

Mr. POATS. It may be.

Mr. PASSMAN. Certainly it is.

MALARIA ERADICATION PROGRAM

Last year you requested $1,115,000 for the malaria eradication project, on page 140; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. How much did you allocate to this project during the year?

Mr. POATS. The present program——

Mr. PASSMAN. I asked you how much did you allocate to this project for fiscal year 1964, Mr. Poats.

Mr. POATS. $1,347,000.

Mr. PASSMAN. Last year the project book indicated this project would be completed in fiscal year 1969; is that correct?

Mr. POATS. Yes.

Mr. PASSMAN. This year, I note it is now scheduled for completion in 1972; is that correct?

Mr. POATS. That is right. That extension is explained in the project book.

(The following was inserted for the record:)

In June 1963 an assessment team (AID and WHO) appraised the project. The team report endorsed the planning and execution of this project but recommended that the spray and surveillance coverage be increased. Accordingly, all houses in the areas where malaria has virtually disappeared will be visited every month for 3 years in a search for fever cases. Blood smears will be taken, followup investigations will be conducted, and treatment will be given to all positive cases. All houses in the area where malaria is presently being transmitted will be sprayed with residual insecticides twice a year for 3 years. The assessment team further recommended that the participant training aspect of the project be enlarged to insure an adequate supply of trained Thais to assume responsible operating positions in the malaria eradication effort.

VILLAGE HEALTH AND SANITATION

Mr. PASSMAN. I note that you have $668,000 for village health and sanitation, on page 141; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Last year you requested $145,000 for commodities which included pumps, pipes and fittings, tools, motion-picture projectors, generators, motorcycles; is that correct?

Mr. POATS. Yes.

Mr. PASSMAN. This year's book indicates you allocated $575,000 for this type of equipment. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. This year you are asking for the same amount for commodities you asked for last year; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Do you think you are going to repeat on this project what you did last year?

Mr. POATS. It is a strange coincidence.

MEDICAL EDUCATION PROJECT

Mr. PASSMAN. Last year you requested $620,000 for contract services for the medical education project to extend the University of Illinois contract for 1 additional year; is that correct?

Mr. POATS. The figure for last year was $620,000; that is right.

Mr. PASSMAN. What sum did you allocate?

Mr. POATS. $770,000.

There again, I can explain for the record if you wish.

Mr. PASSMAN. Submit it, please.

(The information supplied for the record follows:)

Please note that last year $620,000 was proposed for the contract and $100,000 for commodities. It was subsequently decided to fund the commodities under the contract, which accounts for most of the increase in that figure and the absence of a figure under "commodities" in the presentation before the committee. The remainder of the increase, as indicated in the write-up on page 142, is to permit 2-year advance funding of this university contract.

RURAL EDUCATION NOT PREVIOUSLY JUSTIFIED

Mr. PASSMAN. I note that you have allocated $171,000 to the rural education project, on page 144. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Did you testify for any funds for this project last year?

Mr. POATS. No, we did not. It came in during the course of the year.

HUMAN RESOURCE DEVELOPMENT

Mr. PASSMAN. Did you justify the ——— which you allocated in 1964 to the human resource development project, on page 145?

Mr. POATS. Yes, we requested ——— for that.

Mr. PASSMAN. Where will it be found in the book by this designation?

Mr. POATS. That was under "Education Development Planning."

Mr. SMITH. Page 615 of last year's book.

Mr. PASSMAN. Is that another one of those breakout things?

Mr. POATS. That is right.

Mr. PASSMAN. Is it a different project, a different name and a different number?

Mr. POATS. I believe it is a division of this general education project into two parts. It is a change of name essentially.

Mr. PASSMAN. And number?

Mr. POATS. And number.

Mr. PASSMAN. For what reason?

Mr. POATS. Because the project has developed into a broad study of Thailand's requirements for training rather than a planning project as such. The term "planning" seemed to connote something different from the purpose of this study.

Mr. PASSMAN. Is this another one of those projects that was prematurely funded before you got the proper name for it and what they were going to do?

Mr. POATS. No, I think it is a very minor reason for changing the name, and I never would have changed it myself if I had had a hand in it. It seems to me it would be too close a similarity.

Mr. PASSMAN. It could confuse the committee, though, could it not?

Mr. POATS. I suppose it might be confusing.

Mr. PASSMAN. Thank you.

Mr. POATS. It certainly was not intended.

CIVIL POLICE PROJECT

Mr. PASSMAN. The next project is the civil police project, on page 146. It has an estimated obligation through fiscal year 1964 of $11,331,000 and a completion cost of $14,696,000; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. This is a project on which the GAO reports in draft as follows:———

Further on the draft GAO report states:

We discussed this matter with the officials who agreed the ———

On page 63, the draft GAO report states: ———

Also in connection with this project, on page 72, the draft GAO report states: ———

Is that a correct analysis of the draft GAO report?

Mr. POATS. I took that matter up with the mission a month or two ago. They strongly urged the desirability of having separate available airlift for this border patrol police contact with their outposts along the border.

Another factor I would like to mention off the record if I may.

(Off the record.)

Mr. POATS. From the point of view of an auditor there is nothing incorrect about what he said there. It seems to make good sense. But there are other problems.

NORTH AND SOUTH THAILAND RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. I note that you are proposing to initiate the rural development, North and South Thailand project, page 154, in fiscal year 1965 at an initial cost of ———.

Mr. POATS. That is the mission's proposal, yes.

Mr. PASSMAN. Can you project the cost for completion?

Mr. POATS. No, sir.

Mr. PASSMAN. Why would you propose to initiate this project in view of Thailand's relatively solid economic condition and your own statement on page 157 of the justifications that the Thai Government's conservative fiscal and monetary policies have resulted in underuse of available Thai resources for development and security purposes?

Mr. POATS. The purpose is for this to be a catalyst to bring about Thai action in these areas. We say there will be no U.S. contribution until there is full evidence that the Thai Government is ready to provide all local resources required.

ILLUSTRATIVE NATURE OF CONTEMPLATED UNDERTAKING

Mr. PASSMAN. This is premature and you do not know if you will utilize the funds requested at this time; do you?

Mr. POATS. No, sir.

Mr. PASSMAN. Thank you.

And you cannot even project the completion cost?

Mr. POATS. It is a very illustrative project. It is something we need to do. It is in the area we have been considering with other agencies for several months. We have agreed on what should be done.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Why do you need a quarter of a million dollars for supplies, equipment, and maintenance items, under the technical support project, on page 155?

Mr. POATS. This is for office supplies and equipment, household equipment, spare parts, tools, and to provide communications media support.

Mr. PASSMAN. Describe the item on page 155 briefly.

Mr. POATS. This is the mission staff which is not allocated to any particular project. This would be your division chief, engineers, and so on who are not working more than 50 percent of their time on any particular project.

Mr. PASSMAN. This is in addition to your regular allocation you get through the State Department for equipment and supplies provided to the Embassy?

Mr. POATS. This is to maintain the AID mission.

Mr. PASSMAN. In Thailand?

Mr. POATS. Yes.

Mr. PASSMAN. How does this sum compare with what you requested last year?

Mr. POATS. Last year we requested $148,000.

Mr. PASSMAN. And it is up to $250,000?

Mr. POATS. We actually have allocated $282,000 this year instead of $148,000.

Mr. PASSMAN. You have this thing so loose you can do exactly as you want to with it.

NUMBER OF AID EMPLOYEES IN THAILAND

How many employees do you have in the AID mission in Thailand?

Mr. POATS. The total staff on board now at the end of this fiscal year is scheduled to be 141. That includes administrative people.

Mr. PASSMAN. That is the total?

Mr. POATS. The grand total; yes.

Mr. PASSMAN. How much did you allocate for these supplies, such as you discuss?

Mr. POATS. 141 is including the total staff. There are 27 administrative people.

Mr. PASSMAN. That gives you a total of 141?

Mr. POATS. That is correct.

TECHNICIAN SUPPORT COSTS

Mr. PASSMAN. And how much did you allocate?

Mr. POATS. $282,000.

Mr. PASSMAN. That is exactly $2,000 for each person?

Mr. POATS. For office supplies, household equipment, spare parts, communication equipment, and so on.

Mr. PASSMAN. That is $2,000 per person?

Mr. POATS. That is the average.

Mr. PASSMAN. Just for last year?

Mr. POATS. That is right.

Mr. PASSMAN. Does that $282,000, which is $2,000 each for the 41 employees, cover all 141 employees or does it cover only the 27 administrative employees?

Mr. POATS. It is a little of both, Mr. Chairman.

Mr. PASSMAN. What part goes to the 27 and what part goes to the remainder?

Mr. POATS. The staff under technical support is 46 technicians and 27 in administrative funding. So you could argue this equipment is primarily used by the 46 in technical support and the 27 in administrative funding, but in fact all the technicians who work on projects use office space, and so on.

Mr. PASSMAN. How much are you going to ask for them for this year, about the same amount?

Mr. POATS. The same amount; yes. No; I beg your pardon—$250,000.

Mr. PASSMAN. Not quite $2,000 each.

Mr. POATS. A good part of this equipment is imported, of course.

COMPARISON OF NUMBERS AND COSTS FOR PRIOR YEARS

Mr. PASSMAN. How does the number compare with the number you had there 5 years ago?

Mr. POATS. We go back in our figures here only 3 years.

Mr. PASSMAN. Give it to us for 3 years, just approximately.

Mr. POATS. The mission now has about 40 fewer staff members, than 3 years ago.

Mr. PASSMAN. And how much did you have for this account 3 years ago?

Mr. POATS. It does not show in the books I have.

Mr. PASSMAN. I think one of your assistants is coming up with it.

Mr. SMITH. On June 30, 1963, we had 173.

Mr. PASSMAN. 173 employees. How much did this particular account amount to in that same year?

Mr. POATS. The commodity portion was $148,000.

Mr. PASSMAN. That is a little under $1,000 per person. There will be a big used furniture sale there some day, I suppose.

Mr. POATS. This includes replacing vehicles for the staff and so on.

Mr. PASSMAN. Whatever it replaces, there will be a tremendous sale out there some day. Does the Thailand mission get any allocation out of the administrative appropriation for equipment, and so on?

Mr. POATS. I am not sure.

Mr. TENNANT. There are some supplies.

Mr. POATS. I will get you the total figure for this project.

(The information follows:)

USOM/Thailand administrative costs (fiscal year 1964, fiscal year 1965)

	Operational fiscal year 1964	Budgeted fiscal year 1965
U.S. personnel costs [1]	$641,000	$630,000
Supplies and equipment	28,000	26,000
Rent, utilities, and other expenses	41,000	48,000
Total	710,000	704,000

[1] Includes all personnel costs such as salary, allowances, personal travel and transportation of personal effects, etc., for 27 administrative funded employees in both fiscal year 1964 and fiscal year 1965.

THAILAND IRRIGATION LOAN

Mr. PASSMAN. I note that on May 31, 1962, you approved the Thailand irrigation loan in the amount of $11,100,000.

GAO REPORT

In this connection, the draft GAO report, which we have mentioned previously, has this to say about this development loan project: ———.

Further on, the report states: ———.

Have they made a statement of fact?

Mr. POATS. I am not familiar enough with these earlier details to confirm that, Mr. Chairman. We are looking into these statements now. Some of the more recent statements I do know something about.

Mr. PASSMAN. I am speaking about this statement.

Mr. POATS. Yes, but the review went back several years.

Mr. PASSMAN. Did you offend the World Bank when you asked them to step aside?

Mr. POATS. We did not ask them to step aside. That is one of the two notes I made that struck me as not being correct, but I will have to look into it.

Mr. PASSMAN. If you find out they did ask the World Bank to step aside, how would you feel about it?

Mr. POATS. We had clearance from the World Bank that they were not interested in this project.

Mr. PASSMAN. The World Bank expressed no objection in August.

Mr. POATS. The World Bank made two loans in 1962 to Thailand.

Mr. PASSMAN. That was subsequent to the approval of this one?

Mr. POATS. But they were considering them at the same time as this one.

Mr. PASSMAN. But they did approve two afterward?

Mr. POATS. They were considering two at the time we asked if they were interested in these.

Mr. PASSMAN. Is it a statement of fact that the World Bank did subsequently fund two similar projects?

Mr. POATS. That is correct and they are considering others now.

Mr. PASSMAN. And they were considering this one, too; is that correct?

Mr. POATS. They were given a chance to consider this one, yes.

Mr. PASSMAN. You told us yourself, Mr. Poats, that you do not move into financing projects of this type if there are other agencies that would do it. Is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Will you check into this item? This is one we would like to know about.

Mr. POATS. ———.

AID had not firmly established the three categories of rates at that time.

Mr. PASSMAN. Mr. Poats,———.

UTILIZATION OF MILITARY ASSISTANCE

The first part of the draft GAO report relates to the military assistance program in Thailand and, essentially, the GAO report charges:

———.

While these comments apply to the military assistance program, and not to the economic aid portion, I would appreciate it if you would bring this draft GAO report to the attention of Secretary McNamara and request his comments on the observations of the General Accounting Office.

Mr. LOFTUS. Sir, I believe that report has already been brought to the attention of Mr. McNamara. The Department of Defense and AID are preparing a coordinated reply to it.

Mr. PASSMAN. I want to say, before I yield, that we are dispensing with several hundred questions pertinent to Thailand in the interest of time, meeting a predetermined deadline. We have no other alternative.

Thank you very much, Mr. Poats, and I yield to Mr. Natcher.

REASONS FOR MUTUAL SECURITY PROGRAM IN THAILAND

Mr. NATCHER. Why should we be in Thailand at this time with the mutual security program?

Mr. POATS. Mr. Natcher, I think it is well known to you that Thailand is an important ally and firm base in southeast Asia. It is in a very critical area. We are heavily engaged in maintaining the line of containment against Communist expansion in that area. Thailand is a member of SEATO and its Government and policy are associated with the West. Their Government policy is constructive in seeking to deal with and solve the economic and social problems of people who otherwise might come under the influence of Communist subversion.

They are geographically strategically located in regard to Laos and the whole Mekong Valley is a target of Communist aggression.

(Discussion off the record.)

Mr. POATS. It is for that reason we are putting funds in northeast Thailand. By the logic of arithmetic you might argue this is not necessary, but if by cooperating with them on a 50–50 basis we can get people interested in investing in that area, and promote rapid rural progress in that area, we think it is a good adjunct to the military posture of the United States in southeast Asia.

Mr. NATCHER. Thank you. That is all, Mr. Chairman.

VIETNAM

Mr. PASSMAN. We have discussed Vietnam and its problems at length. The committee was told during one of its visits there that we were actully furnishing more economic aid to Vietnam than they could effectively utilize, and I think at a subsequent date that fact was, in effect, verified. I am not sure who did the questioning a few days ago about the level of aid you had planned for Vietnam in 1965, but I am of the opinion that we got the answer that the President's request would be in the neighborhood of the figure needed. At another time we were told that the need for Vietnam could be ——— million to ——— million more than that amount.

ECONOMIC AID REQUEST FOR FISCAL YEAR 1965

What sum are you requesting for South Vietnam in the way of economic aid for fiscal 1965?

Mr. POATS. The request before you in the book is for ——— million in supporting assistance and $7 million in development grants.

PUBLIC LAW 480 PROGRAMS

Mr. PASSMAN. Do you have any Public Law 480 programs in Vietnam?

Mr. POATS. Yes. There are several.

Mr. PASSMAN. What is the total?

Mr. POATS. Approximately ——— million in export market value.

Mr. PASSMAN. Will you also comment on the fact that there may be a need for additional economic aid?

Mr. POATS. Yes, that is correct.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. No questions, Mr. Chairman.

Mr. POATS. Mr. Chairman, I overstated the amount of the Public Law 480 programs. It is ——— million.

VIETNAMESE FOREIGN EXCHANGE RESERVES

Mr. PASSMAN. We have several pages of questions and some of our information indicates we are overfinancing South Vietnam. I think

I should put in the record that the divider sheets indicate that Vietnam gold holdings rose during calendar year 1963 by approximately $18 million. Is that correct?

Mr. POATS. That is correct, for foreign exchange totals, due to big rice exports. The figure at the end of the calendar year was $179 million, an increase of only $21 million.

Mr. PASSMAN. That is at the end of the calendar year?

Mr. POATS. Yes.

Mr. PASSMAN. But during the calendar year it is correct that there was an increase of $18 million in foreign exchange reserves?

Mr. POATS. They have agreed to draw down their reserves for essential imports.

Mr. PASSMAN. Do you have an increased or decreased request for Vietnam for fiscal year 1965?

Mr. POATS. The request for fiscal year 1965 is ——— million. Last year it was ——— million. It is broken down differently, though.

MEDICAL EDUCATION PROJECT

Mr. PASSMAN. I believe you allocated $635,000 to the medical education project, on page 167, in fiscal year 1964?

Mr. POATS. $635,000, yes.

Mr. PASSMAN. How much did you request last year for this project?

Mr. POATS. $320,000.

VOCATIONAL EDUCATION PROJECT

Mr. PASSMAN. Last year you requested $260,000 for a 2-year extension of the Southern Illinois contract under "Vocational education," on page 168.

Mr. POATS. That is correct.

Mr. PASSMAN. Page 168 indicates you did not extend the Southern Illinois contract. Is that correct?

Mr. POATS. We obligated only $52,000 on that.

Mr. PASSMAN. Does that fact not indicate you did not extend the Southern Illinois contract?

Mr. POATS. That is correct.

Mr. PASSMAN. But you are requesting ——— in 1965 for a 1-year extension of the contract. Is that correct?

Mr. POATS. I will have to read the sheet. There are two contracts, one of which was extended for a brief period in 1964 using only $52,000. The other is being extended with 1965 funds, as I read this sheet.

Mr. PASSMAN. How much did you request?

Mr. POATS. We requested ——— for forward funding of this contract or these contracts.

Mr. PASSMAN. How about straightening it up and putting it in the record?

Mr. POATS. I think that is a good idea, Mr. Chairman.

(The following was supplied for the record:)

VIETNAM—EXTENSION OF SOUTHERN ILLINOIS CONTRACT UNDER VOCATIONAL EDUCATION

The Southern Illinois University contract for vocational education was entered into on September 25, 1961, and is effective through June 15, 1964. The contract ceiling is $690,000 and the funds available amounted to $434,000, which were budgeted to finance contract operations through July 31, 1963. In early 1963 it was estimated that approximately $260,000 would be required to finance contract operations from August 1, 1963, through June 15, 1965. However, as a result of a delay in the full implementation of the contract the available funds have been sufficient to finance contract operations through fiscal year 1964 and only $52,000 of fiscal year 1964 funds was required to extend this contract to June 15, 1965. We are requesting $260,000 in fiscal year 1965, of which $180,000 is for the extension of the SIU contract through June 15, 1966, and $80,000 is for personal service contracts outside the SIU contract. The $180,000 for the SIU contract represents the approximate annual cost of this contract.

COUNTERINSURGENCY SERVICES PROJECT

Mr. PASSMAN. For the counterinsurgency project you are requesting ——— for fiscal year 1965. I note that you allocated $6,715,000 for this project in fiscal year 1964. Is that correct?

Mr. POATS. That is correct.

ORIGINAL REQUEST

Mr. PASSMAN. How much did you ask for this project?

Mr. POATS. $5,650,000.

Mr. PASSMAN. Was this your January request, originally?

Mr. POATS. The original January request was $5,650,000. Mr. Chairman, this is the heart of the counterinsurgency program.

PROJECT FUNDING FLEXIBILITY

Mr. PASSMAN. Mr. Controller, have you ever run a tape, worldwide, to find out the total amount of your projects?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You have certain projects for which you find you need less money?

Mr. POATS. Yes. You pick those that go up.

Mr. PASSMAN. You would not underfinance a project. So if you find yourself with excess money you allocate it to projects for which you asked less money.

Mr. POATS. I am sure you will grant that in Vietnam during the course of the year——

MEDICAL EDUCATION PROJECT

Mr. PASSMAN. You never did tell us what it would cost to complete this medical project. Is this a brandnew one you just started?

Mr. POATS. No. It is a well-established program.

Mr. PASSMAN. What is the cost of completion?

Mr. POATS. This is establishing hospitals and training doctors. This is a great need in Vietnam.

Mr. PASSMAN. You are actually building a hospital out there, are you?

Mr. POATS. That is right.

MILITARY PLANS FOR MEDICAL FACILITIES

Mr. PASSMAN. Is the military also building a medical center?

Mr. POATS. Not a center for the Vietnamese to use; no.

Mr. HODSON. There was some discussion of building a medical hospital by the military but this has been dropped.

Mr. PASSMAN. There is no plan now for them to build a hospital, they will let AID build it?

Mr. POATS. This is not just for the hospital. This is the whole cost of the project.

Mr. PASSMAN. Will it be a teaching hospital?

Mr. POATS. Yes. It is a medical center.

Mr. PASSMAN. How much did the military spend on their medical center before they abandoned it?

Mr. HODSON. I do not think they had it to the point of expenditures.

Mr. PASSMAN. It would be a duplication of projects if they both built one.

Mr. POATS. I said if they are building one it would not be for Vietnamese use.

Mr. PASSMAN. A medical center is what we are talking about.

Mr. HODSON. My information is that the plan has been abandoned.

ESTIMATED EXPENDITURES UNDER THE MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Will you get all the information you can on what the military intends to spend in fiscal year 1964 and fiscal year 1965 for medical facilities for the Vietnamese, military and civilian?

Following is a summary of all "medical services" (consisting of supplies and equipment) proposed for MAP funding in fiscal year 1964 and fiscal year 1965:

[In thousands]

Project for which equipment and supplies proposed	Fiscal year 1964	Fiscal year 1965
1. Ban Me Thuot Hospital (evacuation hospital)	$2.3	
2. Cong Hoa Medical Center (military patients in Saigon area)		$0.6
3. Hue Hospital Station (evacuation hospital)	1.4	
4. Can Tho Hospital (evacuation hospital)		.9
5. 3 300-bed station hospitals (medical support of Self-Defense Corps)	1.0	3.5
6. 2 400-bed station hospitals (medical support of Self-Defense Corps)	1.8	2.3
7. 4 preventative medicine detachments	4.7	2.2
8. Expand central medical depot		22.3
9. General medical laboratory facility		.9
Total	11.2	32.7

AID ASSISTANCE TO MEDICAL FACILITIES, VIETNAM

Below is a summary of AID proposed assistance of construction materials, supplies, and equipment to medical facilities in Vietnam:

[Dollars in thousands]

Facilities	Fiscal year 1964						Fiscal year 1965					
	Total number	Total cost	New construction and equipping		Supplying		Total number	Total cost	New construction and equipping		Supplying	
			Number	Cost	Number	Cost			Number	Cost	Number	Cost
District health centers	27	($51)	6	($27)	21	($24)	39	($87)	12	($39)	27	($48)
Village health maternities	220	(11)	100	(1)	120	(11)	320	(16)	100	(1)	220	(16)
Village health centers	3,800	(91)	1,000	(1)	2,800	(91)	4,800	(115)	1,000	(1)	3,800	(115)
Surgical suites	26	(888)	4	(448)	26	(440)	26	(520)	----------	----------	26	(520)
Medical center	1	(330)	1	(330)	----------	(---------)	1	(325)	1	[2] (325)	----------	(---------)
Total	----------	(1,371)	----------	(805)	----------	(566)	----------	(1,063)	----------	(364)	----------	(699)

[1] The Government of Vietnam bears the local currency costs from its own budget.

[2] Not new construction; equipment costs only.

Mr. POATS. In our program we are providing per diem for about 100 U.S. Army medics working in the countryside taking care of military personnel and civilians.

HIGHWAY CONSTRUCTION PROJECT

Mr. PASSMAN. Was this highway we planned to build for about $18.3 million and that wound up costing, if I recall correctly, $179 million ever completed?

Mr. POATS. I am happy to be able to try to set the record straight on that.

Mr. PASSMAN. What did we originally plan to spend on that highway project when it was submitted, in the beginning? Was it not $18.3 million?

Mr. POATS. The original bid by Johnson Drake & Piper was $18 million with a notation in the bid that this excluded certain equipment which it was understood the Vietnamese would provide. So that was not the total estimate of cost. Counting the equipment to be provided, the first estimate was about $27 million of dollar costs. This was not for one highway but for two highways and parts of others.

When the detailed engineering was done, during the course of this engineering, additional work orders were attached to it so the size of the job was increased and the engineering disclosed requirements for heavier culvert work and for more fills than had been originally estimated, and so on. When the contract was made it was for $40 million, including $14 million in local currency costs. This is not comparable with the original estimate of $27 million in that the job was enlarged 18 months after the contract was signed, the estimates were refined upward.

When final payment was made to Johnson Drake & Piper the final cost was $66.9 million, of which $37.9 million was in U.S. dollars and VM$29 million was in Vietnamese piasters.

The original contract was $40 million including $14 million in local currency. My point is that several things happened that make it impossible to compare the original figure with the $66.9 million final figure.

Mr. PASSMAN. Let me read what your predecessor said:

Mr. PASSMAN. Is this a typical Vietnam project?

"An example of the type of project financed by the 'Defense support' appropriation is the highway and bridge construction project in Vietnam which was initiated in fiscal year 1955. The project is to assist the Vietnamese Government in the rehabilitation and modernization of the national highway system. The original project was to construct one highway at a cost of $18,300,000. Subsequently, the scope of the project was broadened to include three highway routes and certain other work. The present estimate of the cost through June 30, 1960, is $61,778,000. The budget estimate for 1961 is $6,950,000, with additional dollar costs after 1961 of $4 million. In addition, through June 30, 1960, local currency expenditures are estimated to be $48,781,000, and $8,400,000 is proposed in fiscal year 1961. The total cost of the project, therefore, including both dollar and local currency costs, is now estimated to be $129,909,000, an increase of approximately 600 percent above the original cost estimate for the project."

Would that type of project be the exception or the rule in Vietnam?

Mr. JANOW. That was an extraordinary example, Mr. Chairman. Nothing like that is happening now.

And on page 628 of the hearings of last year we have the following information, which was supplied:

This $129 million figure presumably refers to a 1961 cost estimate, looking forward to completion, which included (*a*) the Johnson Drake & Piper contract for construction, (*b*) another proposed $3 million construction contract never executed because of worsening security, (*c*) an engineering contract with Capitol Engineering Co. for design and supervision of rehabilitated and new highways throughout the entire nation of Vietnam, as well as advisory services to train and modernize the Vietnamese highway department, (*d*) equipment and road-building materials, (*e*) participant training for selected Vietnamese engineers and highway department personnel, and (*f*) individual technician services. Total obligations for this project amount to $104,641,000 (including both dollars and local currency). No additional funds will be added to this project.

Then this:

Mr. PASSMAN. So far as you can tell?
Mr. JANOW. So far as I know. I think I know.

Have we brought this project to completion?

Mr. POATS. This project is completed; yes, sir, and fiscal year 1963 deobligations reduced the figure you quoted for all assistance to highways to $102 million.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. No questions.

RAILWAYS MODERNIZATION PROJECT

Mr. PASSMAN. I note that you are in the process of negotiations with regard to the extension of principal repayments on the railways modernization project, on page 175. Is that correct?

Mr. POATS. We are considering it; yes. We have not really gotten very far in the negotiations.

Mr. PASSMAN. What is the total amount?

Mr. POATS. Of the arrearage?

Mr. PASSMAN. No; the total amount of the loan, or credit.

Mr. POATS. The total amount of the loan was $9.7 million.

Mr. PASSMAN. To what extent are they delinquent at this time?

Mr. POATS. They are delinquent on the interest payments.

Mr. PASSMAN. They are not delinquent on the principal payments?

Mr. POATS. There was a 2-year grace period.

Mr. PASSMAN. What is the amount of the interest?

Mr. POATS. It is 3½ percent on the disbursed portion.

This shows that interest in the amount of $230,774 is unpaid and due.

Mr. PASSMAN. That is interest?

Mr. POATS. That is right. Let me see if that is just interest. No; I was incorrect: $200,000 is principal and $30,774 is interest.

Mr. PASSMAN. And they have not even paid the interest?

Mr. POATS. They have made payments. They began making payments——

Mr. PASSMAN. What period does this interest cover?

Mr. POATS. It covers the period April 7 through October 6, 1963. Prior to April 7, 1963, several small payments had been made totaling $5,322.

Mr. PASSMAN. And they are also delinquent on the principal?

Mr. POATS. Yes, $200,000.

POLICY ON EXTENSION OF LOAN REPAYMENT PERIOD

Mr. PASSMAN. Do you have some kind of roll-over formula that you use in refinancing these loans?

Mr. POATS. We have no set formula, but they are negotiating with us to extend the grace period or extend the period of the loan.

Mr. PASSMAN. Does not this situation indicate that these so-called loans are about what I have said of them all along? What do they tell you about not being able to pay the interest, Mr. Poats?

Mr. POATS. They tell us this is not a matter of foreign exchange but of budget funds for the railway corporation.

Mr. PASSMAN. It is a railway owned by the Government?

Mr. POATS. That is correct. They tell us with the heavy losses they are suffering from damage and interruption of service they are unable to meet their bills and they have asked us to waive this bill or defer payment on it.

Mr. PASSMAN. That is the Vietnamese Government?

Mr. POATS. Government-owned, yes.

Mr. PASSMAN. How much do you have for them for fiscal 1964?

Mr. POATS. This is a public corporation.

Mr. PASSMAN. Owned by the Vietnamese Government.

FISCAL YEAR 1964 ECONOMIC AID TO VIETNAM

It would be well at this point, I think, to state the total amount of economic aid we are giving them in fiscal year 1964, as they do not feel they can pay the interest on this loan.

Mr. POATS. We are not providing budget support to the railway.

Mr. PASSMAN. I asked how much aid you are providing to them in fiscal year 1964.

Mr. POATS. To Vietnam?

Mr. PASSMAN. Yes.

Mr. POATS. To the country?

Mr. PASSMAN. Yes.

Mr. POATS. I thought you meant to this corporation.

Mr. PASSMAN. This is a Government corporation. This is a part of the Government.

Mr. POATS. ——— million is our present estimate for the year.

Mr. PASSMAN. Economic aid?

Mr. POATS. That is correct.

Mr. PASSMAN. And they want us to waive the $30,000 interest on this particular project, which is the national railroad owned by the Vietnamese Government. Do you think you will do it?

Mr. POATS. We have attempted to maintain a sharp distinction between the loan operations and the rest of the AID program.

Mr. PASSMAN. This is a loan obligation?

Mr. POATS. Yes.

Mr. PASSMAN. And they are in default how much?

Mr. POATS. They are in default $230,000 as of December 31, 1963.

Mr. PASSMAN. $30,000 interest and $200,000 principal?

Mr. POATS. That is correct.

Mr. PASSMAN. Will you provide to the committee a report on this matter?

And we might as well ask the Controller to supply a list with all similar loans, worldwide, that are delinquent on principal and on interest.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Then also furnish a separate list on the number of credits, which you refer to as loans, on which you have used a rollover process or an extension. If you will, give us a list of the delinquencies on these development credits, or loans, covering the interest and covering the principal, by country and by project.

Mr. TENNANT. Yes, sir.

(The information supplied follows:)

Delinquent loan installments as of Mar. 31, 1964

WORLDWIDE SUMMARY

	Amounts delinquent			Outstanding principal on delinquent loans	Collections received through Apr. 15, 1964, against delinquencies
	Principal	Interest	Total		
AID loans from dollar appropriations:					
New development loan account		$2,570.43	$2,570.43	$1,227,741.40	$2,570.43
Alliance revolving loan account		5,862.61	5,862.61	2,614,631.96	
Other AID loans		205,013.62	205,013.62	25,421,256.94	
Subtotal for AID		213,446.66	213,446.66	29,263,630.30	2,570.43
DLF (liquidation) account	$3,362,555.78	2,338,497.16	5,701,052.94	48,268,956.63	48,656.70
Public Law 480 loans:					
Country loans (sec. 104 (d) and (g))	72,819.76	81,868.11	154,687.87	9,668,675.80	18,522.39
Cooley loans (sec. 104(e))	23,767.89	8,795.21	32,563.10	353,134.30	9,746.81
Subtotal for Public Law 480	96,587.65	90,663.32	187,250.97	10,021,810.10	28,269.20
Predecessor agencies:					
Regular programs		61,458.14	61,458.14	10,079,385.02	
Basic material programs					
Subtotal for predecessor agencies		61,458.14	61,458.14	10,079,385.02	
Grand total	3,459,143.43	2,704,065.28	6,163,208.71	97,633,782.05	79,496.33

Delinquent loan installments as of Mar. 31, 1964—Continued

LATIN AMERICA

Country and borrower	Type of loan	Loan number	Delinquent installments			Outstanding balance	Explanation as of Apr. 15, 1964
			Due date	Interest	Principal		
BOLIVIA							
Gasser y Cia	DLF liquidation	511-A-001	Aug. 1, 1962	$64,332.90			Amortization schedule revised and includes proposed interest capitalization of $285,753.55.
			Feb. 1, 1963	74,198.82	$77,467.63		
			Aug. 1, 1963	72,989.05	138,891.34		First principal payment under revised amortization schedule due Aug. 1, 1964.
Total				211,520.77	216,358.97	$2,576,141.65	
Government of Bolivia	DLF liquidation	511-A-008	Feb. 2, 1964	1,188.90		1,037,889.35	TOAID 1223 advises delay in payment of interest installments due to Bolivian administrative problems to be resolved in near future.
Do	do	511-A-002	Jan. 2, 1964	5,692.65		1,497,000.00	
Do	AFP	511-L-010	Nov. 26, 1963	5,862.61		2,614,631.96	TOAID 966 advises additional delay in payment, due to indecision by borrower in processing of repayment by Ministry of Finance.
COSTA RICA							
Societa Italiano de Colonizzazione Agricola.	DLF liquidation	515-A-002	July 1, 1961	3,737.85	1,000.00		Letter to borrower advised loan was legally in default on Oct. 23, 1963, and the full amount of principal and accrued interest was due and payable Dec. 24, 1963. Later, GC/AID met with borrower and negotiations were directed toward obtaining security for the loan and assignment of anticipated future receipts of the borrower to AID to insure repayment of the loan. Includes unbilled and accrued interest through Mar. 31, 1964, of $4,070.96.
			Jan. 1, 1962	8,231.40	1,000.00		
			July 1, 1962	8,097.19	1,000.00		
			Jan. 1, 1963	8,231.40	1,000.00		
			July 1, 1963	8,097.19	8,303.61		
			Jan. 1, 1964	8,231.40	8,531.96		
			do	2,976.03			
				4,070.96	276,047.61		
Total				51,673.42	296,883.18	296,883.18	
DOMINICAN REPUBLIC							
Government of Dominican Republic.	AID, other	517-K-001	Aug. 24, 1963	92,460.15			TOAID 259 dated Apr. 3, 1964, advised that despite numerous contacts and promises by borrower that overdue interest installment not yet received.
			Feb. 24, 1964	93,356.21			
Total				185,816.36		24,721,256.94	
ECUADOR							
Government of Ecuador	Public Law 480(g)	518-G-002	Feb. 1, 1964		67,283.67	2,355,784.97	AIDTO 624 dated Apr. 2, 1964, requests USAID to elicit borrower's intentions on payment of remaining principal balance still due.
Do	do	518-G-005	Mar. 1, 1964	12,986.30	5,536.09	652,195.64	Collected Apr. 3, 1964.

GUATEMALA							
Government of Guatemala	MSP	520-B-003	Oct. 1, 1963	1,545.83		3,500,000.00	Balance due after application of remittance submitted in advance of the official billing. Supplemental billing rendered for underpayment.
HAITI							
Government of Haiti	DLF liquidation	521-A-001	May 1, 1963	73,677.09	1,000.00		Refer to TOAID A-19 regarding nonpayment by borrower. (Message classified.)
			Nov. 1, 1963	74,907.63	1,000.00		
Total				148,584.72	2,000.00	4,245,674.23	
Government of Haiti	DLF liquidation	521-A-001	July 24, 1963	3,245.62	93,323.97		Do.
			Jan. 24, 1964	3,299.42	93,677.14		
Total				6,545.04	187,001.11	187,001.11	
VENEZUELA							
Banco Obero	DLF liquidation	529-A-002	Mar. 25, 1964	23,656.70	25,000.00	2,470,675.66	Collection received Apr. 4, 1964.
Total, Latin America				655,073.30	800,063.02	46,155,134.69	
FAR EAST							
CHINA							
Ingalls-Taiwan Shipbuilding Co.	DLF liquidation	484-A-007	Feb. 1, 1962	$2,386.34			Loan referred to Department of Justice for collection of entire principal plus accrued interest. Delinquent installments include unbilled but accrued interest of $19,544.66 from Aug. 1, 1962, through Mar. 31, 1964.
			Aug. 1, 1962	4,341.41	$50,000.00		
				19,544.66	162,981.31		
Total				26,272.41	212,981.31	$212,981.31	
Pioneer Chemical Corp.	DLF liquidation	484-A-008	Aug. 1, 1961		5,000.00		TOAID 1128 states delinquency problems being given high level attention by the USAID.
			Feb. 1, 1962	22,365.73	5,000.00		
			Aug. 1, 1962	26,864.88	5,000.00		
			Feb. 1, 1963	27,310.15	69,324.65		
			Aug. 1, 1963	26,864.88	71,231.08		
			Feb. 1, 1964	27,310.15	73,189.93		
Total				130,715.79	228,745.66	985,000.00	
PHILIPPINES							
Bataan Pulp & Paper Mill.	DLF liquidation	492-A-006	Jan. 1, 1962	139,177.11	10,000.00		Amortization schedules to be revised. New financial program being planned with American companies taking over the operation.
			Jan. 1, 1963	303,854.47	320,168.35		
			July 1, 1963	152,046.62	319,085.69		
			Jan. 1, 1964	154,774.87	328,259.40		
Total				749,853.07	977,513.44	5,339,589.75	

Delinquent loan installments as of Mar. 31, 1964—Continued

FAR EAST—Continued

Country and borrower	Type of loan	Loan number	Delinquent installments			Outstanding balance	Explanation as of Apr. 15, 1964
			Due date	Interest	Principal		
PHILIPPINES—Con.							
Mindanao Portland Cement Co.	DLF liquidation	492-A-007	Apr. 1, 1962	$99,300.22			
			Oct. 1, 1962	100,687.59	$238,758.94		
			Apr. 1, 1963	102,357.11	245,623.26		
			Oct. 1, 1963	103,194.88	252,684.93		
Total				405,539.80	737,067.13	$3,579,582.32	
VIETNAM							
Government of Republic of Vietnam.	MSP	430-B-003	Mar. 1, 1964	24,691.82		1,598,525.72	TOAID 2650 dated Mar. 24, 1964, USAID advises that borrower repeatedly requested to repay installment and USAID is hopeful of receiving repayment in the immediate future.
Vietnam Railway System	DLF liquidation	430-A-004	Oct. 7, 1963	30,774.34	200,000.00	6,108,945.00	FE/VN advised USAID to contact borrower and propose a $2,000,000 deobligation of the loan and also declare a moratorium as to repayment of principal and interest until April 1966. USAID has not as of this date received the borrower's views on the proposal.
Total, Far East				1,307,847.23	2,356,307.54	17,824,624.10	

NEAR EAST AND SOUTH ASIA

AFGHANISTAN							
Government of Afghanistan.	MSP	306-B-002	Dec. 1, 1963	$35,220.49		$4,980,859.30	Borrower instructed USAID that payment will definitely be made by Mar. 31, 1964. However, payment has not been received to date and AID/W has requested USAID to provide details concerning borrower's nonpayment of the installment.
Do	DLF	306-H-004	Mar. 19, 1964	2,570.43		1,227,741.40	TOAID 1198 states payment received Apr. 8, 1964.
CEYLON							
Government of Ceylon	Public Law 480(g)	383-G-006	Mar. 1, 1964	4,881.81		3,460,695.19	Installment due underpaid by $4,881.81. AIDTO A-850 sent requesting payment of balance of interest due.
GREECE							
Mobil Oil Hellas, A.E.	Public Law 480(e)	240-E-009	Mar. 29, 1964	1,172.53	$16,750.42	100,502.51	Dr535,000 equivalent to $17,922.95. Advice of payment not received to date from agent bank. Cable sent requesting status of installment.

INDIA							
Arbor Acres Farm India, Ltd.	....do....	386-E-085	Mar. 23, 1964	4,893.34	.....	168,421.05	Rs23,243.35 equivalent to $4,893.34. Advice of payment not received to date from agent bank. Cable sent requesting status of installment.
Gabriel India, Ltd	....do....	386-E-040	Mar. 30, 1964	2,729.34	7,017.47	84,210.74	Paid Apr. 1, 1964. Rs46,297.38 equivalent to $9,746.81.
IRAN							
Government of Iran	Public Law 480(g)	265-G-012	Dec. 1, 1963	64,000.00	.....	3,200,000.00	TOAID 1361 dated Mar. 17, 1964, states plan organization is requesting Government of Iran that the Ministry of of Finance service the debt since proceeds of the loan were specified for housing programs of the Army, National Police, etc..
SYRIA							
Modern Industries Corp.	DLF liquidation	276-A-001	Jan. 1, 1964	19,710.59	40,000.00	679,997.00	Commercial telegram dated Mar. 17, 1964, states payment made Jan. 4, 1964, to Syrian Central Bank, where it is being detained for foreign exchange reasons. Borrower pursuing matter with Central Bank to effect dollar transfer immediately and AID/W has advised USAID to investigate validity of the delay.
Total, Near East and South Asia.	.....	.....	.....	135,178.53	63,767.89	13,902,427.19	

AFRICA

ETHIOPIA							
Atlas Engineering Co.	DFL liquidation	663-A-003	Mar. 1, 1962	$503.68	.....	.....	Referred to Department of Justice for collection of entire principal plus accrued interest. Delinquent installment includes unbilled and accrued interest from Sept. 1, 1962, through Mar. 31, 1963, in the amount of $1,909.
			Sept. 1, 1962	607.71	$20,965.37	.....	
				1,909.00	.....	.....	
Total	.....	.....	.....	3,020.39	20,965.37	$20,965.37	
GUINEA							
Government of Guinea	Other, AID	675-K-004	Oct. 15, 1963	19,197.26	.....	700,000.00	AFR/WA is periodically requesting the borrower to settle the delinquency and has apprised the USAID on the delinquent installment.
LIBERIA							
Liberian-American Agricultural & Industrial Co.	DFL liquidation	669-A-001	June 1, 1961	327.60	49,211.92	.....	
			Dec. 1, 1961	4,159.91	25,579.00	.....	
			June 1, 1962	4,137.17	26,250.45	.....	The Director, CDF/AFR, in a letter to the borrower dated Mar. 17, 1964, has granted 60 days to cure the delinquency.
			Dec. 1, 1962	4,159.91	26,939.53	.....	
			June 1, 1963	4,137.17	27,646.69	.....	
			Dec. 1, 1963	4,159.91	2,412.02	.....	
Total	.....	.....	.....	21,081.67	158,039.61	158,039.61	

Delinquent loan installments as of Mar. 31, 1964—Continued

AFRICA—Continued

Country and borrower	Type of loan	Loan number	Delinquent installments			Outstanding balance	Explanation as of Apr. 15, 1964
			Due date	Interest	Principal		
SUDAN							
Sudan-American Textile Industry.	DFL liquidation	650-A-001	Oct. 1, 1963	$309,877.79		$11,237,489.69	Interest repayment deferred pending completion of negotiations in which loan terms are being revised to provide first interest installment to be due Apr. 1, 1964, and first principal repayment to be due Apr. 1, 1967.
TUNISIA							
Societe Nationale de Cellulose.	DLF liquidation	664-A-003	Nov. 1, 1963	182,453.53	$10,000.00	6,410,575.36	Loan authorization signed December 13, 1963, authorizes an increase of $800,000 to original loan and defers for 2 years from Nov. 1, 1963, principal repayments except for semi annual token repayments of $10,000. Borrower's request that delinquent interest and all interest accruing to Nov 1, 1965, be capitalized is under advisement by AFR/CDF
Banque National Agricole	do	664-A-007	Feb. 2, 1964	10,335.58	50,000.00	1,224,526.04	Cable sent Mar. 23, 1964, to USAID requesting full details regarding nonpayment. Follow-up to original inquiry sent Apr. 13, 1964.
Total, Africa				545,966.22	239,004.98	19,751,596.07	

Extension or rollover of loan installments as of Mar. 31, 1964

Area and country	Loan number	Interest		Deferred principal	Outstanding principal	Remarks
		Deferred	Capitalized			
LATIN AMERICA						
Bolivia	511-A-001 (DLF 39)		$208,991.97		$2,367,149.68	Unpaid accrued interest from Mar. 11, 1959, through Aug. 1, 1961, capitalized in accordance with sec. 2.04 of amendatory agreement dated Feb. 20, 1961.
	511-A-005 (DLF 185)		83,030.69		1,750,000.00	Accrued interest from Nov. 3, 1961, through Nov. 7, 1963, capitalized in accordance with sec. 2.06 of amended agreement dated Feb. 22, 1963.
Brazil	512-A-003 (DLF 45)		10,139.38		27,758.10	Accrued interest from Mar. 13, 1959, through Jan. 14, 1962, capitalized in accordance with sec. 2.03 of loan agreement dated Mar. 4, 1959.
	512-L-007		28,762.79		2,437,351.38	All interest payments due during grace period (Dec. 31, 1962, through Dec. 31, 1965) will be capitalized in accordance with revised loan authorization dated June 5, 1963.
Colombia	514-E-018 (C-14-11)		16,934.74		484,301.94	Accrued interest from Aug. 16, 1962, through June 14, 1963, capitalized in accordance with moratorium dated Apr. 26, 1963, signed by the Deputy Director for Capital Development, Latin America.
Guatemala	520-A-001 (DLF 73)		33,633.69		211,173.69	Accrued interest from Dec. 15, 1961, through Dec. 14, 1962, capitalized in accordance with letter to borrower dated Feb. 20, 1962, from the Deputy Director for Capital Development, Latin America.
Paraguay	562-A-005 (DLF 16)		131,611.47		2,399,410.37	Accrued interest due Nov. 1, 1961, and May 1, 1962 ($65,487.15 and $66,124.32 respectively) capitalized in accordance with sec. 2.05 of amendatory agreement signed Jan. 10, 1962.
NEAR EAST AND SOUTH ASIA						
India	386-B-001 (ECAX 86-1)	25,852,696.87		13,678,564.07	[1] 186,239,057.50	Semiannual installments of principal plus accrued interest from Dec. 31, 1958, through Mar. 31, 1964, have been deferred. Repayments of these deferred installments will commence on Dec. 31, 1986, and extend through Dec. 31, 1991.
Pakistan	391-B-001 (TCA-1)	2,114,981.47		2,230,292.22	[1] 15,000,000.00	Semiannual installments of principal plus accrued interest from Sept. 15, 1958, through Mar. 31, 1964, have been deferred. Repayment of these deferred installments will commence on Mar. 15, 1988, and extend through Sept. 15, 1993.
Turkey	277-B-001 (ECAX 77-1 and 2).	6,749,500.00		10,880,000.00	[1] 38,000,000.00	Semiannual installments of principal plus accrued interest from June 30, 1956, through Mar. 31, 1964, have been deferred. Repayment of these deferred installments will commence on June 30, 1984, and extend through Dec. 31, 1991.
	277-B-002 (ECAX 77-3)	6,623,464.56		7,876,372.54	[1] 35,806,686.10	Semiannual installments of principal plus accrued interest from June 30, 1956, through Mar. 31, 1964, have been deferred. Repayment of these deferred installments will commence on June 30, 1984, and extend through Dec. 31, 1991.

[1] The outstanding principal also includes the principal deferred.

Extension or rollover of loan installments as of Mar. 31, 1964—Continued

Area and country	Loan number	Interest		Deferred principal	Outstanding principal	Remarks
		Deferred	Capitalized			
NEAR EAST AND SOUTH ASIA—con.						
	277-B-003 (MSAX 77-4)	2,111,283.81		1,193,784.95	[1] 11,200,000.00	Semiannual installments of principal plus accrued interest from Dec. 31, 1956, through Mar. 31, 1964, have been deferred. Payment deferred interest will commence on Dec. 31, 1987, and extend through June 30, 1995. Repayment of deferred principal will commence on June 30, 1991, and extend through June 30, 1995.
	277-A-020 (DLF 169)		6,295,243.14		113,161,282.79	Accrued interest from Oct. 2, 1961, through Jan. 1, 1964, capitalized in accordance with sec. 2.06 of loan agreement dated Jan. 9, 1961.
AFRICA						
Sudan	650-A-001 (DLF 37)		1,259,355.99		9,978,133.70	Accrued interest from Mar. 1, 1960, to Mar. 31, 1963, capitalized in accordance with memo dated Sept. 12, 1963, from Assistant General Counsel, Africa and Europe.
Tunisia	664-A-003 (DLF 36)		387,299.52		6,023,275.84	Accrued interest to May 1, 1962, capitalized in accordance with sec. 2.04 of loan agreement.
Total		43,451,926.71	8,455,003.38	35,859,013.78	425,085,581.09	

[1] The outstanding principal also includes the principal deferred.

Mr. CONTE. Mr. Chairman, may I ask a question?
Mr. PASSMAN. Yes, Mr. Conte.

CONTINUITY OF AGREEMENTS WITH CHANGING GOVERNMENTS

Mr. CONTE. When you have a coup in Vietnam and a new government comes in, what happens to the old contract you have with the government?

Mr. POATS. We have recognized the continuation of the Government. At the time of the Minh regime you had the continuation of the Vice President, which gave it a certain continuity. The new government recognized all the obligations of the old government.

In the case of the second change in the government when Khanh replaced Minh or moved him upstairs, once again the new group described it not as a coup but a reorganization of government, so there was no abandonment of commitments or agreements. We are still doing business with the Government of Vietnam and in fact they have positively reaffirmed their agreements with us and we are getting a very high degree of cooperation in some aspects of our relations with the government on the economic side as well as on the military side. Our main problem now is in the sluggishness in the release of funds and in the assignment of qualified people to the rural areas for the cleanup work following military action. It is difficult to get the authority decentralized.

ROLE OF THE U.S. AMBASSADOR

Mr. CONTE. Who is calling the shots? Is Ambassador Lodge the key man?

Mr. POATS. Very much so. He heads the country team and the whole U.S. support of the Vietnamese Government effort is channeled through the country team, the membership being the MAAG chief, the USOM chief, the USIA chief, and so on.

Mr. CONTE. He is the No. 1 man and everything goes through him?

Mr. POATS. Absolutely.

Mr. CONTE. Likewise on the economic program, if you have any policy questions, they clear through him?

Mr. POATS. That is right.

Mr. CONTE. That is all.

REVIEW OF REPORTS ON SAIGON WATER SYSTEM

Mr. PASSMAN. I have this report on the waterworks project in Vietnam and I shall submit it for the record:

(The material follows:)

Prepared for the International Water Corp., Pittsburgh, Pa.

REVIEW OF RECENT REPORTS ON THE PRESENT AND FUTURE WATER SUPPLY OF THE SAIGON-CHOLON AREA, VIETNAM

(By Raphael G. Kazmann, consulting engineer, Stuttgart, Ark., July 10, 1959)

Section I. Summary

Several recent reports on the best method of increasing the water supply of the Saigon metropolitan area are analyzed in detail and critically reviewed.

All reports agree that the metropolitan area will require 300,000 cubic meters a day of water by 1970; that the water should be treated and be of better mineral quality than the water now being used; that a new water distribution system will be needed; and that for an interim water supply wells should be drilled in the Go Vap area.

Study of the available ground water information shows that the principal source of recharge for the Saigon-Cholon well field is rainfall in the area. The reliable annual supply, from this source alone, is computed to be in the order of 100,000 cubic meters daily. On the same basis the Go Vap area could supply an additional 200,000 cubic meters daily, making a total of 300,000 cubic meters daily from known well field areas. To increase the ground water supply still more it would be necessary to establish new well fields north of Go Vap. Ultimately still more ground water could be obtained by constructing a well field near the Dong Nai River and causing the infiltration of river water to the aquifer. Such water, as has been demonstrated time and again in the United States, would be potable without any treatment, although iron removal might be needed.

The reports disagree on the method to be used for obtaining additional water. The hydrotechnic report proposes a river intake on the Dong Nai River, a treatment plant and 30 kilometers of large diameter pipe to convey the treated water to key distribution points in Saigon-Cholon. Total cost of project is given as VN$641 million and US$19.3 million—the equivalent of a total of VN$ billion at current rates of exchange. Review of the information, using hydrotechnic's water rate schedule, shows that in 1965 the water supply operation will operate at an annual deficit of VN$80 million.

The Charles and Karpoff reports propose additional wells in the Go Vap area and plants for the removal of iron from the well water. On the same basis as the hydrotechnic project, the total cost of the ground water project would be VN$401 million and US$12.6 million—a total equal to VN$1.3 billion. In 1965, using the proposed rate schedule of hydrotechnic, the water supply system would show an annual surplus of VN$20 million.

Noneconomic considerations also enter into the selection of a new water supply source. As detailed in this review the ground water supply is to be preferred because of its (1) relative invulnerability to bombing or sabotage, (2) ability to produce potable water even if its water treatment facilities are not operating, (3) relative invulnerability to fallout, whether this be caused by war or atomic tests. The surface water supply, its essential water treatment, and its long, visible pipeline, are far less able to withstand disasters, whether natural or manmade.

Finally, the review finds no factual or logical reason for the proposal to replace the present successful operation of the water supply by the prefecture by a new entity called a metropolitan water authority.

Section II. Purpose and Authorization

This report has been prepared in response to a request by the International Water Corp. of Pittsburgh, Pa., whose wholly owned subsidiary, Hydraulique-Asie, has been drilling wells in Saigon and Vietnam since 1930.

The writer was instructed to critically review all of the available reports and data from the standpoint of technical feasibility and hydrologic and hydrogeologic soundness. Moreover, it was requested that he point out deficiencies

in information, discrepancies in interpretation between the reports, and possible alternate interpretations of the data presented.

Section III. The Data

Three principal studies are referred to in this report. The references cited are numbered below.

1. "Water Supply Improvement Project, Saigon Metropolitan Area," by Hydrotechnic Corp., Ross Nebolsine, president, New York, November 1958.
2. "Potable Water Supply for the City of Saigon, Vietnam, Hydrogelogical Survey," by Roman Karpoff, Paris, April 16, 1959.
3. "Water Supply Improvement Project, Saigon Metropolitan Area," by John R. Charles, International Water Corp., Pittsburgh, Pa., April 1959.

In addition, the writer had access to the following: Well drilling data, including 98 well log sheets which include geologic data, well construction data, pump data, and some water level data; copies of 5 letters signed by Mr. Charles addressed to ICA dated variously between April 16 and June 4, 1959; copies of 2 letters to R. K. Wadsworth of Tudor Engineering Co., dated May 27 and June 11, 1959; copies of 2 letters from Mr. Wadsworth to Mr. Charles dated June 5 and June 15, 1959; copy of an excerpt from a report by Mr. Wadsworth, commenting on the Karpoff report; copy of a letter by P. Mondain dated June 6, 1959, answering certain questions asked by Mr. Karpoff; several photographs taken in the Saigon area.

Section IV. Review

In the design of any water supply system there are four technical phases: (*a*) estimating the demand, (*b*) finding enough water to satisfy the demand, (*c*) planning the treatment of water, when necessary, and (*d*) planning the water distribution system. There is also a final, critical phase when the economics of each possible technical solution is evaluated and one solution is compared with another in the course of reaching a final decision.

AREAS OF AGREEMENT

Water distribution

There seems to be a general agreement that the present water distribution network in Saigon-Cholon is inadequate and that it will have to be enlarged or replaced as a routine part of increasing the water supply. Without going into great detail, the writer agrees that at the time the water supply is doubled or trebled the presently existing water distribution facilities will prove to be inadequate. Thus redesign and reconstruction of the water distribution system will undoubtedly be required.

Water treatment

It is taken for granted, in all reports, that the quality of the water delivered to the consumer should be improved by removal of objectionable substances.

Interim water supply

Until the increased, treated water supply can be designed and built, there is agreement that new wells be constructed in the Go Vap area near the airport: (*a*) "Hydrotechnic recommends that six new, but temporary, deep wells be drilled in the immediate vicinity of the Tan Son Nhut Airport * * *." (1, p. 25.) (*b*) Both Karpoff (2, p. 23) and Charles (3, p. 26) recommend the Go Vap area in the vicinity of the Tan Son Nhut Airport, as the location for a new well field.

AREAS OF DISAGREEMENT

Future water demand

In a city where over 40 percent of the water is unmetered, and where the quantity distributed at public water points and losses in the distribution system are estimated, projections of water demand are always uncertain. When the political situation which has caused the recent influx to Saigon of 1 million refugees is superimposed on this, then estimates of future demand are more a matter of judgment and experience than rational calculation.

Based on present per capita consumption rates in Paris, Karpoff estimates (2, p. 2) a water demand of 400,000 cubic meters a day in 1965 and 500,000 cubic meters a day in 1970. By 1970 he believes that the conversion of saline water will be an economical method of obtaining any additional water, so it is unnecessary to extrapolate further.

Hydrotechnic estimates (1, p. 14a) a demand of 282,000 cubic meters a day in 1965, 321,000 cubic meters a day in 1970, and 369,000 cubic meters a day in 1978.

Based on meter installations, Charles estimates a demand (3, p. 6) of 231,000 cubic meters a day in 1968 and 303,000 cubic meters a day in 1978. He reports that, "The chief engineer (of the prefecture) has also estimated 300,000 cubic meters a day to be reasonable, in line with existing conditions, with adequate provision for the future" (3, p. 7).

The Karpoff estimate may be excluded as being an arbitrary upper limit based on the superposition of a European water demand upon an Asian situation. Thus it would appear that about 300,000 cubic meters a day will be the estimated demand either in 1968 (Hydrotechnic) or in 1978 (Charles). Consequently any water supply that will furnish an average of 300,000 cubic meters a day by 1970, and that can be expanded thereafter, will suffice to meet both requirements. Also, if the wastage and unaccounted-for water can be reduced, the 300,000 cubic meters a day supply will suffice for a longer period of time.

Source of water

Any water source that currently produces 160,000 cubic meters a day (40 million gallons a day) of bacteriologically good water without any treatment deserves careful study before it is abandoned. The source of the water, the quantity available, the limitations of the supply, and the possibility of expanding it should be given consideration.

On this subject Hydrotechnic states (1, p. iii): "Present and future water demand cannot be met from ground water sources. Drilling of additional deep wells within the prefectural limits is * * * dangerous because of the possibility of disrupting the present salt water-fresh water equilibrium of the water reservoir underlying the area * * *. Meeting all the necessary water requirements of the area by developing new wells in the Go Vap plateau would * * * render inoperative the numerous hand dug, shallow wells extensively used for irrigation of the farms on the plateau. Ground water * * * quality * * * could further deteriorate with intensive and prolonged abstraction."

"The existing source of water—the wells and collector systems—cannot be rehabilitated or sufficiently expanded to provide the demand stated above. (260,000 cubic meters a day—RGK)" (1, p. 9).

Careful study of the Hydrotechnic report has failed to reveal any data to support these statements. From a hydrogeological standpoint it would have been extremely useful had the data been presented, for example, to support the statement that a fresh water-salt water equilibrium has been established at an average offtake rate of about 150,000 cubic meters a day in the Saigon-Cholon area (1, p. iii) (1, p. 6).

The Karpoff report is a competently accomplished hydrogeological reconnaissance, and presents a large amount of factual, observational data. A serious effort is made in the report to strike a hydrogeological balance and to answer the basic questions concerning the source of water, its quality, and its potential magnitude:

"* * * waters of the aquifer * * * come from * * * the action of * * * infiltration (from) the Dong Nai in its sandy and very permeable bed, upstream of Bien Hoa. There (also) might be a certain contribution by the river of Saigon north of Thu Dau Mot" (2, p. 21).

The quantity of 200,000 cubic meters a day can be obtained by a well field covering about a 1.5 square kilometer area with the suggested location east and northeast of the airfield of Tan Son Nhut (2, p. 24).

The wells of the irrigators in the Go Vap area tap a surfacial formation which is separate from the deeper aquifer to be utilized by the proposed wells, "therefore, there is no evident danger for the vegetable growers" (2, p. 24).

Finally, as regards the quality of ground water: the NaCl content of the water has nothing to do either with the proximity of the arroyo of river water or with the depth of drilling (2, p. 21).

The Charles report is concerned with the engineering comparisons and construction details and endorses the hydrogeologic conclusions of the Karpoff report. These conclusions are restated in his letters to the ICA.

Wadsworth, in a letter to Charles dated June 5, 1959, points out that the river infiltration theory needs confirmation inasmuch as using the available hydraulic gradient and the estimated cross section and a permeability of 2,000 gallons per day per square foot, a maximum of 63,000 cubic meters a day (17 million gallons a day) would be transmitted to the Saigon area—and they are already pumping 160,000 cubic meters a day.

Section V. Comment

Hydrogeology

Hydrotechnic report

Hydrotechnic's position seems to be that about 150,000 cubic meters a day can be obtained indefinitely from the Saigon-Cholon well field (to take more would disturb the salt water-fresh water balance). But to go to the Go Vap plateau for a permanent expansion of the water supply—the Go Vap area totals about 50 square kilometers as compared to about 25 square kilometers of well-field area in Saigon—is undesirable because water levels will be lowered in the irrigation wells of the farmers and the ground-water quality might deteriorate.

From an engineering viewpoint the writer believes that the need to replace shallow, hand-operated farm wells, by deep wells of small diameter and capacity is not a serious argument against the expansion of the water supply of one of the world's largest cities. And from a hydrogeologic viewpoint the possible deterioration of the quality of the ground water lacks factual or theoretical substantiation.

Karpoff report

The Karpoff theory of possible river infiltration is not contradicted by any of the geologic information, although the theoretical objection posed by Wadsworth is a strong one.

Another objection to the river infiltration theory is this: Figure SC–9 of the Hydrotechnic report shows the normal water level at the proposed intake as elevation 2 meters, with a range of from —1.70 meters to +5.40 meters. Upstream, at the probable recharge area, the river level could hardly be more than a meter higher, making normal water level +3 meters. In November 1951 the well field had been operating for some 20 years. At TSN 7 the water level on November 3, 1951, was 2.25 meters below land surface, the equivalent of an elevation of approximately 4 meters above sea level. On December 15, 1952, the depth to water at TSN 10 was 7.5 meters, a water level elevation of approximately 2.5 meters above mean sea level. In September 1954, the water elevation of approximately 2.5 meters above mean sea level. In September 1954, the water elevation at TSN 14 was approximately 4 meters above sea level.

Thus at least through 1954, the operation of the Saigon-Cholon well field had not affected water levels appreciably at a distance of less than 3 kilometers from it. Moreover, the water level elevation of +4 at TSN 14 can be compared with +3 at the hypothetical recharge area, and the deduction can readily be made that the ground water would be feeding the river, rather than vice versa.

This does not eliminate the possibility of constructing a well field along the Dong Nai River which would derive its water from river infiltration. The information merely means that this potential source is not presently being utilized by the existing well fields.

Alternate interpretation

Regardless of where the water feeding the well field comes from, it may be computed, based on figure SC–3 of the Hydrotechnic report, that between 1930 and 1958 a total of 9.2 by 10^8 (920 million) cubic meters of water was produced by the well field.

Figure 1 shows the approximate limit of influence of the well field, and some indicative water level data. The water elevations are based upon measured static depths to water at the times the wells shown were drilled. This information was converted to sea level elevations by use of the contours shown on figure 5 of the Karpoff report. The data is admittedly approximate, but it is indicative.

The area enclosed is approximately 26 square kilometers. In the absence of additional data it remains to be proven that the effect of pumping has been felt much beyond the indicated limits. Thus an offtake of 9.2 by 10^6 cubic meters from an area of 2.6 by 10^7 square meters (26 square kilometers) would have resulted in a water level drop of 34 meters, had the area been the surface of a lake. But the maximum specific yield, which approaches the porosity of a sand and gravel under water table conditions, is only about 0.30. Consequently the lowering of the piezometric surface should have been more than 100 meters over the entire area had there been no replenishment. However, as indicated on figure 1 the maximum water level decline in the center of the well field, since pumping started in 1930, is only about 7 meters.

Therefore it must be concluded that the well field has been recharged periodically. The recharge water cannot have originated in the Dong Nai River, as shown previously. Nor can it have originated in the Saigon River, which carries some 5,000 to 7,000 parts per million of chlorides (2, p. 12) and which, by now, should have completely contaminated the well field aquifer. Nor can it have come from storage in the surrounding area or from the underlying formations, all of which contain water higher in iron content and higher in chlorides than the well water now being pumped.

By a process of elimination it becomes necessary to conclude that rainfall in the well-field area is the principal source of recharge to the aquifer.

At this point, to obtain some idea of the extent and magnitude of drawdowns in a smaller area where it is known that there is neither river infiltration nor recharge from rainfall—where all ground water is derived from storage in an artesian aquifer—a brief digression may be justified:

The following information has been taken from U.S. Geological Survey Circular 408 entitled, "Ground-Water Supply of the Memphis Area," and issued in Washington in 1958. All page and figure numbers refer to this publication.

"The city and industries of Memphis, Tenn., now pump 450,000 to 500,000 cubic meters per day from well-field areas totaling more than 110 square kilommeters. From 1930 to 1940 the average daily offtake from the municipal wells was about 80,000 cubic meters per day, by 1950 it was about 155,000 cubic meters per day. An equal amount was probably pumped by industries in the area. Water levels in an observation well several kilometers from any operating well field went from 9.5 meters below land surface in 1930 to 12.8 meters in 1940 to 21.4 meters in 1950 (p. 13). In a well located 12 kilometers from the nearest well field, the water level declined over 2 meters between 1940 and 1955. Water levels in areas nearer to operating well fields were lowered at a steeper rate than the level in the first well discussed.

"From the available data it may be computed that the Memphis pumpage appreciably affected water levels in a minimum area of 900 square kilometers during this 15-year period.

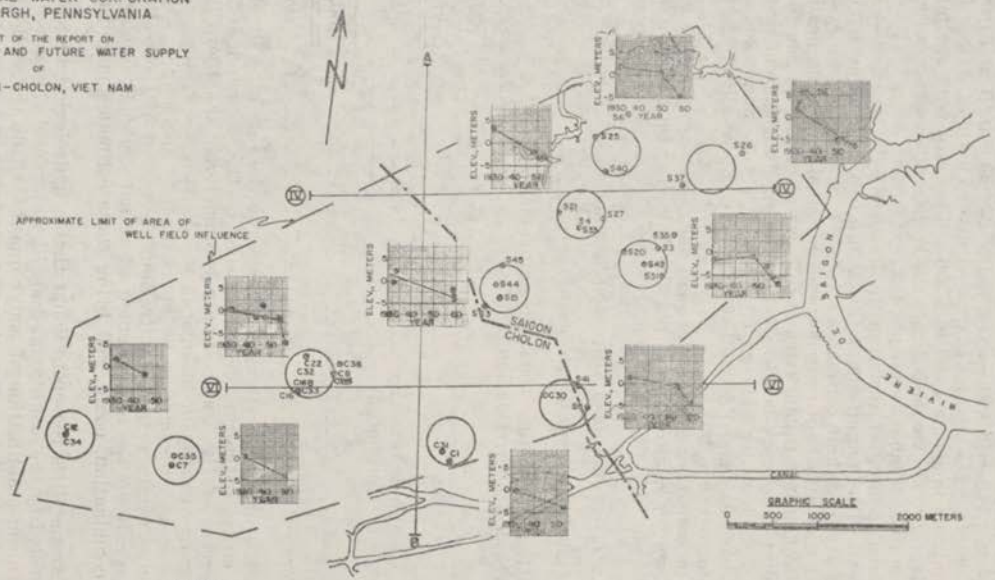
"The city of Memphis operates three separate well fields: the Parkway Field, 15 square kilometers in area, the Sheehan Field which has recently been expanded to include an area of over 50 square kilometers and the Allen Field which is about 12 square kilometers in area. (See map, Circular 408.) Memphis' water is bacteriologically safe but contains objectionable quantities of iron. Consequently three central stations have been built, one for each well field, to collect the water pumped by the wells, remove the iron from the water, and pump the treated water into the distribution system."

These figures indicate that, had the Saigon-Cholon well field been drawing solely upon storage in the aquifer, substantial areawide declines in water level, far greater than those observed, would have occurred.

A check calculation indicates how well the observed data and the proposed theory of recharge coincide. Study of rainfall data, included by Mr. Karpoff in his report (2, Annexe 1), shows that the annual rainfall in Saigon is about 2,000 millimeters per year. Thus, as a crude first approximation, the 26-square-kilometer well-field area would receive a maximum potential recharge, assuming 100-percent infiltration, of 140,000 cubic meters per day. Actually, it is only in the past 5 years that well-field output, including wells in Go Vap, is estimated to have exceeded this rate of offtake.

PREPARED FOR:
INTERNATIONAL WATER CORPORATION
PITTSBURGH, PENNSYLVANIA

AS PART OF THE REPORT ON
THE PRESENT AND FUTURE WATER SUPPLY
OF
SAIGON – CHOLON, VIET NAM



REMARKS

1. THE WATER LEVEL "TRENDS" SHOWN IN THIS FIGURE HAVE BEEN COMPILED AS FOLLOWS: A) THE APPROXIMATE ELEVATION OF LAND SURFACE AT EACH WELL WAS OBTAINED FROM A CONTOUR MAP, B) THE STATIC DEPTH-TO-WATER AT THE TIME EACH WELL WAS FIRST TESTED WAS OBTAINED FROM THE WELL REPORT SHEET, C) THE APPROXIMATE ELEVATION OF THE WATER SURFACE WAS INDICATED ON THE GRAPH. THE LINES CONNECTING THE POINTS ARE MERELY TO AID THE EYE.
2. SINCE THE MEASUREMENTS SHOWN ON EACH GRAPH WERE NOT MADE IN THE SAME PLACE, THE RESULTS ARE NOT STRICTLY COMPARABLE AND QUANTITATIVE RELATIONSHIPS SHOULD NOT BE DEDUCED.
3. THE LINES A-B, (VII – VII), ETC., ARE THE LINES FOR WHICH GEOLOGIC SECTIONS HAVE BEEN PREPARED BY KARPOFF (FIG. 5 KARPOFF REPORT).

APPROXIMATE WATER LEVEL ELEVATIONS
SAIGON – CHOLON AREA

It is, however, unrealistic to assume that 100 percent of the rainfall will infiltrate to the aquifer. There are certain irreducible losses: evapotranspiration and surface runoff are the most important. In addition the arid soil during the 6-month dry season would absorb, as soil moisture, any slight rainfall that did occur, thus preventing any recharge to the main body of aquifer. It would therefore be reasonable to eliminate from consideration all rainfall occurring between November and April of each year. This change brings the potential recharge down to about 1,770 millimeters per year. Actual runoff and evapotranspiration losses cannot presently be evaluated due to lack of data. But, on the average, possibly as much as 1,000 to 1,500 millimeters per year might be considered to infiltrate. This would indicate the recharge from rainfall to be in the order of 70,000 to 105,000 cubic meters per day.

There is an additional source of recharge in the well field area: losses in the distribution system. The magnitude of this figure can only be determined by a leak survey, but Hydrotechnic estimates a total of 24,000 cubic meters per day (1, p. 8). There may also be a contribution concealed under the heading "Public Fountains, Firefighting, Public Parks, etc.," which would be due to the overirrigation of vegetation. There is also the possible overirrigation of private gardens in the area. Such water salvage might explain the improvement in water quality which has been noted in well S–20, where the iron content went from 2 parts per million to 0 (2, p. 20).

Admittedly, the data is neither extensive enough nor complete enough to draw up a firm water balance for Saigon-Cholon, but the following rough approximation can be made:

TABLE 1.—*Preliminary hydrologic balance sheet*

[Quantities given in cubic meters per day]

Recharge:	
Annual precipitation 1.25 meters (26-square-kilometer area)	89,000
Distribution losses and overirrigation	28,000
Total	117,000
Offtake:	
Metered supply (definitely known)	90,000
Fountains, losses, etc. (estimated)	66,000
Total	156,000
Indicated difference	40,000

Considering the lack of data on well-field influence, on the rate of infiltration, on water levels, and on the extent of "overirrigation" on the one hand, and the fact that over 40 percent of the water supply is unmetered and there is no knowledge of location or quantity of leakage in the distribution system on the other, the hydrologic system appears to be approximately in balance. Minor changes in such factors as the rate of infiltration, the extent of the well-field influence, the leakage rate, or the measurement of actual well-field production, either singly or in combination, could well bring these estimates more nearly into balance.

Before 1950 there seems little reason to doubt that a hydrologic balance had been reached (as attested by the small magnitude of water-level changes shown on fig. 1 and the apparent stabilization of water quality within the well field). In 1958 Hydrotechnic, based on data that was not presented in the report, concluded that the approximately 150,000 cubic meters per day produced in Saigon-Cholon should not be exceeded "because of the possibility of disrupting the present salt water-fresh water equilibrium of the ground water reservoir underlying the area" (1, p. iii) carrying the clear implication that this rate of offtake could be continued indefinitely. Further in the report Hydrotechnic states, "* * * it is believed, on the basis of the most recent well drilling data that the maximum safe withdrawal of water from ground sources has been reached" (1, p. 6). Thus Hydrotechnic, after studying the drilling data and the ground water balance, was convinced that the maximum "safe" rate of ground-water offtake in the Saigon-Cholon well-field area was about 150,000 cubic meters

per day. This may, indeed, be correct, but the writer has not had access either to the evidence or to a discussion of the theoretical approach used by Hydrotechnic.

In summary, the Saigon-Cholon well field would seem to have an average annual recharge from precipitation totaling from 70,000 to 105,000 cubic meters per day. The total recharge, which is believed to be the result of local precipitation on the well-field area, leakage from the distribution system, and accretions to the ground-water body due to overirrigation of parks and private gardens, might total from 100,000 to 140,000 cubic meters per day.

Similarly the Go Vap area, favored in all the reports as the place for additional wells would, on the basis of precipitation alone, be capable of producing more than twice the quantity computed for the Saigon-Cholon area; that is, from 160,000 to 240,000 cubic meters per day. There is, however, one other question to be answered: Whether the water-bearing formations are present in sufficient extent and thickness to permit establishment of the required area of well field. This can be answered by reference to figure 2 which shows the thickness of the presently utilized aquifer. Underlying most of the area the aquifer is at least 25 meters in thickness and under much of it the thickness is more than 30 meters. Thus the answer is: the aquifer is available for the needed well field in the Go Vap area.

The total quantity of water available should, on any basis, suffice until 1970. Long before that time systematic study of the ground water potential will have revealed the best way to expand the water supply. For the years after 1970, when the 300,000 cubic meters per day which are potentially available are in use, at least three independent possibilities of increasing the ground water supply can be recognized:

1. Establishment of new well fields north of the Go Vap area, between Go Vap and the Dong Nai River.
2. Importation of water from the Saigon or Dong Nai Rivers for the purpose of water spreading in the Go Vap well field area.
3. Establishment of a well field near the Dong Nai River which would cause water from the river to infiltrate to the aquifer, replacing the water withdrawn by wells.

Thus there is every reason to believe that the ground water potential will be adequate to satisfy the needs of the Saigon metropolitan area for the foreseeable future.

THE COST OF WATER

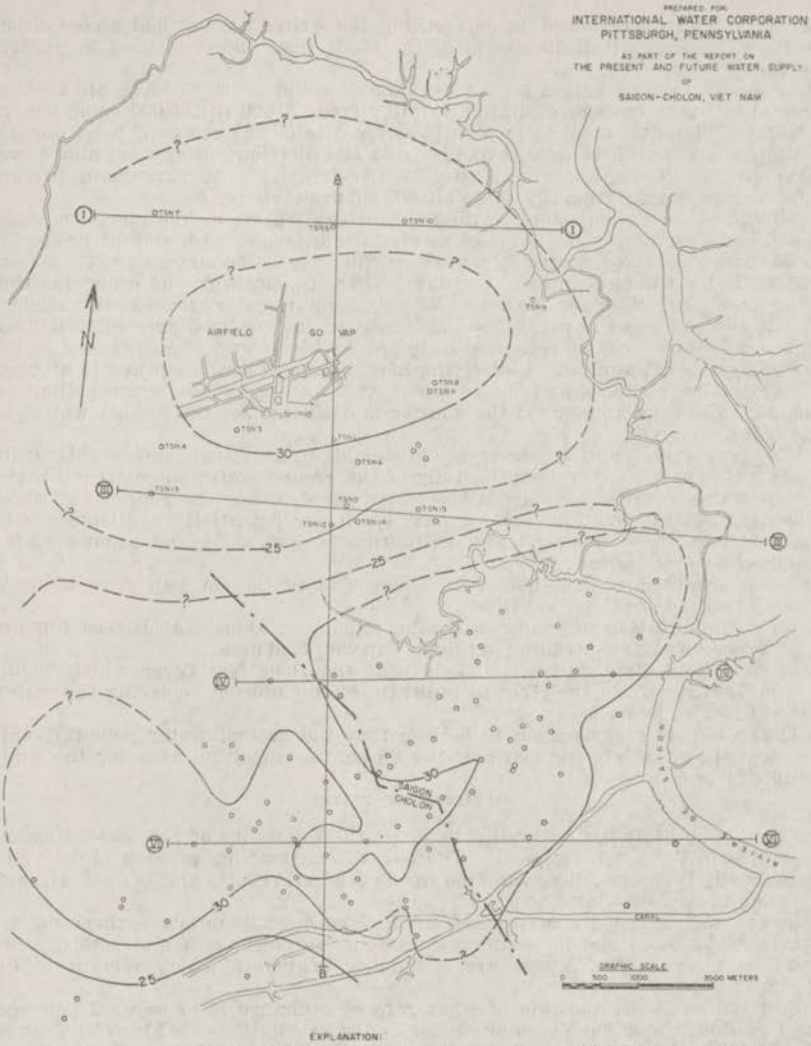
There is no basis for the writer to judge the reliability of the cost-estimates contained in the several reports. The cost of construction of each project has undoubtedly been carefully evaluated in the original reports and is used without comment in the following discussion.

In evaluating the alternate projects it is necessary to place them on an equal offtake basis and on a uniform basis as to power cost and rate of currency exchange. Thus there are a number of points which remain to be clarified.

First, there is the question of what rate of exchange is to be used between the U.S. dollar and the Vietnam piaster in the calculations: is \$1=VN\$35 or is \$1=VN\$70? Once a rate is decided upon, it should be used throughout. Inasmuch as a loan in dollars must be repaid in dollars, the existing commercial rate is used below, just as if the entire project involved private interests.

Second, there is the question of power cost: although all reports agree that the present average power rate is VN\$2.52 per kilowatt-hour, the hydrotechnic report computes power cost at VN\$1 per kilowatt-hour (1, p. 37). This hypothetical power rate may well be a more equitable one, but unless there is some evidence that power will be available as needed in 1965 at that rate, the existing rate should be used in the basic computation.

In the following discussion all figures have been put on exactly the same basis: a 400,000 cubic meters per day source and an average daily offtake of 280,000 cubic meters per day. Table M–1 (1, p. 36) has been revised and summarized to reflect the changes suggested above and to enable a more direct comparison of the proposed river intake and treatment plant with the proposed new well field and iron removal plants.



EXPLANATION:

1. THIS MAP SHOWS THE PROBABLE THICKNESS OF AQUIFER IN THE SAIGON-CHOLON - GO VAP AREA, IN METERS. THUS THE "30" CONTOUR ENCLOSES THE AREA WHEREIN THE AQUIFER THICKNESS CAN BE EXPECTED TO BE 30 METERS OR MORE.
2. THE LINES A-B, I-I, II-II, ETC., ARE THE LINES FOR WHICH GEOLOGIC SECTIONS HAVE BEEN PREPARED BY KARROFF (SEE FIGURE 5 OF HIS REPORT).
3. THE WELLS FOR WHICH DATA HAS BEEN MADE AVAILABLE AND WHICH WERE NOT NUMBERED IN THE KARROFF REPORT, AND ARE REFERRED TO IN THIS REPORT, HAVE BEEN IDENTIFIED BY NUMBER ON THIS MAP, FOR EXAMPLE "TSN 9".

(FIGURE 5, KARROFF REPORT, USED AS A BASE FOR THIS MAP.)

ISOPACH MAP
OF
PRINCIPAL AQUIFER
SAIGON-CHOLON AREA

TABLE 2.—*River intake and treatment plant—Operational cost (1965 conditions)—Total offtake 280,000 cubic meters per day; metered offtake, 185,000 cubic meters per day*

[Expenses in million piasters]

Operation expense	15.0
Power (at VN$2.52 per kilowatt-hour)	100.0
Payroll	7.0
Cost of chemicals	15.0
Maintenance of treatment plant, intake, reservoirs, distribution system and meters	26.0
Miscellaneous	5.5
Subtotal	168.5
Repayment of principal	70.0
Interest (3½ percent on the average loan)	44.0
Subtotal	114.0
Extensions, improvements, and replacements at 1.5 percent original cost	31.5
Purchase of existing plant	19.3
Franchise taxes	20.0
Total	353.3

Net cost of water production: VN $3.45 per cubic meter (19 cents per 1,000 gallons).

Thus, in modification of the hydrotechnic report (1, p. 39), it should be noted that this total expense for 1965 is some 3.5 times the present level of gross revenues and does not take into consideration either changes in the prevailing price levels or modification of the present commercial dollar-piaster exchange rate ($1=VN$70). Also the 353 million represents a minimum requirement to meet the estimated cost of doing business in 1965, without providing for a return on invested capital or a reserve for major improvements.

The information presented in the Charles report (2, p. 24 and 2, p. 9) has been analyzed in the same manner and using the same rates of exchange, assuming the construction of well fields yielding a total of 400,000 cubic meters per day and involving an investment equivalent to VN$1.3 billion.

TABLE 3.—*Well fields and treatment plant, operational cost (1965 conditions)—Total offtake, 280,000 cubic meters per day; metered offtake, 185,000 cubic meters per day*

[Expenses in million piasters]

Operation expense	10.5
Power (at VN$2.52 per kilowatt-hour	54.0
Payroll	4.0
Cost of chemicals, etc	30.0
Maintenance of wells, treatment plant, and distribution system	21.0
Miscellaneous	5.5
Subtotal	125.0
Repayment of principal	43.3
Interest	22.8
Subtotal	66.1
Extensions, improvements, and replacements at 1.5 percent original cost	19.6
Purchase of existing plant—not needed	-----
Franchise taxes—not needed, use profit from operations	-----
Total	210.7

If we write off the existing plant at VN$19.6 million a year, as done in table 2 and arbitrarily set a payment of VN$20 million a year in lieu of taxes, the exact cost of water, directly comparable to that given previously is, VN$250 million per year or a water cost of VN$2.45 per cubic meter (14 cents per 1,000 gallons).

(By way of comparison, in 1950, the income per thousand gallons of water produced, was 18.5 cents in Memphis, 15 cents in Columbus, Ohio, and almost 8 cents in St. Louis, Mo. These figures have been computed from a statistical tabulation by the American Water Works Association, vol. 615, No. 6, June 1953, pp. 585–678. Between 1950 and the end of 1957 the materials component of the E–NR index rose from 220 to about 280. If the income from water sales shown above is corrected to reflect this, then Memphis should presently be receiving 23.5 cents (VN$4.3 per cubic meter), Columbus 19.2 cents (VN$3.5 per cubic meter), and St. Louis 10.4 cents (VN$1.9 per cubic meter) per thousand gallons of water produced.)

Using the rate schedule suggested in the hydrotechnic report (1, p. 42) and the weighted average of VN$3.98 per cubic meter we can anticipate an income computed as follows: $3.98 \times 365 \times 185{,}000 = \text{VN\$270,000,000}$.

Thus, using the proposed rate schedules and the corrected schedule of comparative expenses we find that in 1965 the river intake water supply will cost about VN$353 million to operate against an income of VN$270 million—a net deficit of VN$83 million, or over a million dollars.

The proposed well field-treatment plant operational cost, on the same basis, will be VN$250 million—which will mean a surplus of VN$20 million in that year over and above the VN$39 million allocated to purchase obsolete plant and make payments in lieu of taxes.

In effect, if all construction estimates are correct and all financing can be arranged as planned, in 1965 the true cost of treated river water will be 1.4 times the cost of a treated well water supply.

NONMONETARY, OR STRATEGIC, VALUES

It has been pointed out (2, p. 22) that other considerations enter into the selection of a water source—such as the vulnerability of the intake and the pipeline between the Dong Nai River and Saigon to sabotage or bombing, whereas the well field is dispersed and the pipelines are shorter, smaller in diameter, and not so easily located.

There are two additional nonmonetary considerations that should be noted:

1. The health of the people of Saigon would be in danger if a shortage of the chemicals used for treatment of the river water should occur—and this could be caused by a financial crisis or a blockade. Under such circumstances, if water pressure were maintained for fire protection, waterborne disease could be expected to add to all of the other problems. Thus, the river-intake water filtration system is not a fail-safe system.

1a. The well field, together with the iron-removal system, is a "fail-safe" system. Even without iron removal the water is bacteriologically safe. Under any circumstances, as long as power is available for pumping, the city will enjoy safe, potable water.

2. A surface-water supply is vulnerable to radioactive contamination. Should the river water be filled with dangerous amounts of radioactivity due to fallout in the 20,000-square-kilometer drainage area, the plant might have to be shut down until the bad water passed downstream.

2a. The well supply is not vulnerable to radioactive contamination. The charged particles carried by the water will probably be adsorbed by the surfacial silts and clays en route to the aquifer and the wells. Moreover, the exceedingly slow movement of water particles, in the order of 10 to 100 centimeters per day, allows time for radioactive decay to occur. In this way the activity of the contaminant is reduced by adsorption, by decay, and by dilution with the water already in storage in the aquifer.

WHO SHOULD OPERATE THE WATER SUPPLY?

In 1957, according to Hydrotechnic (1, p. ii), the prefectural method of operating the water supply showed a total water production of about 58 million cubic meters and an excess of receipts over expenses of about VN$32 million. This is reported to be a major source of income for the prefecture. Considering that 40 percent of the water production is lost or given away, and that the

domestic water rate is only VN$3 per cubic meter, the impression this reviewer has received is that of an efficient, well-conducted operation.

While serious consideration should, of course, be given to all phases of the Hydrotechnic proposal for the creation of a new "metropolitan water authority" to replace the existing organization, the Charles report (3, p. 14) presents the view that there is no need for a new organization for the purpose of municipal or metropolitan water supply.

This writer notes that in American business there is a single widely accepted axiom: "Don't break up a winning team." This axiom should be kept in mind before replacing a successfully operating organization by one that is better—on paper.

Section VI. Conclusions

Careful review of the available reports and data lead to the following conclusions:

1. The principal source of water derived from wells in the Saigon-Cholon area is the infiltration of precipitation in the well field area.
2. The ground-water supply available from the Go Vap area is calculated to be approximately 200,000 cubic meters per day, and this quantity is in addition to the present offtake in the Saigon-Cholon area.
3. On a directly comparable basis, using a 400,000-cubic-meter-per-day capacity and an average daily offtake of 280,000 cubic meters per day, the probable cost of water produced from the Dong Nai River (Hydrotechnic report) is 1.4 times the probable cost of water produced from present and proposed well fields (Charles report). Development of the river supply would lead to an annual operating deficit of over VN$80 million a year in 1965. On the same basis the proposed ground-water supply would show an operating surplus of VN$20 million in 1965.
4. A study of other real, but noneconomic, considerations shows that the proposed ground-water supply is, (*a*) a "fail-safe" system that will produce potable water in the absence of chemicals, as long as power is available, whereas the river water system must have chemicals, (*b*) the ground-water supply can be operated by fewer technically trained personnel than can the river water supply, (*c*) the ground-water supply is more difficult to destroy by bombing or sabotage than the river water supply, and (*d*) the ground-water supply is almost invulnerable to radioactive fallout whereas the river supply might not, under certain circumstances, be capable of producing water of acceptable quality.
5. The proposed reorganization of the water-supply management in the Saigon area deserves careful, but critical, consideration by proper authority, in view of the success of the present management in delivering potable water at a reasonable price and, simultaneously, paying costs of city services. The reasons given in the Hydrotechnic report for the creation of a metropolitan water authority to replace the present prefectural operation are neither convincing nor conclusive.
6. Associated with the proposed expansion of the water supply, a new and enlarged water distribution system will have to be designed and built.
7. In the interim period, before the detailed studies for a new water source are completed, new wells should be drilled in the Go Vap area.

Far East Regional Program

Mr. Passman. The next item is the Far Eastern regional program, for which the fiscal 1965 estimate is $3 million; is that correct?

Mr. Poats. That is correct.

Asian Productivity Organization

Mr. Passman. I note that you have allocated $265,000 to the Asian Productivity Organization in fiscal year 1964; is that correct?

Mr. Poats. Yes, sir.

Mr. Passman. How much did you request for this organization last year?

Mr. Smith. $200,000.

Mr. PASSMAN. If this had been a line item project that sum would have been all you could have allocated, is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Thank you.

Mr. POATS. As a matter of fact, Mr. Chairman, $200,000 will be the figure we are going to obligate this year.

Mr. PASSMAN. You stated for the record you allocated $265,000?

Mr. POATS. The book shows that was the program, but I think we may not go above $200,000.

REGIONAL MALARIA ADVISORY PROJECT

Mr. PASSMAN. I note that you have allocated $161,000 to the regional malaria advisory project, on page 182; is that correct?

Mr. POATS. That is correct.

Mr. PASSMAN. Is it not true that this activity was presented and funded last year as a part of the regional malaria training center and advisory service project for which you requested $135,000?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. Gentlemen, how can we reconcile these discrepancies?

Mr. POATS. The reason in this case——

Mr. PASSMAN. Did you fund it out of both programs? Have you double funded it?

Mr. POATS. No; we have added some costs there because we sent out malaria assessment teams, teams to assess the progress of the malaria eradication program in several countries.

Mr. PASSMAN. Did you justify that activity before the committee last year?

Mr. POATS. That was not in the plans at the time.

Mr. PASSMAN. Thank you.

I know that if Congress did not appropriate more money than you actually need you could not start all of these additional projects.

In last year's justifications the regional malaria training center and advisory service project was consolidated with a project which began in 1960; is that correct?

Mr. POATS. That is correct. The malaria training center was started in 1960.

Mr. SMITH. Last year's project was combined. The advisory service was started in 1958.

Mr. PASSMAN. You had two projects the year before last and then you combined them into one. Now you are breaking them apart again this year? I just do not know how in the world you expect this committee to keep up with you.

Mr. SMITH. May I explain?

Mr. PASSMAN. Certainly.

You separated the projects one year and then you consolidated them the following year and the next year you broke them apart again?

Mr. SMITH. Last year they were combined projects which now have been separated because what was a regional malaria training center——

Mr. PASSMAN. You consolidated them last year?

Let us go to page 655.

Mr. SMITH. Yes, sir.

Mr. PASSMAN. This project is a consolidation of two regional malaria projects; is that correct?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. Which commenced in 1958 and 1960?

Mr. SMITH. That is right.

Mr. PASSMAN. You consolidated them and now you are deconsolidating them; is that right?

Mr. SMITH. Yes.

We are deconsolidating because the regional malaria training center, so called, in the Philippines is now a worldwide training center. You will find elsewhere in the book under "Worldwide projects" the worldwide malaria training center.

Mr. PASSMAN. Why did you consolidate them in the first place? Let us hook the horse up before we try to drive him.

Mr. SMITH. Because there was a certain amount of mutuality of activity between these two.

Mr. POATS. People in the the trainining center were also obviously engaged in the advisory service.

Mr. PASSMAN. You had to have projects before you could consolidate them, did you not?

Mr. POATS. Yes, sir.

Mr. PASSMAN. You could not consolidate if you did not have any in existence?

Mr. SMITH. That is right.

Mr. PASSMAN. You had going projects and consolidated them one year; and the year after you consolidated, you deconsolidated?

Mr. POATS. The reason is that currently the Far East program is not financing one of those two original projects. We are financing only the advisers and that is the reason they were broken apart again.

Mr. PASSMAN. Thank you.

SEATO CHOLERA RESEARCH LABORATORY PROJECT

I note that you allocated $300,000 to the SEATO cholera research laboratory project, shown on page 183?

Mr. POATS. That is correct.

Mr. PASSMAN. How much did you ask for this project last year?

Mr. POATS. $200,000.

This was increased because of the epidemic in Vietnam.

MEKONG PA MONG PROJECT

Mr. PASSMAN. I note that you are requesting ——— million for the Mekong Pa Mong project in fiscal 1965, despite the fact that this estimate is contingent upon the results of phase 1 of your feasibility survey scheduled to be provided at the end of 1964; is that correct?

Mr. POATS. This is a mistake in the typing. This should be calendar year 1964 instead of fiscal year.

Mr. PASSMAN. That makes it even worse, does it not?

Mr. POATS. The report will not be available until late 1964. We will not be able to have the data on which we can proceed with phase 2 until the end of this calendar year, but we do——

Mr. PASSMAN. You just put this figure in to help add up to $3,392 million? Would you say that is a fair statement?

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Mr. POATS. We have had preliminary reports from the Bureau of Reclamation people. We are pretty well informed as to what their final report will say. We think we are in a position to know that their report will be favorable to going ahead with phase 2.

Mr. PASSMAN. You do not know that yet, do you?

Mr. POATS. Not positively.

Mr. PASSMAN. This is May 7 and it might be the end of this year before you do know; is that correct?

Mr. POATS. Positively, yes.

Mr. PASSMAN. You do not think it would be disastrous if you waited until next year for this project, do you?

Mr. POATS. This is a matter in which we are involved in an international package of support for the investigation of the Mekong and we would not like to stand still on this survey for 6 months, knowing as we do that we are likely to go ahead.

Mr. PASSMAN. That is on the assumption you are going to get a favorable report, and you will not know this until the end of this calendar year?

Mr. POATS. That is correct.

Mr. PASSMAN. If this thing were such a lifesaver, would it be eligible to be funded or started out of the contingency fund?

Mr. POATS. I do not believe we could justify that for this project.

Mr. PASSMAN. I do not think you could justify it anyway.

Mr. POATS. I do not think this is an emergency project.

Mr. PASSMAN. I do not think so either, and I am glad you agree.

HYDROLOGIC DATA COLLECTION FACILITIES, MEKONG SPARE PARTS AND REPLACEMENTS PROJECT

I note that you are requesting $120,000 for the cost of the final 3-year requirement for spare parts and replacements necessary to keep a hydrologic system in operational condition under the Mekong spare parts and replacements project on page 189, despite the fact that this is supposed to be the last year funding on the project; is that correct?

Mr. POATS. That is correct. We are providing spare parts for the hydrologic data collection facilities that have been set up along the whole valley.

Mr. PASSMAN. But you are going to draw on it for 3 years?

Mr. POATS. Draw on what for 3 years?

Mr. PASSMAN. The allocation. Look at your own words on page 189.

The 1965 funding of commodities calls for the final 3-year requirement of $120,000.

Mr. POATS. We provided $50,000 in 1963 and the same amount in 1964.

Mr. PASSMAN. What are you asking for in fiscal year 1965, please?

Mr. POATS. $120,000.

Mr. PASSMAN. That is for 3 years; is it not?

Mr. POATS. The final 3 years; that is right. This would wind it up.

Mr. PASSMAN. Gentlemen, I do not think it is necessary to ask these other six or seven pages of questions, since this pattern is running rather consistently through the program this year.

You have some people who think this program is being cleaned up, but it is being swept under the rug.

Mr. Conte?

FUNCTION OF THE BUREAU OF RECLAMATION

Mr. CONTE. Speaking of the reclamation project, where do you get many of these technicians, from the Agriculture Department?

Mr. POATS. The Bureau of Reclamation is handling this. This project has gone very slowly. We were asked initially to invest in a very large irrigation and hydro dam on the Mekong River between Laos and Thailand. We said to them in effect, "Let's don't go so fast. Let us first find out whether the land in the area is suitable for irrigation and what amount of irrigable land exists, and the likely economic benefits from x amount of irrigation and from x size of dam."

This first phase has been practically completed and the report on that first phase is now expected the latter part of this calendar year. If it is favorable and we get a fairly good assurance that the report will recommend a certain degree of investment in irrigation will clearly be economically sensible, then the next job would be to analyze in more detail the kind of structure required, the kind of dam required to produce that amount of irrigation water and what it would cost and what the benefits are, considering this cost, and whether it would justify going ahead with the third phase which would be the detailed engineering of such a dam.

This is where we stand. We have the Bureau of Reclamation engineers doing that work, not only engineers but geologists doing that work now.

Mr. CONTE. That makes a great deal of sense.

USE OF DEPARTMENT OF AGRICULTURE TECHNICIANS

On some of the technicians we have in the program, let us say in your area of the world, do we take them from the Agriculture Department?

Mr. POATS. We have a number of our technicians in the Far East that come from the Agriculture Department.

They are Agriculture Department employees on what we call PASA, participating agency service agreement, under which they come over to work on a job with AID for 2 years, preferably. In most cases these agencies prefer to have a job to do, a complete job rather than being an employment agency for AID. They like to provide the staff required to do a complete job.

Mr. CONTE. Do you have any difficulty with the Agriculture Department in securing these people?

Mr. POATS. The difficulty we have is the commonplace one of forward planning. They like to know what our requirements are going to be some years in advance; they like to be able to plan for it and train staff for this, and set them aside from their own domestic programs.

Sometimes we are unable to give them the forward projections as well as they would like.

Mr. CONTE. Outside of that?

Mr. POATS. There are some cases in which we need only one man, let us say, and we need him for a variety of different jobs. There it is hardly a case of the Agriculture Department running a project, but rather it is one man who clearly is working for the AID mission. Usually, they try to avoid that kind of assignment.

Mr. CONTE. You reimburse them?

Mr. POATS. They are reimbursed.

Mr. CONTE. Mr. Tennant, do you know how many people we have from Agriculture Department working in the AID?

Mr. TENNANT. No; but I could supply that.

Mr. CONTE. Please supply that for the record.

Mr. TENNANT. Right, sir.

Mr. CONTE. Would you say there are 400?

Mr. POATS. Less than that.

Mr. CONTE. Let us say there are a hundred and if the Agriculture Department shut off your supply of these 100 to the AID, you would have to go out and try to hire 100 people some other place?

Mr. POATS. That is right.

Mr. CONTE. You would have a real difficult job trying to find them?

Mr. POATS. Yes; because that kind of professional agricultural technician, economist, or agronomist, is usually either in Government service or in a university. This type of man is committed, and if he is good, he is in a good job and not easily detached.

Mr. CONTE. In other words, we would have to have more Oregon University contracts?

Mr. POATS. That is right. We would have to turn more to the universities.

Mr. CONTE. The cost would go up?

Mr. POATS. Yes; because you have a higher overhead charge on contracts as a general rule than you do on these participating agency service agreements.

Mr. CONTE. I realize the hour is late, but I wonder if you could respond to the questions I gave you in a letter to me by 10 o'clock tomorrow morning?

Mr. POATS. Sure.

Mr. CONTE. Have it sent up to my office?

Mr. POATS. The questions you have just asked?

Mr. CONTE. Right.

Mr. POATS. Fine.

Mr. PASMAN. May I ask if the State Department representative is here?

Mr. SANDRI. Here, sir.

MEMBERS OF DEVELOPMENT LOAN COMMITTEE

Mr. PASSMAN. Do you have a Mr. E. J. Finkel with the State Department?

Mr. SANDRI. I would have to check, sir. I do not know that name.

Mr. PASSMAN. You do not know him?

Mr. SANDRI. No, sir; but I would be glad to check this out.

Mr. PASSMAN. Do you have a Mr. Bitterman with the State Department?

Mr. SANDRI. I do not know that name.

Mr. POATS. I know a Mrs. Bitterman in AID.

Mr. PASSMAN. Do you have a Bitterman?

Mr. SANDRI. In AID there is one, sir.

Mr. PASSMAN. Do you have a Mr. Hirschstritt?

Mr. POATS. He is in Treasury; Ralph Hirschstritt.

Mr. PASSMAN. Who is he?

Mr. POATS. He is a Treasury financial man, in the international area of Treasury. He is a Special Assistant to the Assistant Secretary.

Mr. PASSMAN. Would you supply the same type of information as Mr. Conte asked for tomorrow morning on Mr. E. J. Finkel?

Mr. SANDRI. Right, sir.

Mr. PASSMAN. And the same kind of thing on Bitterman. You might find you have more than one Bitterman in the Agency.

Mr. SMITH. Mr. Chairman, there is a representative of the Treasury Department called Mr. Bitterman.

Mr. PASSMAN. Also, the same type of report on Mr. Hirschstritt.

Mr. SANDRI. Yes, sir.

(The information supplied follows:)

RÉSUMÉ

E. JAY FINKEL

Current position: Deputy Director, Office of International Financial Policy Coordination, U.S. Treasury Department (since October 1963).

Previous positions:

1962–63: Executive secretary, Office of International Affairs, U.S. Treasury Department.

1958–62: Assistant to senior financial adviser, Office of International Finance, U.S. Treasury Department.

1955–58: Active military service.

1952–55: Economist, British Commonwealth and Middle East Division, Office of International Finance, U.S. Treasury Department.

Other background:

Adviser and assistant secretary of U.S. delegation, annual meetings, IMF–IBRD–IFC–IDA, 1959–date.

Member, American Economic Association.

Lieutenant, U.S. Naval Reserve; air intelligence officer, Naval Air Intelligence Reserve Unit 662, NAF Andrews, Maryland.

Education:

1948–52: Swarthmore College, B.A. cum laude, 1952.

1953–54: George Washington University, M.A., 1961.

1961–64: George Washington University Law School.

Personal:

Born, June 21, 1931 (Philadelphia, Pa.).

Married, one daughter.

RÉSUMÉ

HENRY J. BITTERMANN

Current Position: Director, Office of International Financial Policy Coordination, U.S. Treasury Department.
Previous positions:
1950–62: Senior adviser on financial policy, Office of International Finance, U.S. Treasury Department.
1948–50: Adviser, Office of International Finance, U.S. Treasury Department.
1947–48: Assistant Chief, U.S. Stabilization Fund, Gold and Silver Division, Office of International Finance, U.S. Treasury Department.
1943–47: Economist, U.S. Treasury Department.
1940–47: Associate professor of economics, Ohio State University (on leave 1943–47).
1933–40: Assistant professor of economics, Ohio State University.
1930–33: Instructor in economics, Ohio State University.
1928–29: Instructor in business organization, Ohio State University.
Other background:
Technical secretary, Bretton Woods Conference, 1944.
Member U.S. delegation to Economic and Social Council of U.N., 1950–52.
Adviser to U.S. Governor, International Monetary Fund and International Bank (at annual meetings), 1945–63.
Assistant U.S. member, Trieste Commission of Inquiry, Council of Foreign Ministers, 1947.
Member, American Economic Association.
Member, American Association of University Professors.
Fellow, Royal Economic Society, London.
Member, Phi Beta Kappa.
Education:
Amherst College, B.A., 1925.
University of Chicago, Ph. D., 1932.
Personal:
Born: November 9, 1904 (New York, N.Y.).
Married, one child.

RÉSUMÉ

RALPH HIRSCHTRITT

Current position: Special assistant to Assistant Secretary for International Affairs, U.S. Treasury Department (since October 1962).
Previous positions:
1948–62: Economist, Office of International Finance, U.S. Treasury Department.
1946–48: Economist, Office of Research and Intelligence, U.S. State Department.
1942 (part): Economist, War Production Board.
1941–42: New York State Department of Labor and U.S. Employment Service, Albany, N.Y.
1942–46: World War II, U.S. Navy (enlisted man and officer) with final rank of lieutenant.
Education:
College of City of New York, B.S., 1939.
Columbia University, M.A., 1940.
Continued at Columbia University and American University.
Other:
Phi Beta Kappa.
American Economic Association.
Personal:
Born, November 28, 1918 (New York, N.Y.).
Married, two children.

Mr. PASSMAN. You might also provide a list of the names of the members of the Development Loan Committee.

Mr. TENNANT. All right.

Mr. PASSMAN. Tell us about their duties and responsibilities.

Mr. TENNANT. Yes, sir.

(The information supplied follows:)

MEMBERSHIP OF THE DEVELOPMENT LOAN COMMITTEE

The present members of the Development Loan Committee are:
David E. Bell, Administrator, AID.
Griffith G. Johnson, Assistant Secretary of State for Economic Affairs.
Harold F. Linder, Chairman of the Board of the Export-Import Bank of Washington.
John C. Bullitt, Assistant Secretary of the Treasury.
Seymour M. Peyser, Assistant Administrator, Office of Development, Finance, and Private Enterprise, AID.

ROLE OF THE DEVELOPMENT LOAN COMMITTEE (DLC)

AUTHORITY FOR APPROVAL OF DEVELOPMENT LOANS

Section 201 of the Foreign Assistance Act of 1961 provides that the President may make loans payable as to principal and interest in U.S. dollars on such terms and conditions as he may determine. This authority has been delegated to the Secretary of State by Executive Order 10973 of November 3, 1961, and redelegated to the AID Administrator by Department of State Delegation No. 104 of November 3, 1961. The function of approving development loans may, of course, be further delegated by the Administrator to the extent he deems appropriate.

ESTABLISHMENT OF THE DEVELOPMENT LOAN COMMITTEE

Section 204 of the above act directed the President to set up an interagency Development Loan Committee to "* * * establish standards and criteria for lending operations under this title in accordance with the foreign and financial policies of the United States."

Executive Order 10973 (section 305) established the Development Loan Committee and designated its membership:
Administrator, AID (Chairman).
Chairman of the Board of Directors, Export-Import Bank.
Assistant Secretary of State for Economic Affairs.
Assistant Secretary of the Treasury dealing with international finance.
The officer of the Agency for International Development dealing with development financing (Assistant Administrator for Development Financing).

FUNCTIONS OF THE COMMITTEE

The DLC will perform the following principal functions in advising the AID Administrator:

1. Establish policies, standards, and criteria for—
   (*a*) Development loans under chapter 2, title I of the act:
   (*b*) Guarantees under sections 221 and 224:
   (*c*) All other loans financed from AID appropriations, or loans administered by AID;
   (*d*) Development grants.
2. Review and advise the Administrator on—
   (*a*) Individual loans of $2.5 million, and above;
   (*b*) Individual loans under this amount upon request of AID regional assistant administrators or the Administrator;
   (*c*) Individual all-risk guarantees of $2.5 million, and above those below this point upon request of AID regional assistant administrators.

3. Review and advise the Administrator on all substantial changes in DLF or AID loans where such changes would affect the purpose, terms, conditions, or other matters set forth in the resolution or authorization or in special arrangements reflected in the loan summary, such as U.S. procurement, or segregated account approaches.

4. Advise the Administrator regarding long-term advance commitments of development lending funds under provisions of section 202(b).

Mr. PASSMAN. Gentlemen, the committee shall now adjourn until Monday at 1 o'clock.

MONDAY, MAY 11, 1964.

NEAR EAST AND SOUTH ASIA

WITNESSES

HON. PHILLIPS TALBOT, ASSISTANT SECRETARY FOR NEAR EASTERN AFFAIRS, DEPARTMENT OF STATE
WILLIAM B. MACOMBER, JR., ASSISTANT ADMINISTRATOR FOR NEAR EAST AND SOUTH ASIA, AID
JOHN P. WALSH, DEPUTY DIRECTOR, NEA/NR, DEPARTMENT OF STATE
ALFRED D. WHITE, DIRECTOR, OFFICE OF DEVELOPING PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AID
EDWARD F. TENNANT, CONTROLLER, AID
JOHN H. FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
CLARENCE MARTIN, CONGRESSIONAL LIAISON, NEAR EAST AND SOUTH ASIA, AID
CHARLES W. QUINN, JR., NEAR EAST, SOUTH ASIA, AND AFRICA REGION, OASD (ISA)
DAVID BRITT, STAFF COORDINATOR, AID

Mr. PASSMAN. The committee will come to order.

We shall consider next the request for appropriations for the foreign-aid program in the Near East and south Asia. We have with us the Honorable Phillips Talbot, Assistant Secretary of State for Near Eastern Affairs, and Mr. William B. Macomber, AID Assistant Administrator for the Near East and south Asia region, as well as supporting witnesses.

We will be very pleased to hear from you at this time, Secretary Talbot.

GENERAL STATEMENT OF ASSISTANT SECRETARY FOR NEAR EASTERN AFFAIRS

Mr. TALBOT. Mr. Chairman, members of the committee, I am pleased to appear before you in support of the mutual defense and development program for fiscal year 1965. This program is a vital and successful element of our national security effort. In past years, the assistance and encouragement provided through this means has helped the nations of the Near East and south Asia to grow in independence, security, and freedom. In fiscal year 1965 it will continue to be an essential ingredient in the defense and strengthening of their freedom. You have been informed of the tightness of the overall budgetary requests submitted for your consideration. With specific reference to

the regional program for the Near East and south Asia, I wish to emphasize that the funds being requested are at the minimum that is consistent with the achievement of our national objectives. These requests are based on realistic estimates of requirements and opportunities. They can be reduced only at the cost of our national interest and security.

The Near East and south Asia is a forward defense area in the unrelenting struggle for world peace. Our assistance to the military defense of this region is heavily concentrated in five countries—Greece, Turkey, Iran, Pakistan, and India—each of which borders on Communist countries. The military assistance funds requested are essential to the maintenance of the defensive strength of these critically important countries. This strength, in turn, helps provide the basic stability required for economic growth.

Our economic aid in the Near Eastern and south Asian region is overwhelmingly centered in three countries—Turkey, India, and Pakistan. In each of the three our assistance is coordinated as part of a consortium of free world countries. Jointly the donor countries are supplementing the efforts of the recipient nations to implement detailed economic development plans. On the success of these development efforts may well depend the stability of these crucially important countries and their continued ability to cling to the cause of freedom. They cannot succeed if we falter in our support.

As Americans in the third quarter of the 20th century, we have a considerable stake in a favorable rate of political, economic, and social progress in the countries of the Near East and south Asia. Stagnation or distintegration would stop constructive forces and comfort our enemies whose projects take root best in the seedbeds of chaos. Without effective U.S. assistance, the current situation and outlook would be far less promising than they are today.

I have referred to the mutual defense and development program as a successful as well as vital element of our national security effort. Favorable results of assistance to date are clearly identifiable. Several countries are now well advanced in the transit to economic self-support. This is, of course, a tribute to the labors of their people and the increasingly successful mobilization of their own and other free world resources. In strengthening themselves, they are making distinct contributions to the overall strength of the free world.

In each of the countries in which we have development assistance programs, definite progress can be reported. I cite illustratively:

The noteworthy progress of Greece in mobilizing domestic resources and expanding its private enterprise economy.

The encouraging steps being taken by the Indian Government to stimulate the private sector of the economy.

The extensive social and agricultural reform measures introduced in Iran.

The striking successes of Pakistan in utilizing U.S. techniques and tubewell equipment in salinity control and reclamation.

The progress of Turkey in implementing its development program, particularly through measures designed to increase revenue and spread the tax burden more equitably.

These are encouraging developments and trends that we hope to see deepen and spread across this huge region.

It goes without saying that problems still abound in the area. The job is not done. Difficult issues of political instability, economic weakness, and intraregional animosities limit and endanger progress. Furthermore, these developing nations continue to be tempting targets for subversion and aggression. Within the framework of consistent U.S. goals, firm, cooperative, and dependable assistance from us is a vital element in strengthening these nations' will to cope with their problems as well as in consolidating the gains already made.

GREECE, TURKEY, IRAN, AND CYPRUS

Greece, Turkey, and Iran constitute an important defense line for the free world. Stanchly independent, they hold a long, exposed border and thwart any Communist dream of easy expansion through the Mediterranean, the Persian Gulf, and the Arab world. The firm CENTO-NATO line provides a protective screen behind which the peoples of the Near East can, in such times as the present, work out their own destiny with some assurance that there will not be direct interference from the U.S.S.R.

Each of these countries has peculiar defense problems because of long common borders with Communist nations. With the assistance of military equipment furnished by the United States, each is maintaining a military posture against potential Soviet attempts to support either direct or indirect aggression against it. Simultaneously, all three countries are taking encouraging steps to strengthen their political, social, and economic structures.

In Iran, the Shah and his government are actively pushing a wide range of enlightened reform measures. In Greece, the Papandreou government is endeavoring to formulate new policies designed to increase the already high rate of economic and social progress. In Turkey, the Inonu government is making a most determined effort to improve the mobilization of domestic resources for economic development. While the country continues to be confronted by serious balance-of-payments problems, there are encouraging signs of progress in the economy as a whole.

RELATIONS BETWEEN GREECE AND TURKEY

Relations between Greece and Turkey, however, are sorely troubled by the turbulent situation in Cyprus. The United Nations Peacekeeping Force is endeavoring to halt the violence which has prevailed on the island in recent months. Simultaneously, the United Nations mediator is striving to find a solution to the political problems which so seriously divide the Cypriots.

NEAR EAST

In the Near East, our attention tends to be focused on political tensions and enmities. In these circumstances, there is danger of losing sight of the fact that the area has maintained its will to resist Communist subversion. Further, the anxiety of the peoples and governments for economic progress is a vital matter. It is important to note

in this respect that both Israel and the Arab States allocate high shares of their available resources to economic and social development. A few countries, such as Saudi Arabia, Kuwait, and Iraq, are fortunate in available resources. In others, domestic resources are insufficient to meet current consumption and investment needs, and external help from some source is required if there is to be hope of economic growth. As efforts continue in the United Nations and elsewhere to ease Near East tensions, it is equally essential that the existing pace of economic development be continued and if possible accelerated.

The active interest of the several countries in the area in economic progress is being demonstrated in a number of constructive ways. Syria and the United Arab Republic are working with the IMF on economic stabilization measures. Israel is a full contracting party of the GATT and the United Arab Republic has provisionally acceded. Saudi Arabia is moving ahead on an intensive program of modernization. Despite its limited resources, Jordan has made progress toward eventual self-support.

Our assistance to the United Arab Republic, largely in the form of Public Law 480 foodstuffs, has helped it achieve a rate of economic growth in excess of the growth of population. Israel has made excellent use of foreign public and private assistance to achieve a high rate of economic growth and an increasingly strong economic structure.

There have been some encouraging political signs in the Near East recently. A summit meeting of Arab leaders in Cairo produced a communique stressing efforts to seek peaceful solutions to problems and also relieved concerns that force might be used to oppose Israel's water development.

The situation in Yemen, however, has not yet returned to normal, and in the past few days there has been a disturbing increase in the perennial friction on that country's southern border with the South Arabian Federation. Nonetheless, the UNYOM, with operations in the coastal and northern areas, continues its work with the cooperation of all parties. The United Arab Republic and Saudi Arabia have resumed diplomatic relations and have proposed further discussions on matters outstanding between them.

There are, unfortunately, other trouble signs in the area. No substantial progress has been made in resolving longstanding Arab-Israel disputes. Furthermore, in recent months we have noted a heightened sensitivity in the Near East which has led to some misinterpretation of our actions and intentions. It is thus important in the months ahead that all of the states of the Near East clearly understand our constancy of purpose and our interest in their welfare and integrity.

SOUTH ASIA

The Chinese Communist attack on India during 1962 and its subsequent diplomatic moves eliminate any doubt that south Asia is a prime target of Communist expansion and that what is now at stake is the entire balance of power in Asia and whether a free or a Communist political system will dominate half of mankind. It is essential that the countries comprising this key area remain free and independent, and that they be enabled to continue and succeed in their

efforts to maintain political freedom and to resist the inroads and pressures of a powerful force dedicated to the destruction of their way of life. A strong sense of nationalism fortifies them in this task, even though it sometimes complicates the efforts of others to help them.

In terms of military and political strategy, the subcontinent is indivisible. India and Pakistan constitute the heartland, and neither country could long endure in freedom if communism or chaos should penetrate any major part of the area. Afghanistan and Nepal are sensitive northern extremities that, for political and strategic reasons, are highly important if the area as a whole is to have security and an opportunity for political and economic development.

Strongly held antagonisms between India and Pakistan, as well as deep linguistic and religious rivalries within each country, enormously complicate the tasks of their young governments, drain their resources, and invite Communist exploitation. They and we have recognized the threat of these divisive currents and we are using all the diplomatic tools available to us to help compose differences, notably in the Kashmir dispute, in order that our common efforts may be concentrated on the threat of communism and on building strong societies capable of meeting the compelling human aspirations in the area.

Nevertheless, since these quarrels derive from deeply held emotional attitudes, change is difficult to bring about. It will come fundamentally through indigenous efforts and with the patient encouragement of their friends. We have seen that we can expect recurring periods when the passage will be rough.

India, over the past decade, has been effectively using the large input of United States aid in achieving social and economic accomplishments that have been remarkable, in view of the great difficulties which she has had to overcome. The Chinese threat has now forced India to assume an added burden of building its defenses at the same time it continues its development efforts.

Pakistan continues to be allied with us, both bilaterally and by virtue of its association in CENTO and SEATO. It cooperates with us in military affairs, and against great odds it has significantly improved economic conditions and social and political institutions. Under a carefully worked out development plan, Pakistan is using our assistance effectively to increase agricultural production, strengthen industry, extend its transportation system, and improve public administration.

The Government of Pakistan has reacted strongly against the provision by its allies of military assistance to India to meet the Chinese Communist threat, without such assistance being contingent on a Kashmir settlement. At the same time, Pakistan has moved to take advantage of Communist overtures, designed to isolate India, by concluding trade, boundary, and civil air agreements with Red China and by expanding cultural exchanges. We have made clear our concern about these developments. We continue to believe, however, that our national interests and those of Pakistan coincide and that this is recognized by Pakistan as well.

CONCLUSION

In sum, the Near Eastern and south Asian region is intimately related to our national interests. Our military and economic aid pro-

grams are significant elements in the implementation of U.S. policies in this region. These programs are successfully augmenting the efforts of the people of the area to safeguard their freedom and to build stronger and more modern societies. The requests for fiscal year 1965 have been carefully and tautly drawn. I urge this committee to approve the budgetary requests that have been submitted for your consideration.

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

Mr. Macomber, we shall now be happy to hear from you.

GENERAL STATEMENT OF ASSISTANT ADMINISTRATOR FOR NEAR EAST AND SOUTH ASIA

Mr. MACOMBER. Mr. Chairman and members of the committee, I am pleased to have this opportunity to discuss with you the aid program for the Near East and south Asia region.

For the past 3 years I have had a firsthand opportunity to see the aid program at work in Jordan. I have seen it play an important role in preserving an uneasy peace in the Near East. So I approach my new assignment as Assistant Administrator for Near East and South Asia with a renewed conviction, based on my own experience, that the program can and does work to advance our own security interests.

BUDGET REQUEST FOR FISCAL YEAR 1965

Our request of $872.1 million for fiscal year 1965 is less than the amount obligated and authorized in fiscal year 1963. It is $46 million more than the amount we expect to obligate and authorize in fiscal year 1964.

[In millions of dollars]

	Fiscal year 1963 actual	Fiscal year 1964 estimated	Fiscal year 1965 proposed
Development loans	779.5	709.8–729.8	785.0–815.0
Technical cooperation	56.8	51.3	49.2
Supporting assistance	98.8	64.9	37.8
Contingency fund	12.0	----------	----------
Total AID assistance	947.1	826.0–846.0	872.1–902.1

Under this tight budget aid will be extended on a selective basis. It will permit us to participate effectively in the consortia for India, Pakistan, and Turkey, along with the World Bank and our other free world partners. It will permit us to continue the minimum support required for Jordan. These four programs are expected to absorb 93 percent of the total economic aid funds requested for the region. Most of the balance will go to three countries—Afghanistan, United Arab Republic, and Iran.

Four of the 18 countries in the region—Lebanon, Saudi Arabia, Kuwait, and Ceylon—will receive no economic aid from the United States in fiscal year 1964. Several other countries are now reaching the point where they can rely on the World Bank, the Export-Import Bank, and commercial lending institutions to satisfy their development needs, instead of on AID grants, or loans on soft terms. Therefore,

our present plan is to extend economic aid to fewer countries in fiscal year 1965.

DEVELOPMENT LOAN FUNDS

The aid program for the Near East and south Asia region is primarily a loan program. In fiscal year 1963 and fiscal year 1964 development loans accounted for 82 and 86 percent of all obligations or authorizations. They make up 90 percent of the funds requested for fiscal year 1965.

While development loans will be made in 9 or 10 of the region's 18 countries in fiscal year 1964, India, Pakistan, and Turkey will receive most. In fiscal year 1965 about 95 percent of the region's development loan funds will go to these three countries, leaving some 5 percent for six or seven other countries.

Nearly all loan funds are spent in the United States. The loans are repayable in dollars. Their terms vary according to the strength of the foreign exchange position of the borrowing countries. Loans to Iran and Cyprus, for example, will carry at least 3½ percent interest for a term of about 20 years; loans to Greece and Israel, if made, also will bear this rate of interest. On the other hand, there will be lower rates and longer periods of repayment for countries such as India, Pakistan, and Turkey.

SUPPORTING ASSISTANCE REQUEST

The request for $37.8 million grant supporting assistance is once again smaller than in the previous year. Turkey, receiving its last supporting assistance grant in fiscal year 1964, has joined Afghanistan, Greece, Iran, Israel, and Pakistan as countries no longer receiving this type of grant assistance. Of the fiscal year 1965 request, $33 million is for Jordan, whose independence and stability is essential for stability of the Near East, and whose existence depends on the cash subsidies received from the United States and the United Kingdom. But since Jordan's economy is growing stronger, the amount of U.S. budgetary support is being reduced gradually—from $40 million in fiscal year 1961 to $33 million requested for fiscal year 1965.

The remaining $4.8 million of the supporting assistance request is needed for CENTO and Yemen projects—$400,000 for the former, and $4.4 million for the latter.

TECHNICAL COOPERATION PROGRAM

The technical cooperation program, for which $49.3 million is requested, continues to be an important way of making available to development countries U.S. experience, techniques, and ways of thinking, working, and organizing. Under this program about 1,500 Government officials and young professionals from Near East and South Asian countries annually come to the United States to study in our universities, spend time at our experiment stations or with our State extension services, watch our trade unions operate, and observe the operations of private business. Teams of specialists from 35 universities are working under contract in 7 NESA countries to help develop agriculture, medical, engineering, and education schools. We have drawn on the Geological Survey, Corps of Engineers, Bureau of

Mines, Bureau of Reclamation, and Bureau of Public Roads to provide technicians for many of our technical assistance projects. This program helps develop the skills needed for successful development.

INDIA, PAKISTAN, AND TURKEY

Let me now say a few words about India, Pakistan, and Turkey—together, the recipients of close to 90 percent of the region's funds.

The continued independence and stability of India and Pakistan are essential to the security and defense of the Asian subcontinent. Both are committed to economic development. India is well into its third 5-year plan, and Pakistan will soon begin the last year of its second 5-year plan.

The countries themselves are providing a substantial share of the resources for carrying out these development plans. India is financing some 80 percent of its third plan, while Pakistan is financing approximately 55 percent of its second plan. Domestic savings and tax collections are increasing, and financing more investment.

Outlines for India's fourth plan and Pakistan's third plan call for an even larger share of development to be financed from their own resources. But the countries still lack the foreign exchange and internal savings necessary to carry out development programs; it is for this reason that they seek external assistance.

CONSORTIUM AID TO INDIA

U.S. aid to India for the past several years has been pledged through a consortium organized by the IBRD. IBRD/IDA and industrially advanced countries pledged $635 million for 1962–63, and $617 million for 1963–64. The U.S. loan contribution toward financing these 2 years of the Indian plan was $435 million for each year. The AID portion of the U.S. pledge was $385 million each year, the Export-Import Bank portion $50 million. The consortium met in March to review India's requirements for additional assistance. It recognized the important steps India has recently taken to give greater scope to private and foreign investment, to reduce administrative control and to rely more heavily on the price system to allocate economic resources. It was the general view of the meeting that India's foreign exchange situation required a total pledge for 1964–65 no lower than the total made in the previous year. The United States stated its willingness to consider a pledge up to the amount made last year. However, our pledge would be related to the amount and terms of the pledges of other donors. AID loans totaling $385 million in fiscal year 1965 would cover AID's share of the U.S. pledge for the fourth year (1964–65) of the plan to be made at the May 1964 meeting of the consortium, plus additional loans to India for the first quarter of the fifth year of the plan; that is, from April 1, 1965, to June 30, 1965.

CONSORTIUM AID TO PAKISTAN

The IBRD also is the leader of an international consortium for Pakistan. A meeting of the consortium will be held in May 1964 to consider Pakistan's foreign exchange needs for fiscal year 1965, the last year of its second 5-year plan. The IBRD and other consortium

members pledged $217.7 million, and the United States pledged $212.5 million for fiscal year 1964. The fiscal year 1965 requirement will be about the same order of magnitude as fiscal year 1964, but the final amount to be pledged will depend on the May consortium review. Pakistan is making progress, particularly in the establishment of basic infrastructure. Manufacturing output, private sector activity, savings and investment rates, and tax collections show marked improvement.

AID TO TURKEY

Turkey is the third largest aid recipient in the region. The United States has a strong national security interest in the political stability and the economic improvement of this important NATO ally. A 5-year development plan was approved by the Turkish Parliament in November 1962, and a number of measures have been undertaken in order to improve performance—tax reform, incentives for exports, budgetary improvements. The Turks expect to finance 75 percent of the plan's requirements from their own resources. However, a critical shortage of foreign exchange makes outside assistance essential if Turkey is to carry out an effective development program.

OECD CONSORTIUM

In July 1962 an Organization for Economic Cooperation and Development (OECD) consortium of aid donor countries was formed to examine Turkey's development plan and help meet the country's plan goals through the provision of foreign assistance. In calendar year 1963, consortium members made available $180.2 million of new assistance to Turkey. The U.S. contribution was $84.1 million. The constortium met in January 1964 to consider Turkey's requirements for calendar year 1964. The United States pledged $70 million for development program lending. In addition, AID is prepared to consider making additional loans for projects in 1964.

The total estimate of AID development lending to Turkey in fiscal year 1965 is somewhat higher than the fiscal year 1964 amount. Turkey has completed feasibility surveys for several power projects and has a number of other studies underway. The final amount to be pledged to Turkey for 1965 will depend on the progress Turkey makes in carrying out its plan and will take into account the contributions to be made by the European countries under the consortium.

Two kinds of loans will be made to these three countries—India, Pakistan, and Turkey. Some loans will finance specific projects in power, transport, water development, and industry. Others will finance the import of equipment, spare parts, components, and critically needed raw materials required for the support of their development. Most of these imports go to the private sector.

The fiscal year 1965 request will finance a realistic program which can be carried out and which will advance our security interests. The countries of the region recognize that development and reform are essential to their strength, security, and independence. Most of them have instituted reforms and are committed to serious development efforts. The economic aid program therefore has a base upon which to build. Furthermore, Greece, Turkey, Iran, Pakistan, and India, which receive substantial amounts of military aid, are determined to

maintain adequate defense forces. These countries now finance a large part of the costs of their forces. As their economies grow stronger, they will be able to carry an even greater share of the cost.

These are the highlights of the Near East and south Asia program. I shall be happy to supply any additional information you may desire.

Mr. PASSMAN. Thank you, Mr. Macomber.

Mr. Secretary, what is the reason for classifying ——— as a recipient of grant aid under the military assistance program? I am speaking of the base rights program.

Mr. TALBOT. Mr. Chairman, if you would address that question to the African Bureau, I am sure they would have more information about Ethiopia than I.

UNITED ARAB REPUBLIC ATTITUDE TOWARD WESTERN MILITARY BASES

Mr. PASSMAN. The United Arab Republic is in your area; is it not?

Mr. TALBOT. Yes, sir; it is.

Mr. PASSMAN. I think their radio and propaganda program is aimed at getting U.S. bases out of Ethiopia; is it not?

Mr. TALBOT. Mr. Chairman, I have not seen evidence on this particular point. On February 22 of this year President Nasser made a radio speech in which he referred to Western bases and in particular referred to bases in Libya, where we have one airfield. His reference to Western bases may also have included reference to facilities we have in Ethiopia.

Mr. PASSMAN. Is it not true that Nasser said just a few days ago that war with Israel is inevitable?

Mr. TALBOT. I do not know whether he said it a few days ago. He has at various times indicated that——

Mr. PASSMAN. You do not remember the statement he made about 10 days ago?

Mr. TALBOT. I do not know to which statement you have reference.

Mr. PASSMAN. With respect to Israel, that war was inevitable.

Mr. TALBOT. He has at various times suggested that the Arab struggle with Israel is not ended.

EGYPT

Mr. PASSMAN. Do you have a program for Egypt this year?

Mr. TALBOT. Yes, sir; we have a program for Egypt.

Mr. PASSMAN. Economic only?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. No military aid?

Mr. TALBOT. No, sir.

Mr. PASSMAN. But if you give them economic aid it serves the same purpose. If you take care of their requirements for commodities, that action certainly releases to them, to that extent, a portion of their earnings from exports to do with whatever they want to; is that right?

Mr. TALBOT. No, sir; their external resources are not absolutely fungible.

Mr. PASSMAN. You do not keep their books; do you?

Mr. TALBOT. No, sir.

Mr. PASSMAN. You do not know what they do with their earnings from exports; do you?

Mr. TALBOT. No, sir. We have some idea of their earnings of free world currencies. We do have some sense of their methods of paying for military assistance they get from Communist-bloc countries.

Mr. PASSMAN. Mr. Macomber, what is the amount of the aid program for Egypt?

TOTAL FOREIGN AID THROUGH 1964

Mr. MACOMBER. The total figure through fiscal year 1964 is $946.7 million.

Mr. PASSMAN. Is that from all spigots?

Mr. MACOMBER. All spigots.

FISCAL YEAR PROGRAM FOR 1965

Mr. PASSMAN. How about fiscal 1965?

Mr. MACOMBER. All spigots total would be ———.

Mr. PASSMAN. ———. That is not a typographical error; is it? It is fantastic.

Mr. MACOMBER. The bulk of that is Public Law 480.

Mr. PASSMAN. Is that something like food?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. They need food. They are not self-sufficient in agriculture; are they?

Mr. MACOMBER. They would not have the food.

Mr. PASSMAN. Then this is just as much aid as any other brand; is is not?

Mr. MACOMBER. It is certainly a form of assistance to the United Arab Republic.

Mr. MINSHALL. What was the figure?

Mr. PASSMAN. ———.

Nasser has certain designs on that part of the world that are not compatible with our foreign policy. Is that an accurate statement?

Mr. TALBOT. Mr. Chairman, certain aspects of his policies are not compatible with our policies and our desires in the area.

Mr. PASSMAN. Without this U.S. aid, in all probability he would not be able to make the amount of trouble he is presently making; would he?

Mr. TALBOT. Mr. Chairman, we are giving Public Law 480 surplus food——

Mr. PASSMAN. I am talking about all of it, I am talking about all aid.

Mr. TALBOT. Since the great bulk of aid is Public Law 480, we are giving this because there are in Egypt large numbers of people who presumably will still be there after Nasser has left.

Mr. PASSMAN. We take the same position out in Indonesia—just wait long enough, the President will die, and somebody may take over who is friendly to us.

Mr. TALBOT. Our hope is we can have good relations with the Egyptian people over the long-term basis, and the Public Law 480 program assists this.

Mr. PASSMAN. You are just as familiar as I am with the fact that Egypt for many years has been importing food supplies. They are not self-sufficient agriculturally, are they?

Mr. TALBOT. No, sir, they are not.

Mr. PASSMAN. They do earn certain convertible currencies from their exports, do they not?

Mr. TALBOT. Yes, sir, they do.

Mr. PASSMAN. If we furnish food to them under this aid program, that certainly would release to them, at least to that extent, their earnings from their own exports to do with as they want to, would it not?

You do not have any control over their internal bookkeeping affairs, do you?

Mr. TALBOT. No, sir.

We have no control over their internal bookkeeping. We believe if they were not given surplus food, they would be in great difficulty. We are not at all convinced that the kind of difficulty they would be in would be to the U.S. interest.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. How much is the Public Law 480 program?

Mr. MACOMBER. The Public Law 480 figure is $134.2 million, total aid is———.

Mr. PASSMAN. That figure does not include the international aid spigots, does it?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. What you have indicated is about the weakest justification I ever heard for getting money.

Mr. TALBOT. This is not the only reason. I said first because of our conviction that Egypt is larger than its President, and our relations with Egypt are more fundamental than just relations with a head of state.

SUSPENSION OF AID PROGRAM

Mr. PASSMAN. You had a substantial aid program going. They said that they could get along without it. We suspended this program for years in Egypt. Do you remember?

Mr. TALBOT. Yes, sir; it was during the period of President Nasser's incumbency. There are a number of other reasons why we continue——

Mr. MINSHALL. What kind of statement is that? How do you reconcile what you just said 30 seconds ago and what you just said now? It is asinine.

Mr. TALBOT. Maybe I did not understand.

Mr. PASSMAN. How long has Nasser been there?

Mr. TALBOT. Since 1952.

Mr. MINSHALL. You had better make yourself clear.

Mr. PASSMAN. He has been there 12 years. We did suspend aid. We had no aid program whatsoever for years.

Mr. TALBOT. During part of the period of President Nasser's incumbency.

Mr. PASSMAN. And we are now back in with an aid program under the same man, and is he not kicking up his heels about as high as he did when we stopped the aid program before or maybe more so?

REASONS FOR AID PROGRAM IN EGYPT

Mr. TALBOT. No, sir, not in terms of our interests. He is carrying out, as I suggested, a number of policies that contravene our interests in the area. There are other reasons for our giving aid to the United Arab Republic.

Mr. PASSMAN. Tell us what those reasons are.

Mr. TALBOT. Yes, sir.

We believe that it is to our advantage, considering all our interests in the area, to have him not totally dependent on the Soviet bloc. The price to us in the Middle East were Egypt, a country in a crucial position, to be part of the Soviet bloc, would be very substantially higher than the present price of our policies in the area.

Mr. PASSMAN. Do you have any proof that Russia ever gave as much as 1 ruble to Egypt?

Mr. TALBOT. Yes, sir; a very substantial Soviet program.

Mr. PASSMAN. We just wonder if we could ever single out one nation without aid to see whether or not we have any foreign policy other than the checkbook.

Mr. TALBOT. Aid in the Near East, Mr. Chairman, is one instrument of policy and an instrument which assists us in our policy. It is by no means the only instrument.

Mr. PASSMAN. Have you ever had a meeting within the past 10 years with any nation on any matter that you did not discuss aid, before you finished the conference?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Cite us one meeting, please.

Mr. TALBOT. Very frequently, we discuss a wide range of topics with countries with which we deal.

Mr. PASSMAN. Cite us one instance when a top echelon official went abroad to discuss something of interest to America that he did not discuss aid before he came home.

Mr. TALBOT. Yes.

We discussed mutual security problems and have for a good many years.

Mr. PASSMAN. Cite us one meeting.

Mr. TALBOT. We have been having a series of seminars in CENTO which discuss agricultural matters, scientific matters——

Mr. PASSMAN. I said top echelon officials.

Mr. TALBOT. When a top echelon man goes, he discusses a full range of problems which may be of interest. He certainly discusses many which have no relation to aid. I do not know what he may have discussed at a particular meeting when I was not present.

UNITED ARAB REPUBLIC ACTIVITY IN YEMEN

Mr. PASSMAN. What is the United Arab Republic doing in Yemen?

Mr. TALBOT. United Arab Republic has substantial troops in Yemen and has had since about 18 months ago. It has maintained those troops despite our efforts to persuade it to reduce the number of troops and has been supporting the regime of the Yemen Arab Republic there.

About a year ago one of our Ambassadors, Ambassador Bunker, went to the United Arab Republic and to Saudi Arabia in an effort to

see how the Yemen situation could be quieted down. At that time we were greatly concerned that there might be hostilities involving the whole, or large parts, of the area; several countries in the area. In the interim period the prospect of hostilities involving other parts of the area has been substantially reduced.

However, the United Arab Republic presence is still strong in the Yemen and, in recent weeks, as I suggested in my statement, Mr. Chairman, there have been increased difficulties between the United Arab Republic and the South Arabian Federation, which is the federation the British have built, including the Colony of Aden and parts of the protectorate of Aden.

Mr. PASSMAN. Are the United Arab Republic and the United States on the same side of this Yemen situation or on opposite sides?

Mr. TALBOT. The United States recognizes the Yemen Arab Republic which is the same regime that is recognized by the United Arab Republic and by the U.N. and by a very large number of nations of the world.

UNITED STATES AID TO YEMEN

Mr. PASSMAN. Do we have an aid program in Yemen?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Are we supporting Egypt's aggressions in Yemen?

Mr. TALBOT. We are supporting the Yemeni.

Mr. PASSMAN. We are taking the opposite side to that of the United Arab Republic?

Mr. TALBOT. This is a program which was started before the revolution.

Mr. PASSMAN. But we are taking a different side than Nasser is taking on the situation in Yemen; are we not?

Mr. TALBOT. What we are doing is supporting the Yemen Republic. He is also supporting the Yemen Republic in his way.

Mr. PASSMAN. Is his way with guns?

Mr. TALBOT. Yes, sir; he has armed forces.

Mr. PASSMAN. You know very well we have a different position than they do.

PRESIDENTIAL DETERMINATION UNDER SECTION 620(i)

I quote:

> No assistance shall be provided under this or any other Act, and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954, to any country which the President determines is engaging in or preparing for aggressive military efforts directed against (1) the United States, (2) any country receiving assistance under this or any other Act, or (3) any country to which sales are made under the Agricultural Trade Development and Assistance Act of 1954, until the President determines that such military efforts or preparations have ceased and he reports to the Congress that he has received assurances satisfactory to him that such military efforts or preparations will not be renewed. This restriction may not be waived pursuant to any authority contained in this Act.

What we are doing is a complete violation of this section of the act unless the President makes a specific determination, is it not?

Mr. TALBOT. The section of the act you just read, Mr. Chairman, calls upon the President to make a determination of any such circumstance.

Mr. PASSMAN. If he did not make a determination, we would be in violation of the law in furnishing aid to the United Arab Republic in this situation; is that right?

Mr. TALBOT. In this connection, the Secretary of State has the responsibility of examining the situation constantly, and it is kept under review, and advising the President at any point where he feels this determination should be made.

Mr. PASSMAN. But you did not answer my question.

I said: If the President had not so determined, then you would not be able to give any aid to the United Arab Republic, would you?

Mr. TALBOT. At the present time, sir, such determination would not be warranted.

Mr. PASSMAN. I did not ask you that question either.

Under the section of the act I just read, if the President had not made the determination, do you mean that you could continue furnishing aid to the United Arab Republic? They have troops there.

Mr. TALBOT. Yes, sir; because of the basis on which the troops are there. We have troops in foreign countries; other countries have troops in foreign countries.

Mr. PASSMAN. Why are they there?

Mr. TALBOT. They are there at the request of the Government of the Yemen Arab Republic.

Mr. PASSMAN. Who requested us to be there?

Mr. TALBOT. We are there also at the request of the Yemen Arab Republic.

Mr. PASSMAN. Do we have military personnel there?

Mr. TALBOT. We have no combat military forces there.

Mr. PASSMAN. But that is not so with the United Arab Republic, is it? They do have military personnel there, do they not?

Mr. TALBOT. Yes; they have troops.

Mr. PASSMAN. I am reading again from the legislation:

> No assistance shall be provided under this or any other Act and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954 to any country which the President determines is engaging in or preparing for aggressive military efforts directed against (1) the United States, (2) any country receiving assistance under this or any other act, or (3) any country to which sales are made under the Agricultural Trade Development and Assistance Act of 1954, until the President determines that such military efforts or preparations have ceased and he reports to the Congress that he has received assurances satisfactory to him that such military efforts or preparations will not be renewed. This restriction may not be waived pursuant to any authority contained in this act.

Has the President made a determination?

Mr. TALBOT. No, sir; and no violation occurs until he does make a determination.

Mr. PASSMAN. They can be out there shooting and killing and we continue to give aid unless the President makes a determination; is that correct?

UNITED ARAB REPUBLIC PRESENCE IN YEMEN

Mr. TALBOT. Mr. Chairman, the wording as you have cited it is, "which the President determines is engaging in or preparing for aggressive military efforts." The Government of Yemen, recognized by the United Nations and many nations, is the Yemen Arab Republic.

That Government has not stated that the United Arab Republic is engaging in or preparing for aggressive military efforts in the Yemen. The United Arab Republic is in the Yemen at the request of that Government.

Mr. PASSMAN. It is aggression, nevertheless. Who is the United Arab Republic fighting? For what purpose are they using the troops there? At whom are they shooting?

Mr. TALBOT. They are assisting in the internal security problems.

Mr. PASSMAN. Are they there supporting the royalist government or are they in opposition to them?

Mr. TALBOT. They are there supporting the Yemen Arab Republic.

Mr. PASSMAN. Not the royalist government?

Mr. TALBOT. Not the royalist regime.

Mr. MINSHALL. What are the internal problems of the Yemen Republic? Put them in your own words, for the record. To substantiate the reason for the Arab troops being there.

Mr. TALBOT. Problems of internal security.

Mr. MINSHALL. You said that. What are they?

Mr. TALBOT. These are the conflicts that go on.

Mr. MINSHALL. Conflicts of what kind?

Mr. TALBOT. Among various tribes in the Yemen, some of whom adhere to the Yemen Arab Republic and others of which adhere to a royalist regime or are semi-independent.

RECOGNITION OF THE YEMEN ARAB REPUBLIC

Mr. PASSMAN. Are we supporting the rebels who overthrew the monarch?

Mr. TALBOT. We are supporting the Yemen Arab Republic.

Mr. PASSMAN. I said the rebels that overthrew the monarch. Is he still holding forth?

Mr. TALBOT. He was overthrown.

Mr. PASSMAN. Did we support the royalist government before the rebels overthrew him?

Mr. TALBOT. Yes.

Mr. PASSMAN. Now we have switched over and are supporting the rebels; is that correct?

Mr. TALBOT. We are now supporting the Yemen Arab Republic.

Mr. PASSMAN. And that is the rebels who overthrew the royalist regime; is that correct?

Mr. TALBOT. This is the regime which is recognized as the legitimate——

Mr. PASSMAN. We were supporting the royalist regime; is that right?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. The rebels overthrew the royalist government and we now support the same side that Nasser is supporting; is that right?

Mr. TALBOT. We are supporting the same side Nasser is supporting.

Mr. MINSHALL. It is a question of who is doing what to whom.

Mr. PASSMAN. You know we are as opposed to what Nasser is doing there as we can possibly be. We went all out to support the royalist government until the rebels overthrew it; then we switched over. Before there were three sunrises, I suppose, we started supporting the

rebels. The same kind of thing happened in Iraq. They killed a cousin of the King of Jordan. We raised a lot of sand about it, but within 72 hours we had recognized the new government, which had just assassinated a chief of state.

Mr. TALBOT. I do not know how long it was before we recognized the new regime in Iraq in 1958.

Mr. PASSMAN. It was not long.

Mr. TALBOT. It was many weeks in Yemen.

Mr. PASSMAN. You continued with the aid program right away.

Mr. TALBOT. The aid program in Yemen was not suspended during that period when we did not recognize it; that is correct.

Mr. PASSMAN. It kept going.

U.S. ASSOCIATION WITH THE UNITED ARAB REPUBLIC

Mr. TALBOT. Mr. Chairman, we feel on balance that the continued identification of the West with Egypt is more to our interest than it would be for us to cut ourselves off from Egypt in this period.

I think in the United Arab Republic our policies have made advances in 3 years in protecting the substantial interests we have in the Middle East. If we can continue to protect these by our association with the United Arab Republic, I believe this to be desirable.

Mr. PASSMAN. Do you know of any nation which was getting this aid, where the regime was changed, that we did not take an about-face and then take another about-face and continue in the same direction? You say we are not helping Nasser, we are helping his nation. If you help his nation, you help to perpetuate Nasser. He is elected for life.

Mr. TALBOT. It would be much more costly for us to accept the alternative.

Mr. PASSMAN. What would be more costly?

Mr. TALBOT. The alternative.

Mr. PASSMAN. How do you know? You have not tried.

Mr. TALBOT. We did try the other with Nasser, as you refered to, in the 1950's.

Mr. PASSMAN. And if he repeated his actions we would not stop aid?

Mr. TALBOT. This was a period of the nationalization of the Suez Canal and a variety of other things.

U.S. RECOGNITION OF REVOLUTIONARY GOVERNMENT IN YEMEN

Mr. PASSMAN. To summarize, we were supporting the royalist government in Yemen?

Mr. TALBOT. Yes.

Mr. PASSMAN. We were pouring aid in. We were very much opposed to what happened there when the rebels kicked out the royalist, but we immediately recognized the rebels. We are still pouring aid in to Nasser. Of course, it is through Nasser's efforts that they overthrew the royalist government.

Mr. TALBOT. We continued our program in Yemen during the many weeks when we had not yet recognized the Yemen Arab Republic.

Mr. PASSMAN. To what government?

Mr. TALBOT. We continued it in Yemen during that period after the royalist government had fallen and before——

Mr. PASSMAN. You mean, continued the aid program?

Mr. TALBOT. Yes, sir.

We continued it because we felt a strong value in the maintenance of a Western presence at a time when the Chinese Communists, as you know, had been very strongly in the Yemen and when the Soviet Communists were also there. We do not want to give up some of these areas in dispute to the Communist bloc nations without a struggle. We think these struggles are successful on occasion.

Mr. PASSMAN. I would like to borrow your imagination for a little while.

Mr. TALBOT. We have not had all failure. To the contrary, I would say in this area of 18 countries, over the past 3 or 4 years a number have strengthened, and countries that we were being asked 2 or 3 years ago as to whether they deserved aid because, weren't they so weak for communism, are now stronger.

Mr. PASSMAN. Are they not in a worse mess now than they were before?

Any questions on the prepared statements?

Mr. CONTE. No, sir.

INDIA

ECONOMIC PROGRESS IN INDIA

Mr. PASSMAN. I think you indicated progress was being made in India. On the divider sheet, annual growth rate, 2.4 percent. What is the national income rate?

Mr. WHITE. 4.2 percent rate of growth between 1958 and 1963.

Mr. PASSMAN. You say, on page 118, that national income is increasing only a little faster than population—if it is 4.2 percent, that is double. How do you arrive at that language?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. How do you reconcile what you said with the figures shown on the divider sheet?

Mr. MACOMBER. What happened is that in the last year or so the growth rate slowed so that the difference between the gross national product and the population have come closer together.

Mr. PASSMAN. We have put in over $5 billion in aid; is that correct? This is since the inception of the program and the major part of the aid has been in the past 3 or 4 years, since 1961, is that right?

Mr. MACOMBER. Yes, sir.

REASONS FOR AID TO INDIA

Mr. TALBOT. Our policy in giving aid to India is based on a number of factors which we think are quite important.

Mr. PASSMAN. Tell us one of them.

Mr. TALBOT. Yes, sir.

Without external assistance, the economy of India would rapidly break down. Given the conditions of the society in India, this would offer a ripe opportunity for a Communist regime to take over.

Mr. PASSMAN. We keep hearing you people talk about what Russia will do. Why not let them do it and let them drain off some of their wealth?

If there is any threat that Russia is going to slip in and help somebody, do we have to beat them to it? Do you not think that is helping them to conserve their wealth?

Mr. TALBOT. Russians are paying us the flattery of imitation in having seen how successful our AID program is. They are now giving more and more and more foreign aid themselves.

Mr. PASSMAN. I do not think they have given away 15 cents and you cannot prove they have given away a dollar. Verify, will you, that statement?

Mr. TALBOTT. In foreign assistance——

Mr. PASSMAN. No; what you said; that they thought our aid was so successful——

TOTAL SOVIET ASSISTANCE WORLDWIDE

Mr. MINSHALL. How much has Russia given in foreign aid altogether in outright grants?

Mr. TALBOT. I was talking of loans.

Mr. MINSHALL. How much has Russia given away in foreign aid?

Mr. TALBOT. In Afghanistan——

Mr. MINSHALL. Let us take one at a time. I am talking now about worldwide.

Mr. TALBOT. May I supply that for the record?

Mr. MINSHALL. If you do not know it, just say so.

(The information supplied follows:)

COMMUNIST GRANT AID TO NON-COMMUNIST COUNTRIES

Commitments of economic aid by the Soviet Union, the European satellites and Communist China to non-Communist countries of the less-developed areas have totaled over $5 billion since 1955. The bulk of this total has been on a credit basis, for the most part repayable in exports of the aid recipients. About $300 to $350 million of the aid total, however, has been given as outright grants with no repayment involved. The Soviet Union has accounted for over 55 percent of Communist grant aid; Communist China has accounted for most of the remainder.

A part of Communist grant aid has consisted of commodity shipments, such as wheat, but the major portion has been in the form of projects. Such gift projects have included, for example, a 500-bed hospital and a 12,000-spindle textile factory now operating in Cambodia, a hospital in Nepal, technical institutes in Ethiopia and India, housing in Afghanistan, a veterinary and agricultural laboratory in the Sudan, and two 50-kilowatt radio transmitters in Guinea.

Mr. PASSMAN. Mr. Natcher?

Mr. NATCHER. No questions.

BACKGROUND OF WILLIAM B. MACOMBER

Mr. PASSMAN. Since this is your first appearance before this subcommittee in your official capacity, Mr. Macomber, would you supply a little biographic sketch for the record?

Mr. MACOMBER. I do not have it with me.

(The following was submitted later for the record:)

BIOGRAPHIC SKETCH OF WILLIAM B. MACOMBER, JR., ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Born: March 28, 1921, Rochester, N.Y.

Education: Yale University, A.B., 1943; M.A. (government), 1947. Harvard Law School, LL.B., 1949. University of Chicago, M.A. (political science), 1951.

Marital status: Married in December 1963 to Phyllis D. Bernau.

Experience:

Pre-Government: 1947–49, lecturer in Government, Boston University.

Government:

March 1951 to January 1953—Central Intelligence Agency, Washington, D.C.

February 1953 to March 1954—Assistant to the Special Assistant for Intelligence, Department of State, Washington, D.C.

April 1954 to January 1955—Administrative Assistant to U.S. Senator John Sherman Cooper (Kentucky).

January to November 1955—Special Assistant to Under Secretary of State, Herbert Hoover, Jr., Department of State, Washington, D.C.

November 1955 to October 1957—Special Assistant to Secretary of State, John Foster Dulles, Department of State, Washington, D.C.

October 1957 to March 1961—Assistant Secretary of State for Congressional Relations.

March 1961 to January 1964—U.S. Ambassador to the Hashemite Kingdom of Jordan, Amman, Jordan.

February 27, 1964, to present—Assistant Administrator, Bureau for Near East and South Asia, Agency for International Development, Department of State, Washington, D.C.

Military experience: U.S. Marine Corp. Assigned to Office of Strategic Services (1943–46). Discharged a first lieutenant.

Voting residence: 5 Buckingham Street, Rochester, N.Y.

Mr. PASSMAN. Are you the former executive vice president of the Manhattan National Bank?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. Are you a banker?

Mr. MACOMBER. No, sir. Most recently I was the U.S. Ambassador to Jordan and prior to that I was an assistant secretary in the State Department.

Mr. PASSMAN. Have you ever had any banking experience?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. You are really getting into the big banking field, are you not?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How long have you been in your present position, Mr. Macomber?

Mr. MACOMBER. Three months, Mr. Chairman; less than 3 months.

Mr. PASSMAN. How long have you been with the Agency?

Mr. MACOMBER. The same time.

ADEQUACY OF NESA PROGRAM

Mr. PASSMAN. Have you had an opportunity to review the program for your entire area?

Mr. MACOMBER. Yes, Mr. Chairman.

Mr. PASSMAN. Would you say you have a satisfactory program, on the whole, or on the average?

Mr. MACOMBER. With the exception of the military, Mr. Chairman.

Mr. PASSMAN. I am speaking primarily of the economic program. You do not administer the military, anyway.

Would you say that your program is a satisfactory program for your area?

Mr. MACOMBER. I would have to except the military.

Mr. PASSMAN. I am talking about the economic side, the money that is distributed in your area, and you say it is a satisfactory program?

Mr. MACOMBER. I would say it is an adequate program, Mr. Chairman, as I have looked at this thing.

Mr. PASSMAN. Thank you.

Mr. MACOMBER. Let me finish; it is an adequate program but I would like to add that as I looked it over in the last 3 months, it does seem to me we could have and should have had a bit more than we did for development loans. At the same time I have to say it is basically an adequate program.

Mr. PASSMAN. You say it is an adequate program?

Mr. MACOMBER. Yes, sir.

REQUEST FOR NESA REGION FOR 1964

Mr. PASSMAN. What was the request for your area for fiscal 1964?

Mr. MACOMBER. The total request for fiscal year 1964 was $1,028.6 million.

Mr. PASSMAN. The final allocation was $826 million?

Let us get the reduction at this point in the record; do a little subtracting for me.

Mr. MACOMBER. $202.6 million.

Mr. PASSMAN. Your final allocation was more than $202 million below the original request?

Mr. MACOMBER. That is correct.

REVIEW OF FISCAL YEAR 1964 FOREIGN AID REQUEST

Mr. PASSMAN. The President requested $4,980 million and subsequently he amended that request and cut it to $4.5 billion.

Subsequent to that the Congress authorized $3.6 billion and later the Congress appropriated $3 billion. After cutting the program approximately $2 billion, we find we have an adequate program going all over the world, and in fact there are going to be substantial unobligated funds.

How many countries are in your area, Mr. Macomber?

Mr. MACOMBER. Eighteen countries.

TOTAL AID TO NESA REGION

Mr. PASSMAN. Give us the total amount of aid that has gone to those 18 countries since we started this program.

Mr. MACOMBER. $18,856 million.

Mr. PASSMAN. That figure does not include international funds, does it?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Does it include military aid?

Mr. MACOMBER. It does include military; yes, sir.

ESTIMATED UNEXPENDED BALANCE

Mr. PASSMAN. How much money will you have unexpended for your area when the curtain drops on June 30?

Mr. MACOMBER. $1,650,944,000.

Mr. PASSMAN. How does that sum compare with the comparable figure last year?

Mr. MACOMBER. It was $1,682,715,000.

Mr. PASSMAN. The pipeline remains about the same?

Mr. MACOMBER. About the same, yes, sir.

Mr. PASSMAN. Despite the reduction made by the Congress last year.

ESTIMATED FISCAL YEAR 1964 DEOBLIGATIONS

How much can you deobligate from projects in your area in fiscal year 1964?

Mr. MACOMBER. Through March of this year the total of development grants——

Mr. PASSMAN. Give us the total, please.

Mr. MACOMBER. Technical cooperation funds are $2,572,000. Do you want the total?

Mr. PASSMAN. Yes.

Mr. MACOMBER. Supporting assistance is $647,000. The total of the two is $3,219,000.

Mr. PASSMAN. Projecting that to June 30, could you give us the figure?

Mr. MACOMBER. About $1 million to $1.5 million more of technical cooperation.

Mr. PASSMAN. Technical cooperation is $1.5 million more?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How about the other alphabetical arrangements?

Mr. MACOMBER. Maybe $1 million more of supporting assistance.

Mr. PASSMAN. All together you are going to have what amount deobligated?

Mr. MACOMBER. About $5 million.

ESTIMATED REOBLIGATIONS

Mr. PASSMAN. Do you expect to reobligate those funds?

Mr. MACOMBER. The figure of reobligated technical cooperation funds will be $3.64 million.

Mr. PASSMAN. This is a very large percentage of your total allocation?

Mr. MACOMBER. About 6 or 7 percent of our total for technical cooperation, Mr. Chairman.

Mr. PASSMAN. Do you have any money unobligated?

Off the record.

(Discussion off the record.)

Mr. MACOMBER. I think about $500,000 of it might be unobligated, for technical cooperation.

Mr. PASSMAN. For practical purposes, you are going to obligate just about all you deobligated; is that correct?

Mr. MACOMBER. That is correct.

ILLUSTRATIVE NATURE OF THE PROGRAM

Mr. PASSMAN. Mr. Ambassador, we refer to this program as being illustrative. Do you understand it that way?

Mr. MACOMBER. Yes, Mr. Chairman.

Mr. PASSMAN. You could use, as an extreme, the justification for a railroad in Argentina and take that same money and build a brick building in Algeria and still be within the law, could you not?

Mr. MACOMBER. Yes; Mr. Chairman.

Mr. PASSMAN. It is just that loose.

Mr. MACOMBER. That is my understanding of the law.

Mr. PASSMAN. Do you understand that under the law the money you deobligate, and for that matter other money available, you can start new projects even without any illustrative justification to the Congress? You have that right under the law?

Mr. MACOMBER. Deobligations, Mr. Chairman, can only be used for projects that have been——

NEW PROJECTS NOT PREVIOUSLY JUSTIFIED

Mr. PASSMAN. You can start projects you never even justified on an illustrative basis to the Congress?

Mr. MACOMBER. That is right.

Mr. PASSMAN. How many such projects did you start for fiscal year 1964?

Mr. MACOMBER. I think it was about six, Mr. Chairman, but let me check.

Six technical cooperation projects and one supporting assistance project.

Mr. PASSMAN. Could you give the total cost of the six projects you started without even any illustrative justification to the Congress in 1964?

Mr. MACOMBER. $973,000, Mr. Chairman.

Mr. PASSMAN. That would be your first year allocation but, projected to completion, how much would the cost be?

Mr. MACOMBER. $5,104,000.

Mr. PASSMAN. Would you put that list in the record?

Mr. MACOMBER. Yes, sir.

(The information follows:)

New technical cooperation projects funded in fiscal year 1964 not previously presented to Congress

[In thousands of dollars]

Country	Project	Estimated fiscal year 1964 funding	Estimated total cost to complete
India	Teaching of science and mathematics	600	2,150
Iran	Village, town, and province (public administration)	45	510
Jordan	Public safety	245	1,000
Nepal	Public safety	10	610
Turkey	Livestock production	53	229
United Arab Republic.	Improvement of crop and livestock production	20	605
Total		973	5,104

Mr. PASSMAN. Let us discuss another technicality.

USE OF DEOBLIGATED FUNDS FOR NEW PROJECTS

You can use deobligated funds for any project that had been previously justified to the Congress, and you then take your new funds and start as many new projects as you wanted to even though they had not been justified on an illustrative basis; is that a statement of fact?

Mr. MACOMBER. I believe legally I could do that.

In fact, these illustrative programs come pretty close to what we actually do.

Mr. PASSMAN. I am talking about how far you can go.

You can start projects that you never justified to the Congress on an illustrative basis, and then you have deobligated funds which can be used to fund projects you have justified. I can see how easy it would be for some of the enthusiasts of this program to take your new funds and start new projects which you had not even justified to the Congress on an illustrative basis. You could then take your deobligated funds and fund those projects you had previously justified on an illustrative basis.

Mr. MACOMBER. That is legally possible; but the fact remains the illustrative program usually turns out——

Mr. PASSMAN. You would not know until you had an opportunity to go into all of these projects. Time will not permit.

NUMBER OF AID MISSIONS IN NESA AREA

What is the number of AID missions in your area?

Mr. MACOMBER. Ten AID missions, Mr. Chairman.

Mr. PASSMAN. How many do you anticipate you will have in fiscal 1965?

Mr. MACOMBER. All of these will continue through fiscal year 1965.

Mr. MINSHALL. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. MINSHALL. How many employees are involved?

TOTAL PERSONNEL IN NESA

Mr. PASSMAN. Mr. Ambassador, in the AID program, you have at least 64,000 individuals getting a check every month. They are participants, direct hire, contract, military personnel, and all. How many of those 64,000 individuals draw monthly checks in your area? Get them all in your figure.

Mr. MACOMBER. That would be 1,838 Americans and 3,489 foreign nations as of March 31, 1964, for economic assistance.

Mr. PASSMAN. How many participants?

Mr. MACOMBER. In fiscal 1964, 2,123 are programed for economic assistance.

Mr. PASSMAN. How about the military?

Mr. MACOMBER. I do not have the military.

Mr. PASSMAN. While your associate is getting that information, add up those figures for us; if you will.

Mr. MACOMBER. The economic total, Mr. Chairman, is 7,450——

Mr. PASSMAN. We have another category to add to it.

Mr. MACOMBER. While we are waiting, Mr. Chairman——

Mr. PASSMAN. Let us get the answer in the record.

Mr. QUINN. Military personnel 1,473, and civilians 927.

Mr. MACOMBER. The total figure, Mr. Chairman?

Mr. WHITE. The total Americans and local employees——

Mr. PASSMAN. We want to know the total. We told you the categories we wanted; participants, military, military civilians, contract personnel, direct-hire personnel, and foreign nationals.

Mr. WHITE. Participants are not AID employees.

Mr. PASSMAN. They get checks and I think we are going to establish that fact.

Mr. WHITE. If those are included, that would be 14,370 people for both economic and military personnel, plus participants.

Near East/south Asia personnel, Mar. 31, 1964 [1]

	U.S. nationals	Foreign nationals	Total
Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds and trust funds):			
Economic	979	3,202	4,181
Military	1,570	625	2,195
Subtotal	2,549	3,827	6,376
Persons participating in program other than direct-hire (includes contractor employees and man-year equivalent of reimbursable supporting services):			
Economic	859	287	1,146
Military	26	179	205
Subtotal	885	466	1,351
Grand total	3,434	4,293	7,727
Foreign participants [2] programed for fiscal year 1964:			
Economic	2,123	----------	----------
Military	4,520	----------	----------
Total	6,643	----------	----------

[1] Data as of Mar. 31, 1964, for economic programs and estimated as of June 30, 1964, for military programs.

[2] Participants/trainees are not on the payroll. AID/MAP financing usually includes per diem, tuition, and travel costs if necessary, but not salary.

PERSONNEL COSTS IN NESA

Mr. PASSMAN. Now, I wish somebody would break down that total personnel figure and give us the pay costs.

Bring us a chart on this, Mr. Controller.

Mr. TENNANT. A chart comparable to last year's chart?

Mr. PASSMAN. I am talking about what this thing is costing. Bring us a chart on where you have these people.

Mr. TENNANT. Yes; we will be glad to, Mr. Chairman.

(The information supplied follows:)

Personnel compensation, benefits and travel, and participant costs for fiscal year 1964[1]

	Millions
Direct hire:	
Economic	$26.7
Military	[2] 13.9
Total direct hire	40.6
Other than direct hire:	
Economic	20.9
Military	.6
Total other than direct hire	21.5
Participant costs:	
Economic	11.2
Military	10.4
Total participant costs	21.6
Total costs	83.7

[1] Based on numbers of people as shown in insert for p. 650, May 11, 1964.
[2] Includes $12,200,000 for military personnel which is not paid from mutual defense and development funds.

NEW PROJECTS PROPOSED FOR FISCAL YEAR 1965

Mr. PASSMAN. How may new projects do you plan to initiate in fiscal 1965?

Mr. MACOMBER. Four technical cooperation projects, Mr. Chairman.

Mr. PASSMAN. Would you insert in the record the type of projects and the cost?

Mr. MACOMBER. I shall be glad to, Mr. Chairman.

(The information follows:)

New technical cooperation projects proposed for fiscal year 1965
Near East and south Asia region

[In thousands of dollars]

Country	Project	Proposed fiscal year 1965 funding	Estimated total cost to complete
Cyprus	Polytechnic institute	100	100
Iran	Mining engineering services	25	75
Pakistan	Industrial productivity	750	3,580
United Arab Republic	Improved cooperative marketing	30	142
Total		905	3,897

SUPPORTING ASSISTANCE

Mr. PASSMAN. The estimate for supporting assistance for your area is $37.8 million for fiscal year 1965.

What countries will receive these funds and in what amounts?

Mr. MACOMBER. Jordan, $33 million; Yemen, $4.4 million; and CENTO, $400,000.

Mr. PASSMAN. Is the royalist government in Yemen still on the throne?

Mr. TALBOT. No, sir.

Mr. PASSMAN. Where is the royalist figure residing now?

Mr. TALBOT. Sir, I do not know exactly where. We understand he is in the mountains of north Yemen somewhere.

Mr. PASSMAN. Is he working to redeem his throne?

Mr. TALBOT. There is still fighting going on; yes, sir.

Mr. PASSMAN. Could somebody tell us whether or not he is working to redeem his throne?

Is there no other way of regaining something you lose other than fighting for it out there?

Mr. TALBOT. That is correct in the present circumstances.

Mr. PASSMAN. Are we helping him?

Mr. TALBOT. No, sir.

Mr. PASSMAN. There is no secret maneuvering going on?

Mr. TALBOT. No, sir.

Mr. PASSMAN. In giving the amount for your area, there is an asking price and a taking price. Last year your asking price was $1.028 billion, or thereabouts, and your final taking price was $826 million, or a reduction of $202 million.

And you still had adequate funds.

REQUEST FOR 1965

You have an asking price this year of $872 million. Could you give some indication of the taking price and what you actually need?

Mr. MACOMBER. $872 million.

Mr. PASSMAN. Last year you wanted $1.028 billion, but your taking price, which gave you adequate funds, was $202 million below your original asking price.

Do you have any idea what the taking price would be in this instance?

Mr. MACOMBER. The same as our asking price.

Mr. PASSMAN. Was that not said to be so last year?

APPROVED DEVELOPMENT CREDITS

I note on page 2 of the project book that through December 31, 1963, that the AID agency approved $2,221,844,000 in development credits for this region; is that correct?

Mr. MACOMBER. That is the correct figure for what you call development credits, but what we call development loans.

Mr. PASSMAN. Did you ever hear of Douglas Dillon?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. He is the Secretary of the Treasury. He is the man responsible for raising the money and paying it out. I asked him point blank several years ago during a hearing—"Do you call these things loans?" He said, "They are development credits."

I am going to have to stick by his definition. He is one of the world's great bankers. You do not quarrel with that, do you?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. When I have the privilege of having one of the greatest world bankers before our committee and he defines something, I am going to wait until a bigger banker comes along before I change the definition.

Mr. MACOMBER. When you get something paid back with interest, I call it a loan.

Mr. PASSMAN. These things are disguised grants, and practically every person who has come before the committee said these were grants.

Mr. Hamilton, a former Director of the Agency said:

> You mean because all of the money is coming home with much greater assurance. You discount immediately 55 to 60 percent. It is more than half grant to start with if you figure in the cost of the money.
>
> Mr. RHODES. Yes, sir.

You know and I know these things are not loans as we think of loans. Most of them are paid back over a period of many, many years. There is no interest, only a service charge on most of them. If anything does come back, it will go back into the aid program and not into the Treasury.

Mr. MACOMBER. The point is, they are paid back. A loan gets paid back.

Mr. PASSMAN. We do not know whether we are going to get paid or not. Whatever is paid back goes back into the AID agency's revolving fund for more aid, and not into the U.S. Treasury.

Mr. MACOMBER. It has to be reappropriated by Congress.

Mr. PASSMAN. The legislation calls for this money to go back into a revolving fund and not back into the U.S. Treasury.

Mr. MACOMBER. That is correct. It remains there until reappropriated.

Mr. PASSMAN. This money is going to so-called underdeveloped countries; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Let us go to World War I and subsequent years, prior to World War II.

Britain owes us for loans made 45 years ago, a total of $9,145 million, they will not pay a pound of it. This is after World War I.

France owes us $6,340 million, and they will not pay us a franc.

Italy owes us $2,221 million. We cannot get one lira.

Belgium, $633 million.

Greece owes us $44 million.

I am talking about World War I loans. If the industrialized nations will not even pay us the interest, how do you expect these underdeveloped nations to do it?

Mr. MACOMBER. As you know, the law has been changed. The money that is being loaned is now at a higher interest rate.

Mr. PASSMAN. Ten years from now, if everything works out well, then we will start collecting 2-percent interest.

Did someone tell you this was 2 percent right away?

Mr. MACOMBER. We have some 3½-percent loans.

Mr. PASSMAN. You made the statement that we are getting 2 percent now. I am saying that is not a statement of fact. That does not become effective until 10 years in the future.

Mr. MACOMBER. That is correct.

Mr. PASSMAN. You do not know what will happen 10 years from now. They may cancel this part of it.

Mr. MACOMBER. The point I was making was, we have changed the terms on which we make the loans.

Mr. PASSMAN. After 10 years they will pay interest unless we change the law.

Mr. MACOMBER. We have made the change already.

Mr. PASSMAN. And three-quarters of 1 percent service charge, in the meantime.

Mr. MACOMBER. Yes.

The decision to go on this different basis has been taken.

Mr. PASSMAN. They will pay interest 10 years from now at 2 percent. We pay 4 percent interest in order to borrow the money to give it away. They will pay us 2 percent 10 years from now if we ever get anything.

DEVELOPMENT LOAN OBLIGATIONS

For your region, page 3 indicates that through December 31, 1963, obligations against these approved credits amount to $2,649,169,000. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Will you supply for the record a list of the countries and the amount of credit and the purpose of the credit for which obligations have not yet been entered into?

Mr. MACOMBER. Yes.

(The information follows:)

NESA development loans authorized but unsigned as of Dec. 31, 1963

[In thousands of dollars]

Country and project	Amount	Purpose of loan
Cyprus: Equipment and consultants	2,275	To provide equipment and equipment consultants to help Cyprus carry out construction projects included in its 5-year plan (1962-66).
India: Beas Dam	33,000	To assist India in the foreign exchange costs of developing irrigation and power on the Beas River. DLF allocated the funds subject to completion and receipt of material necessary to satisfy standard development loan requirements. All necessary information has now been received and is now under review.
Israel: Timna copper project	4,400	To help finance the foreign exchange costs of a project to double the capacity of the copper mine and mill of the Israel Mining Industries Co. at Timna.
Pakistan:		
Dacca International Airport	7,400	To finance the foreign exchange for construction and equipment costs of a new international airport at Kurmitola, 8 miles from Dacca.
	4,300	
Balancing works for Greater Karachi water supply and sewage system.	3,100	To finance the foreign exchange costs of a project to help provide potable water, of which 100,000,000 gallons per day is now available, for the Greater Karachi area and to provide additional sewage treatment facilities for waste water. (Subsequently deauthorized Apr. 15, 1964.)
Turkey:		
Seflon nylon plant	19,900	To assist in financing the foreign exchange costs of the establishment of a privately owned plant at Istanbul, Turkey, for the manufacture of nylon-filament yarn. (Subsequently deauthorized Jan. 9, 1964.)
	1,800	
Highway equipment and consultants	18,100	To finance the foreign exchange costs of highway maintenance equipment and spare parts requirements of the Turkish highway department's equipment fleet used in maintaining the national highway system, and to provide 3 consultants for technical services. (Signed Jan. 3, 1964.)
United Arab Republic: Rakta cardboard	[1] 5,700	To finance the foreign exchange costs of establishing a cardboard manufacturing facility in the United Arab Republic.
Total	72,675	

[1] Erroneously excluded as an obligation. Loan agreement signed Nov. 11, 1963.

Mr. PASSMAN. I believe that the State Department this year through the President is asking for $3,391 million for this program? Is that figure correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. And there is now an indication there will be some unobligated funds on June 30. If it is true that there will be substantial unobligated funds on hand, they will amend this request and reduce it?

Mr. MACOMBER. I do not know the answer to that question.

ESTIMATED UNOBLIGATED BALANCE

Mr. PASSMAN. Could you tell us the total amount of unobligated funds you may have in your area out of all these categories?

Mr. MACOMBER. Except for——

Mr. PASSMAN. I am speaking for the entire category.

Mr. MACOMBER. Technical cooperation funds in the amount of $500,000 may not be obligated.

Mr. PASSMAN. Have you allocated all your funds for this area?

Mr. MACOMBER. We will have by the end of the fiscal year.

Mr. PASSMAN. You mean, for development credits, all your money will be obligated?

My question is: How much do you anticipate you will have, in all probability, unobligated on June 30?

Mr. MACOMBER. Our present expectation is that we will not have any carryover.

Mr. PASSMAN. How much did you have in the development credit category in fiscal year 1964?

Mr. MACOMBER. $709 million.

Mr. PASSMAN. That was the low figure. How much have you allocated out of that to date?

Mr. MACOMBER. As of May 5, $528.4 million has been authorized.

Mr. PASSMAN. Let us subtract that amount from your total of $709,800,000. Actually, as of May 5, you had $181,400,000 unauthorized?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Which represents maybe one-third of your total annual allocation; is that right?

Mr. MACOMBER. Somewhat less than one-third.

Mr. PASSMAN. Let us see what it is.

Mr. MACOMBER. Twenty-five percent.

Mr. PASSMAN. You have available, to obligate, 25 percent of your total allocation to be used in the last 55 days of the fiscal year; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Things are sort of moving up on you; are they not?

Mr. MACOMBER. In what way?

Mr. PASSMAN. Does it not appear, if you have that much money on hand, there may be some haste to get the funds prematurely obligated—if you have 25 percent of a year's supply of money with only 55 days to go?

Mr. MACOMBER. This is a combination of at least a year's work in a number of cases.

Mr. PASSMAN. This program has been going on for years. If you had a system of obligating these funds, it would appear to me, it would not be any different this year than in previous years. Why should this stack up at the very end?

Mr. MACOMBER. It should not.

I must say I am concerned. I have looked at this, and it does seem to me it is misleading to have this kind of a record where you authorize many more loans toward the end of the fiscal year than at the beginning. The need for the loans is there, and it is my desire to have these things done in an orderly way and have these done as quickly as they are ready to go.

Mr. PASSMAN. I think there is a lot of haste to get projects obligated before the end of the fiscal year. The record is quite replete with information on that matter. It was so last year and it appears to be happening again this year.

Have you had an opportunity to read this report I have in my hand?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. It would be one of the most educational things you ever read. Read this report and you will appreciate how loose this program is. This is from page 10 of the report of the committee last year:

> Basically, the Agency commits or reserves a specified sum of money which will fully fund a loan application which has been approved technically but on which all negotiations; such as, repayment terms, signatures, et cetera, have not been yet completed. While a commitment is not a true obligation, the committee has traditionally recognized a commitment as being an obligation. During the month of June the Agency committed $421,075,000 or, approximately, 41 percent of the total funds available for development loans during the fiscal year. On Thursday, June 28, the Agency committed $126 million and, on Friday, June 29, the last normal workday of the fiscal year, the Agency committed $138,975,000, or a total in the last 2 normal working days of the fiscal year, of $264,975,000.

Now the Agency is trying to improve that program but we do not like the way they are doing it. Before we finish these hearings, you will not like it either.

Mr. MACOMBER. I would like this authorizing to go on a little more orderly basis through the year. The point is, we cannot authorize until we are satisfied a loan makes sense.

Mr. PASSMAN. We have information that you are doing it the other way, notwithstanding your statement?

LOANS TO PAKISTAN

Pakistan is in your area?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Do you remember them rushing through four loans to Pakistan in April?

Mr. MACOMBER. I remember ———.

Mr. PASSMAN. With unusual haste?

Mr. MACOMBER. I remember four loans for Pakistan.

Mr. PASSMAN. There was so much haste connected with it they had to do it over the telephone. They could not call a meeting of the committee.

Mr. MACOMBER. They very often take telephone polls instead of a formal committee meeting.

Mr. PASSMAN. They even dispensed having a committee meeting to discuss the details.

Mr. MACOMBER. A paper is distributed ahead of time and, if no one disagrees with the loan, they take telephone polls.

Mr. MINSHALL. How many people are involved on these telephone polls. Is it like a Gallup poll?

Mr. MACOMBER. It is polling the committee.

Mr. MINSHALL. I understand.

How many are involved in the committee?

COMMITTEES ON LOAN AUTHORIZATIONS

Mr. MACOMBER. There are several different committees. The answer to your question would be——

Mr. MINSHALL. Give us an example. Take one of the committees.

Mr. MACOMBER. The Near East and South Asia Advisory Committee. This committee spends a good deal of time on one of these loans. A loan committee is set up consisting of an engineer, lawyer and loan officer and they will have worked on this loan application for some time. They present it to the NESA Advisory Committee. That committee, made up of eight people, is never polled by telephone. That committee always meets.

The next committee the loan application goes to is the Development Loan Committee, under which there is a Development Loan Staff Committee. The Development Loan Committee is made up of five members. The loan goes also to the National Advisory Council. The National Advisory Council is made up of five members. The NESA Advisory Committee, is the meeting where loans are really chewed over. If it is a loan that is under $2.5 million and it is approved by the NESA Advisory Committee, that is the end of it. The loan is authorized.

I preside at that meeting.

Mr. PASSMAN. You are ex officio chairman of this committee?

Mr. MACOMBER. I am the chairman. My people in the NESA area and other sections of AID——

Mr. MINSHALL. Why the arbitrary figure of $2.5 million? Who set that?

Mr. MACOMBER. The Administrator set it some time ago.

Mr. MINSHALL. It is no magic figure. It could have been $5 million or $100,000.

Mr. MACOMBER. It could have been. The responsibility for approving loans is distributed. You have to go higher in the echelon to get approval for larger loans.

RESPONSIBILITIES OF APPROVING LOANS

Mr. PASSMAN. Are you not placed at a tremendous disadvantage, never having had any banking experience, in dealing with these loan applications? You are called upon as chairman of this committee to approve loans of hundreds of millions of dollars.

Who fills you in on this so you will know whether or not these loans are any good?

Mr. MACOMBER. It is a difficult position to be in.

Mr. PASSMAN. I want to be perfectly fair, and take off the record anything you think should come off. I do not want to embarrass you.

Mr. MACOMBER. I have the right to approve or disapprove.

Mr. PASSMAN. How can you actually know, since you have only been with this outfit 90 days? Is it fair to you to have hundreds of millions of dollars of loan applications thrown on your desk and a rush to get it approved before you have an opportunity to review them fully? Sometimes a bank may play around with a loan for 30 days and discuss it at five or six board meetings before they reach a final conclusion. But you are being called upon to approve loans of hundreds of millions of dollars. You have not had any experience with them whatsoever. That is what is causing me great concern.

How do you know whether these people have studied the applications unless they are sitting in the committee and you ask them questions—"Brown, what do you know about it?"

How do you know what they are doing unless you are looking at them in the eyes and asking them questions?

Mr. MACOMBER. It is a difficult job. I have had several jobs with the U.S. Government, and they have all been difficult.

Mr. PASSMAN. And you have discharged them all with much credit.

Mr. MACOMBER. I have to use commonsense and probe these the best I can. I can assure you they are not easy sessions and I ask all kinds of questions.

Mr. PASSMAN. You do not have that opportunity over the telephone, do you?

Mr. MACOMBER. I do not do this on the telephone.

Mr. PASSMAN. They approve it. They say, Joe, Jim, George, and Tom have approved this. What alternative do you have?

Mr. MACOMBER. This meeting that I preside at has nothing to do with the telephone. We sit at the table and go over the loans.

DEVELOPMENT LOAN COMMITTEE

The next level that looks at a loan proposal is the Development Loan Staff Committee. These are the staff representatives of the Development Loan Committee.

Mr. PASSMAN. Do you mean the staff approves these loans down there?

Mr. MACOMBER. After it leaves us, it goes to the staff.

Mr. PASSMAN. What staff now?

Mr. MACOMBER. The Development Loan Staff Committee.

Mr. PASSMAN. That means the clerks and secretaries, and so forth?

Mr. MACOMBER. No, they are more senior than that.

Mr. PASSMAN. They are under you?

Mr. MACOMBER. Only in levels of rank.

Mr. PASSMAN. These people are under you?

Mr. MACOMBER. No, sir.

Let me start again. Perhaps if I could start a little farther back. When the application comes in, it comes in with a feasibility study. The first step is to set up a loan committee in the NESA region of AID. That consists of a loan officer, an engineer, a lawyer, and the desk officer of the country involved. They go over the application and feasibility study and usually in the process they may send people out to the country.

If it is a technical kind of business, nuclear plant or something like that, the NESA loan committee will hire consultants to help them. In the process, they go over the application and determine whether it makes sense to make a loan on it.

Mr. PASSMAN. At what echelon are they working?

Mr. MACOMBER. Under me, part of the NESA region.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. MACOMBER. The people you are speaking of are not in the AID process which I have described.

Mr. PASSMAN. They are the ones who approve this big money?

Mr. MACOMBER. Within AID.

Mr. PASSMAN. That is what I am talking about. That is the Development Loan Committee in AID.

They are under you?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. You do not have anything to do with development loans?

Mr. MACOMBER. I certainly do, but the Development Loan Committee is not under me.

Mr. PASSMAN. Do they tell you what loans to approve?

Mr. MACOMBER. They give advice to me and Mr. Bell as to what loans to approve; yes, sir.

Mr. PASSMAN. Now, this committee of Henry Bitterman, Ralph Hirschtritt and Jay Finkel, are they not the Development Loan Committee?

Mr. MACOMBER. They are Treasury officials. They work with the Treasury Department.

TIMING OF LOAN OBLIGATIONS

Mr. PASSMAN. Would you know of any reason why you should rush in, or Mr. Bell should rush in, and obligate certain funds before coming before this committee?

Would you know of any reason—would there be any good purpose served whereby Mr. Bell, or you, should insist on getting certain funds obligated before appearing before this committee?

Mr. MACOMBER. I think there is a reason to push for obligations at all times during the year.

Mr. PASSMAN. That is not what I asked you.

Mr. MACOMBER. I am answering your question if you will let me finish.

The first point is, I think we should be pushing to get the loans made as soon as they are properly staffed out, and if they make sense. We should be pushing to do them in as timely a way as possible and we should be doing that during the entire year. The loans are needed.

The second point is, it is very misleading to come in at the end of the year with this great backlog of loans. It gives a false impression of what the need is. Therefore, there is a particular reason to push to have the record as consistent as possible as to what the need is.

Thus, my answer to you is, I would certainly want, before I came before any committee, to have the performance record as near——

Mr. PASSMAN. That is wonderful.

Would you know of any reason why Mr. Bell, or any other person in this agency, should have a particular desire to get certain projects obligated before appearing before the committee?

Mr. MACOMBER. The reason I just gave.

Mr. PASSMAN. You are familiar with what I am talking about. Other witnesses said there was no reason why they should be rushing in and getting loan funds obligated.

Mr. MACOMBER. I want to get them approved as soon as they are ready, and that is true for every day in the year.

Mr. PASSMAN. That is good enough. If you have $181 million unobligated today, you do not say you want to get at least $150 million of that money obligated before you are to go before the Foreign Operations Subcommittee on Appropriations tomorrow?

Mr. MACOMBER. If I had loans that were about to be authorized and I was about to appear before you, and if these were to be made, I would rather have them authorized before I came before you.

Mr. PASSMAN. You testified one way and the more experienced AID official testified just the opposite.

I will put your statement of 90 days against that man who has had several years' experience. I admire you for trying to defend what appears to be an indefensible position. I have had two of the major witnesses now testify differently. I cannot do anything else. If you think there is some reason why Mr. Bell, you, or anyone else should rush in and say you are particularly anxious to get this money obligated before we have to go before the committee tomorrow, all right. If that is the way you run your shop, I cannot do anything about it.

Now, these four loans to Pakistan——

Mr. MINSHALL. I never found out about the telephone calls.

PAKISTAN

AUTHORIZED LOANS

Mr. PASSMAN. Will you bring me down information on the four loans to Pakistan, Mr. Comptroller?

Mr. TENNANT. They are being handled as an insert.

Mr. PASSMAN. I want a copy of them. There are some questions we want to ask. Do you have a typewritten copy?

Mr. MACOMBER. No, I have some notes with regard to them.

Mr. PASSMAN. You have four loans for Pakistan in April. I want to know the date, Mr. Comptroller General, that you received the application, the amount of the request, the date the recommendations reached Washington, the amount of each one of these loans, or credits, the purpose and the terms. Also, the date they were approved.

Mr. MACOMBER. I can give you the information now.

Mr. PASSMAN. I want a typewritten report. Unless you have a typewritten report, I do not want to discuss them. I will discuss these when I get the information I asked for the other day.

Mr. MACOMBER. I do not accept those were hastily——

Mr. PASSMAN. You are getting your neck further out every time you speak. I am quite familiar with what I am talking about, that there was plenty of haste to get these loans obligated before a certain hour.

Mr. MACOMBER. These have been under consideration for a couple of years.

Mr. PASSMAN. They have been under consideration for 5 years, but I happen to know there was a lot of haste and it was also connected with similar projects where there was unusual haste attached to it.

If you will just give me the information that I asked for, we will go into it.

Loans authorized on Apr. 22, 1964—Pakistan [1]

Project name	Date of application	Amount of loan		Date field recommendation received by Washington	Date loan authorized by AID	Purpose of loan	Terms of loan
		Requested (millions)	Authorized (millions)				
Karnafuli, 3d unit	June 1960; supplements, November 1962 and March 1963; revised, October 1963.	$3.8	$3.8	Dec. 27, 1963 [2]	Apr. 22, 1964	Purchase and installation of a 3d 40-megawatt turbogenerator in the Karnafuli Dam, East Pakistan.	Maturity: 40 years including a grace period of 10 years. Interest: ¾-percent per annum during 1st 10 years; 2 percent per annum thereafter.
Siddhirganj thermal power station	October 1963	8.5	8.5	do [2]	do	Construction of a 44- to 50-megawatt thermal power station at Siddhirganj, East Pakistan.	Do.
Lyallpur thermal power station	do	29.8	18.1	Feb. 18, 1964	do	Construction of a 132-megawatt thermal power station at Lyallpur, West Pakistan.	Do.
Malaria eradication	December 1963	10.4	10.4	Mar. 20, 1964 [2]	do	Purchase of equipment and supplies for the 1964–65 and 1965–66 spraying seasons.	Do.
Total			40.8				

[1] Brief summaries of the history of the loans are attached.

[2] Loan papers prepared by the mission submitted simultaneously.

HISTORY OF LOANS TO PAKISTAN AUTHORIZED APRIL 22, 1964

1. Karnafuli, third turbogenerating unit

The Karnafuli Dam in East Pakistan was built with financial assistance from both ICA and the DLF, amounting to a total of approximately $40 million. The two turbogenerators installed initially went into operation early in 1962.

Installation of a third generating unit in the Karnafuli Dam had been envisioned from the beginning. Penstocks and powerhouse were built accordingly. In view of power demand then existing, only two 40-megawatt units were installed initially. The GOP has argued since 1960 that the third unit was needed and actually submitted a report in support of an application in June 1960. AID considered the load projections unrealistic and was not prepared to consider the application at that time. Further "supporting data" were submitted by the GOP in November 1962, and, upon further questioning, a "revised load survey" was prepared and submitted to AID on March 11, 1963. A revised loan application was submitted to AID in October 1963. The final review of that application was then undertaken both in the field and in Washington.

2. Siddhirganj thermal power station

The need for additional thermal generating facilities in East Pakistan had been discussed with the GOP concurrently with the review of the need for additional hydrocapacity (Karnafuli, third unit), since (*a*) both sources of electric power are complementary, and (*b*) the economic feasibility of both facilities rests on the projected growth of power demand in the same area.

Prior to acceptance by AID of revised, realistic demand studies, AID was not prepared to consider a formal application and none was, therefore, submitted until October 1963, by which time the load forecasts had already been studied by AID in detail.

3. Lyallpur thermal power station

The need for additional thermal power generating capacity in West Pakistan has been under discussion with the Water and Power Development Authority (WAPDA) since 1962. A number of studies were undertaken by WAPDA with the assistance of U.S. engineering consultants, resulting in a report recommending the construction of two facilities, one in Lahore, the other in Lyallpur. The application submitted to WAPDA in October 1963 requested a loan of $29.8 million for the construction of both plants.

On the basis of its familiarity with the economic data used to justify the project, AID concluded immediately that both plants could not be justified, but proceeded to examine the feasibility of building only the Lyallpur 132-megawatt plant.

The study of the project was carried on simultaneously in the field and in Washington. The final steps in processing the loan application were taken only after the Government of Pakistan had agreed to eliminate the cost of the Lahore plant from its application.

4. Malaria eradication

The present malaria eradication program in Pakistan started in 1961. AID and its predecessor agencies assisted in preliminary work in earlier years and AID is involved in program development on a continuing basis.

Loan assistance for the program began in 1962. The loan authorized in April 1964 continues that assistance; it will provide funds for 2 years' purchases of supplies and equipment, rather than for 1 year as the loans made in 1962 and 1963, in order to eliminate problems of obtaining deliveries in time for the spraying season. The formal loan application was received in December 1963 and promptly reviewed by the AID mission in Pakistan. A loan paper prepared by the mission was further reviewed by the technical staff in Washington.

OVERALL DEVELOPMENT LOAN PROGRAM IN NESA FOR 1964

I note on page 44 of the presentation book that your development credit program for 1964, as of the time of the printing of the book for your area, amounted to $709,800,000, with a footnote which states:

Depending on availability of funds, additional loans may be made to Pakistan, Turkey, and India.

Mr. MACOMBER. Mr. Chairman, our demands in those three countries exceed the money we have available.

Mr. PASSMAN. Demands from whom?

Mr. MACOMBER. Or requirements in those three countries exceed what we have available. We will do as that footnote says, if we find we have money that comes loose from somewhere else——

Mr. PASSMAN. "Comes loose from somewhere else"?

Mr. MACOMBER. That is a colloquialism.

Mr. PASSMAN. At this time have you approved any additional credits above the ——— estimate for India, and the ——— estimate for Pakistan, and the ——— estimate for Turkey?

Mr. MACOMBER. As of now; no, sir.

LOANS TO INDIA AND PAKISTAN BY OTHER COUNTRIES, 1962–63

Mr. PASSMAN. Last year your agency submitted for the record a table entitled "Loans to India From Countries Other Than the United States for Fiscal Year 1962–63."

Would you at this time update the table and indicate the loans of other countries to India during fiscal year 1964?

Mr. MACOMBER. I will be glad to submit that for the record.

Mr. PASSMAN. And the same thing for Pakistan.

Mr. MACOMBER. Yes.

(The information supplied follows:)

India—Loans from countries other than United States

[Millions of dollars equivalent]

Country	Loan value	Date authorized	Interest rate (percent)	Grace period (years)	Maximum maturity (years)
FISCAL YEAR 1962					
West Germany:					
Balance of payments	42.50	Sept. 14, 1961	3	7	20
Rourkela refinancing [1]	21.30	May 4, 1962	5½	4	13
Commodity aid	25.00	June 29, 1962	3	7	20
United Kingdom:					
Capital goods	14.00	Nov. 10, 1961	[2]	6½	25
Do	28.00	May 23, 1962	[2]	7	25
Durgapur expansion	61.60	do	[2]	7	25
Japan: General loan	80.00	Aug. 18, 1961	6	5	15
France: 3d plan loan, I	30.00	Feb. 5, 1962	5	----------	10
Italy: Petroleum projects [3]	45.00	Aug. 29, 1961	6	----------	12
Canada: 3d plan projects	[4] 20.00	Jan. 19, 1962–Sept. 22, 1961	6	[5]	15–20
FISCAL YEAR 1963					
West Germany:					
Maintenance support	18.75	Dec. 12, 1962	3	7	20
Rourkela rehabilitation	14.00	do	3	7	20
Projects	26.75	do	[6] 6¾	5	15
Do	20.50	do	3	7	20
Development banks	12.50	do	5½	5	20
Rourkela expansion	100.00	Apr. 25, 1963	5¾	5	20
Rourkela refinancing [1]	15.35	do	5¾	4	18
United Kingdom:					
Capital goods	14.00	Nov. 30, 1962	[7] 6	7	25
Do	36.40	do	[7] 6	7	25
Steel, etc	9.80	Apr. 9, 1963	[8] 3½	7	25
Japan:					
Textile machinery	10.00	July 20, 1962	6	----------	10
Capital goods	15.00	May 23, 1963	6	5	15
France:					
3d plan loan, II	20.00	Nov. 19, 1962	5	----------	10
Industrial Finance Corp	10.00	do	6	----------	13
Italy: Madras Aluminum [3]	8.80	Nov. 7, 1962	6	5	12
Austria: Capital goods	5.00	Nov. 23, 1962	6	2	12
Canada: 3d plan projects	5.00	Oct. 15, 1962	6	[5]	15 to 20
Belgium: Capital goods	10.00	September 1962	[7] 5½	----------	10 to 12
Switzerland: Capital goods	11.40	July 13, 1962	[9]	----------	10
Netherlands:					
Machinery and commodities	7.2	May 6, 1963	[7] 5¼	7	25
Do	3.9	do	[7] 5¾	----------	10
FISCAL YEAR 1964 [10]					
West Germany: Credit	84.15	Nov. 26, 1963	3–5¾	0–12	10 to 25
United Kingdom:					
General Credit	28.00	Aug. 26, 1963	[8] 3½	7	25
Do	11.20	Oct. 16, 1963	[8] 3½	7	25
Japan: 3d yen credit	65.00	Oct. 24, 1963	5¾	5	15
Belgium: Suppliers credit	10.00	Aug. 7, 1963	[7] 5½	----------	10

[1] Original loan for Rourkela steel mill of about $157 million made in 1958 was for 3 years. This is being refinanced for longer periods as portions of the credit come due. Original credit loans and refinancings should not be added together since they represent essentially the same credit.

[2] Treasury rate +¼.

[3] Part of a general agreement signed Aug. 29, 1961, for extension of credits up to $96,000,000. Latter figure represents a commitment but not an actual loan.

[4] Canadian loans given in Canadian dollars, which are worth a little less than U.S. dollar. Canada has also given India substantial grant aid ($36,000,000 for 2 years, April 1961 to March 1963) as part of its consortium commitment.

[5] Up to 5.

[6] Rate charged by bank consortium which advanced the funds. It is expected that the German Government will subsidize the interest payments, reducing the rate to about 5¾ percent.

[7] Estimate.

[8] Nominal rate about 6 percent but grace period on interest payments brings effective rate down to about 3½ percent.

[9] Discount rate plus 3¾.

[10] As of Dec. 31, 1963.

Loans to Pakistan from countries other than the United States in fiscal year 1964 (as of May 14, 1964)

[Millions of dollars equivalent]

Free world country	Loan value	Date authorized/agreed to	Interest rate (percent)	Grace period (years)	Maximum maturity (years)
Belgium: Fertilizers	4.0	[1]	[2]5½–6½		10
France—line of credit:	5.700		6		[3]10–15
Power distribution	.082	Dec. 2, 1963			
DDT factory	.922	Oct. 17, 1963			
Coal production	.226	Oct. 2, 1963			
Development of private industry	.268	Aug. 1, 1963			
Do	1.337	Dec. 13, 1963			
Petroleum industry	2.430	Dec. 5, 1963			
Sugarmills	.435	Feb. 8, 1964			
Germany	24.168				
Capital aid	8.125				
Cement factory	2.000	July 26, 1963	5½	5	20
Airways equipment	.625	Sept. 3, 1963	5	5½	20
Inland water transportation	1.000	do	3	7	20
Coastal vessels	4.500	July 15, 1963	3	7	20
Export credits	16.043				
Cement	2.5	July 22, 1963	6		9½
Sugarmills	4.543	July 21, 1963	6	2	9½
Commodities	5.5	Mar. 18, 1964	5½	5	20
Development of private industry	3.5	Mar. 24, 1964	5½	5	20
Italy: Village electrification	6.0	Aug. 9, 1963	6		10
Japan	30.00	Sept. 21, 1963	5¾	5	15
Power development	3.0	do			
Chittagong steelmill	9.0	do			
Sugarmills	4.0	do			
Development of private industry	4.0	do			
Soda ash plant	1.5	do			
Rayon plant	3.0	do			
Plastics	4.0	do			
Dockyard	.130	do			
Telephone and telegraph	.870	do			
Machine tool and workshop equipment	.500	do			
United Kingdom	18.306				
Marine diesel engines	.420	Sept. 5, 1963	6	7	25
Fisheries	.302	do	6	7	25
Tea machinery	.812	Feb. 25, 1964	[4] 3¼–3½	7	25
Jute looms	7.392	do	[4] 3¼–3½	7	25
Railways	5.600	do	[4] 3¼–3½	7	25
Ship	2.940	do	[4] 3¼–3½	7	25
Steel billets	.840	do	[4] 3¼–3½	7	25
IBRD/IDA	104.0				
IBRD	32.0				
Karachi Port	17.0	May 14, 1964	5½	5	25
Sui Northern Gas	15.0	do	5½	2	20
IDA	72.0		¾	10	40
Chandour Irrigation	9.0	July 26, 1963			
Dacca Water Supply & Sewage	26.0	Aug. 16, 1963			
Chittagong Water Supply & Sewage.	24.0	do			
Educational projects	13.0	Mar. 25, 1964			

[1] Not available.
[2] Market rate plus commission.
[3] 10 years from delivery of equipment or completion of project.
[4] U.K. waiver of interest during seven year grace period reduces the nominal rate of about 5% to the above effective rate.

NOTE: Yugoslav aid.

In January of 1964, Pakistan accepted the offer of Yugoslavia for a $10 million line of credit to be used for mutually agreed development projects. It is reported that the major portion of this line of credit will be used to finance the procurement and installation of some 2,000 tubewells in the Indus Plain.

AVAILABILITY OF DOLLARS FROM EXPORT EARNINGS

Mr. PASSMAN. It is my understanding all nations, even primitive nations, earn certain dollars or convertible currencies from their exports; is that your understanding?

Mr. MACOMBER. Yes.

Mr. PASSMAN. And we actually have no control over their accounting and bookkeeping and strictly internal financing, do we?

Mr. MACOMBER. That is correct, though we are concerned and do discuss how much taxes they raise and how much they are spending.

Mr. PASSMAN. If we make available to a nation certain dollar credits by which they can requisition these dollar commodities, to some extent that would leave available to them the dollars they earn from their exports to use as they see fit; is that not correct?

Mr. MACOMBER. That is correct, to some extent it would.

Mr. PASSMAN. Thank you.

PAKISTAN

ORDER FOR RUSSIAN TRACTORS

I noticed in the press where Pakistan was placing an $11 million order for tractors, I believe, with Russia. Has that been brought to your attention yet?

Mr. MACOMBER. Yes, sir. I have seen that report. On May 4 of this year, the Pakistan press carried a statement by their Finance Minister that a $10 million Soviet loan for a tractor plant is in the advance stage of negotiation.

Mr. PASSMAN. The statement I read must be in addition to that; they were placing an $11 million order for tractors from Soviet Russia.

TOTAL AID TO PAKISTAN

I think the record is made. If you give them money to requisition their commodities, they can do whatever they want with their own money. How much money have we given Pakistan from the inception of this program?

Mr. MACOMBER. The cumulative total for economic aid through fiscal year 1964, ———.

Mr. PASSMAN. Will you add to that 1964 and get all spigots?

Mr. MACOMBER. That was cumulative——

Mr. PASSMAN. ———.

Mr. MACOMBER. Yes.

Mr. PASSMAN. I do not see how you take it, having a man appearing to be such an ingrate after we have given ——— to his country. The first time we did something he did not like, he jumped on us, and he is really flirting with the people on the other side.

Mr. TALBOT. We are concerned about Pakistan's relations with Communist China. Pakistan is an ally of the United States.

Mr. PASSMAN. Are you concerned about Russia too?

U.S. RELATIONS WITH PAKISTAN

Mr. TALBOT. We are concerned at the growth of Communst influence in south Asia regardless of from which member of the Communist

bloc this comes; yes, sir. At the same time, Pakistan is an ally of ours. We share common interests in the strategic defense of the world, and we find it to our interest, as well as to Pakistan's interest, to maintain the assistance program which helps keep Pakistan on the road to progress.

Mr. PASSMAN. That will not get you $9 before this committee if I had the right to mark up this bill without other votes. You know and I know that the President of Pakistan is presently carrying on serious flirtations with Red China and with Russia. Now he is placing orders for some of his commodities with Russia, I think, as you indicated, $11 million worth of tractors.

How you feel you can continue aid of this magnitude with a man who has taken the position he has is beyond me. Yet you are asking this committee to implement the legislation for the aid.

Mr. TALBOT. On the point about the tractors, we understand the Soviet Union has offered a loan to Pakistan for tractors and the subject is under negotiation.

Mr. PASSMAN. The other gentleman said they were under advanced stages of negotiation, which means it is ready to be consumated.

Mr. MACOMBER. That is what the press stated.

Mr. PASSMAN. Can you refute that? I have not overstated the case about the way the President of Pakistan is acting toward the United States?

Mr. MACOMBER. I think you have overstated part of it.

He has done some things which have caused concern here, but he is still an ally. We still regard Pakistan——

Mr. PASSMAN. We are pouring hundreds of millions in countries that are not even allies of ours.

Mr. MACOMBER. We regard Pakistan as still a close friend who is cooperating with the United States in many important ways.

TRADE AGREEMENTS WITH RUSSIA AND COMMUNIST CHINA

Mr. PASSMAN. What is she doing to help us if she is entering into trade agreements with Red China and with Russia, and is also extending unusual privileges to Red China?

They even have an airline connection between the two countries now, do they not? I do not see how they can go any further unless they break off diplomatic relations.

What do you have for Pakistan for fiscal year 1965?

Mr. TALBOT. May I reply?

The interests we share in common with Pakistan relate to overall security of the region. Pakistan does have a security force. It is in CENTO and it is in SEATO.

Mr. PASSMAN. Have I made a statement of fact when I stated that the President of China visited the President of Pakistan?

Mr. TALBOT. The Prime Minister.

Mr. PASSMAN. And they entered into a trade agreement. They are now entering into a lot of other economic agreements. She is now placing orders with Russia for we do not know what all. Tractors is one item that has slipped out. Do you think that serves the purpose which aid was intended to serve?

Mr. TALBOT. The billions of dollars serve the purpose we wish.

Mr. PASSMAN. Not if they turn against us. What if we find out they are an ally of Red China and Russia?

Mr. TALBOT. Our attitude would change very materially.

Mr. PASSMAN. We would be out about $3 billion. Why do you not stop giving them so much money until you know where we are going?

Mr. TALBOT. It is our estimate that Pakistan is not going to become an ally of Communist China.

Mr. PASSMAN. You people are like Sukarno. He told us to go to hell three times. We say he will die one day and we hope we will get a friend in power there.

Mr. TALBOT. We do not believe Pakistan will become an ally of Communist China or Soviet Russia.

Mr. PASSMAN. What you believe will not have a thing to do with it. I would not think their actions are pleasing to the policymakers.

Mr. TALBOT. We are watching their actions closely. They are not all pleasing.

Mr. PASSMAN. What does a country have to do to get us to cut off aid? Do you know of anything whatsoever?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. You did not stop it when some countries broke off diplomatic relations with us.

Mr. TALBOT. Some countries are making progress, and we are dropping aid programs.

Mr. PASSMAN. Where are you dropping aid programs—in Switzerland and Ireland?

Mr. TALBOT. Development lending is being stopped in several countries.

Mr. PASSMAN. We hope to prove that before we complete the hearings. I said "Aid." It does not make any difference to me from what spigot.

Personally, you are in possession of more information that I with respect to the actions of Pakistan. As hard as they work to keep this stuff from leaking out, you are just as familiar as I am with this part of it—the trade agreements between Pakistan and Red China.

Also, these people are starting to do commercial business with Russia.

ESTIMATED UNLIQUIDATED OBLIGATIONS, JUNE 30, 1964

I just do not like to see people "bite the hand that is feeding them." What do you have unliquidated for Pakistan as of June 30?

Mr. MACOMBER. $356,003,000. That is the aid program.

Mr. PASSMAN. Let's get the total if we may. The total would be $555,792,000. That is the estimated unliquidated balance as of June 30?

Mr. MACOMBER. Yes.

PROGRAM FOR 1965

Mr. PASSMAN. Does that include the military? What do you have planned for Pakistan for fiscal year 1965?

Mr. MACOMBER. ———.

Mr. PASSMAN. Is that all spigots?

Mr. MACOMBER. All spigots———.

Mr. PASSMAN. ——— for fiscal year 1965. That is going to give them almost ——— and even that amount of money dangling before them is not sufficient for them to play square with us.

Mr. TALBOT. When?

Mr. PASSMAN. To be disbursed in the future. You have $500-some million unliquidated to the credit to be drawn out of the pipeline. Then you propose to put in an additional ———.

I do not know what a nation would have to do to have us say: This is it. Is it not a matter of fact that the record is replete that, for many years, we do not do what we say we are going to do as far as holding up aid, or making it hard to get? You say you are going to clean up the program and when the countries pass these reforms we are going to let you have the money. But we start disbursing it immediately to whatever country is involved.

If this man can do what he has been doing in the past years, because he is a little unhappy about our aid to India, and still keep on drawing out hundreds of millions of dollars, how can you expect him to act otherwise?

They can do just as they please and, the record is there, they are going to get the money anyway.

UNITED STATES INTERESTS IN PAKISTAN

Until these people, that are getting billions and billions of our money, indicate in which direction they are traveling, could you not suspend the aid? Why would that not be to the advantage of the recipient as well as to the United States?

Mr. TALBOT. Mr. Chairman, we are seeking to build the stability of this area.

Mr. PASSMAN. I know that.

Mr. TALBOT. As a shield. The 2 percent, roughly, of our military budget that we spent in the development loan program in this area we regard as important insurance so we will not have active warfare in the area; disintegration; Communist penetration.

Mr. PASSMAN. How do you know that is going to happen until you cut off aid? You may make a Christian out of some of these people. I do not see how you can defend what the President of Pakistan is doing now. This has been going on for just about 2 years.

Mr. TALBOT. All I am defending is American interests.

Mr. PASSMAN. You are not doing a good job as far as I am concerned when you do not know in what direction this man is going to travel. He appears to be very close, and he is extremely complimentary of Communist China. He is now entering into trade agreements with both Communist China and Russia. I only suggest, why do you not give some consideration to suspending the aid until you finally make up your minds in what direction he is going to go in the future.

Mr. TALBOT. We have watched this very carefully.

As I have testified, our judgment is he will not move into an alliance with Communist China or the Soviet Union.

Mr. PASSMAN. Has he not already moved into a trade alliance with Red China?

Mr. TALBOT. Not a trade alliance, no, sir. There is one trade agreement.

Mr. PASSMAN. Well, what is the difference between a trade agreement and a trade alliance?

Mr. TALBOT. A trade agreement applies to certain products in a certain time period.

Mr. PASSMAN. In other words, he is moving in that direction, is he not?

Mr. TALBOT. He is moving—yes, sir, he is moving in that direction.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. TALBOT. What would be wrong would be a whole range of economic projects which help contribute to the fiber of national life would be deteriorated, if not disintegrated.

Mr. PASSMAN. How did he get along before we started the aid program?

If the man actually wants this country, at the expense of unborn generations, to help them carve out for themselves the type of freedom we believe they should have, and an increased standard of living at a cost of billions of dollars to the United States, and at the same time is looking in the direction of Red China and Russia, I would say, "All right, Mister, we do not know which way you are going. We are going to stop this aid until you have a full-fledged policy of what you are going to do in the future." What is wrong with that?

Mr. TALBOT. When the evidence indicates that Pakistan is going into an alliance relationship with Communist China, this would change our relationship with Pakistan fundamentally.

Mr. PASSMAN. We have admitted they do have a trade agreement. Do they not exchange commercial flights between Peiping and Karachi?

Mr. TALBOT. Dacca at least.

Mr. PASSMAN. That is all since they got a little "sore" at us for helping India?

Mr. TALBOTT. Yes, sir.

TRADE NEGOTIATIONS WITH RUSSIA

Mr. PASSMAN. Now there are strong indications she is entering into a similar agreement with Russia. Is she doing this to spite us? Does she think there is no limit to the insults we can take?

Mr. TALBOT. Pakistan is entering into discussions for a loan from Russia, for tractors.

Mr. PASSMAN. What is the term of the loan? From what I read, it said, "the purchase of tractors"?

Mr. TALBOT. What we have now, sir, is the statement of the finance minister there are negotiations on a loan from the Soviet Union.

Mr. PASSMAN. From what I read, it stated there were advanced negotiations to purchase from Russia.

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. Is there any way we can find out what it is all about?

Mr. MACOMBER. Yes, sir. I believe it is a loan from Russia for the construction of a tractor factory.

Mr. PASSMAN. You say "believe." See if you cannot get some facts. Wire out there and find out what this is all about.

Mr. MACOMER. I am informed what I have said is correct. We have a report from the embassy.

Mr. PASSMAN. Would it be violating security to see the actual dispatch? Not that I do not believe you, but sometimes we say these things so often we start believing them, whether they are true or not. Nothing would satisfy me but to see the dispatch itself. I may not be satisfied. Do you think you can satisfy me?

Mr. MACOMBER. I hope we can.

Mr. PASSMAN. Please try.

PUBLIC LAW 480 ASSISTANCE

Mr. MACOMBER. Mr. Chairman, you did mention —— a figure earlier. I want to make clear the record shows that over $300 million of that is Public Law 480.

Mr. PASSMAN. It does not make any difference if it is Louisiana fertilizer. It is still aid.

Mr. MACOMBER. It is still a form of assistance.

Mr. PASSMAN. Is it not just about as substantial aid as you can give, when you give people food?

Mr. MACOMBER. I just want it understood that Public Law 480 is in the total.

Mr. PASSMAN. I see what you mean. But you do not have international organizations tied in yet, do you?

Mr. MACOMBER. Tied into this total, no.

Mr. PASSMAN. I think the International Development Association drew out $90 million. That is unliquidated, and the new request is in the neighborhood of ——— to be disbursed in subsequent years, if it it funded in fiscal year 1965 to the extent that you now plan?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. But you use only the asking price, not the taking price.

Mr. MACOMBER. They are the same.

BASIS OF ANNUAL BUDGET REQUEST

Mr. PASSMAN. They have always been the same; is that not right? Every year you say "This is it. We have to have this. It is a firm program." It is presented on that basis, is it not, gentlemen?

Mr. MACOMBER. I do not recall anyone ever coming up and saying we do not really mean this.

Mr. PASSMAN. So you always present your firm figure. We cut it by 25 to 27 percent, and in subsequent years you say we have had adequate funds. We are very grateful you do.

Mr. MACOMBER. Yes, sir; but the basis of this bill this year is different. It is the lowest request ever.

Mr. PASSMAN. If it is, the man who made the decision is the man who helped train me. I am one of his pupils.

Mr. MACOMBER. Who is that?

Mr. PASSMAN. President Johnson. I received some of my training under him. That is one reason we are both working hard this year.

Mr. MACOMBER. The record is pretty clear that this is the lowest request——

Mr. PASSMAN. This is not the lowest request. This is one of the most inflated requests ever to come before this committee. You have had this bill down to $2.7 billion on two occasions since I have had the honor to chair this subcommittee. I am talking about appropriations. You keep putting statements in the record about this being a low bill. It is not a low bill compared to prior annual appropriations.

Mr. MACOMBER. As far as my area is concerned, it is a minimum bill.

Mr. PASSMAN. I am not worried about your area.

Mr. MACOMBER. I am worried about it. It is the minimum figure for our area.

Mr. PASSMAN. I know your asking price is higher than the appropriation. That is what we are trying to establish.

NEW PROJECTS PROPOSED FOR PAKISTAN

Do you propose to start any new projects in Pakistan before there is a better understanding as to how far she is going in the direction to the left or are you just requesting it in case she can revert back to a friendly position?

Mr. TALBOT. We are proposing to continue our aid program in Pakistan.

Mr. PASSMAN. There is no question of that. I know you have a half billion dollars in the pipeline. Do you propose in 1965 to start any projects?

Mr. MACOMBER. We intend to continue making loans.

Mr. PASSMAN. Development credits, as I understand it, 40-year maturity, no-interest type.

Mr. MACOMBER. What you call development credits and what we call development loans. We are proposing one new technical cooperation project in Pakistan for fiscal year 1965.

Mr. PASSMAN. Then you do not plan to tighten up on this program even though Pakistan is looking to the left at this time?

Mr. MACOMBER. We regard the Pakistan program as pretty tight, Mr. Chairman.

SITUATION IN PAKISTAN

Mr. PASSMAN. That is a matter of opinion. This program is continuing to go up in Pakistan. I do not know how you can do it, gentlemen. I do not see how you can do it because, undoubtedly, you keep up with the direction to which Pakistan is looking presently, which has been confirmed for the record. She is actually acting to befriend and help the "isms" that we are spending billions of dollars to expose.

Mr. MACOMBER. The fact that Pakistan remains independent helps stop the spread of those "isms," which is why we are interested in helping it remain independent.

Mr. PASSMAN. How can you say it is stopping it when only in the last few months there was the granting of the flyover privilege. We did not like that. Then they entered into an agreement where their commercial airlines were landing at each other's ports, Peiping and Karachi. Next we learned she had entered into trade agreements with Red China. She is looking well in that direction. Now, she is getting ready to purchase substantial equipment from Russia, the type of equipment we manufacture.

Mr. MACOMBER. No.

Mr. PASSMAN. Tractors.

Mr. MACOMBER. A loan to make tractors in Pakistan.

Mr. PASSMAN. We would do the program a favor if we recommended an appropriation so low you could not go through with this monkey business.

Mr. TALBOT. I might say, Mr. Chairman, that if one regards the basic situation in Pakistan, the vulnerability to chaos and a possible Communist takeover, it is less today than it was 5 years ago.

Mr. PASSMAN. According to whose opinion?

Mr. TALBOT. According to the judgment of people who have studied it very carefully, sir. This decrease of vulnerability can be credited substantially to the assistance that the United States and other free world countries have given to Pakistan.

Mr. PASSMAN. It appears to me as though that assistance would be sufficient to prompt the present regime of Pakistan to make up its mind as to whether to support our position or that of our enemy.

Mr. TALBOT. Mr. Chairman, I speak about this increase in strength from personal experience, having lived for some years in the subcontinent myself, from a judgment which I think is reasonably broad based in terms of the observations of other people as well as myself. We do not appreciate some of the policies which Pakistan has been following of late. At the same time, to turn our backs on Pakistan now would not improve that situation, it would move it the other way.

Mr. PASSMAN. Who said anything about turning our back on Pakistan?

Mr. TALBOT. It would also damage our interests in Pakistan.

Mr. PASSMAN. You want the record to be correct; do you not? Did I say anything about turning our backs on them?

Mr. TALBOT. You suggested suspending aid.

Mr. PASSMAN. I did—until we know how far she is going to travel to the left. Are we not entitled to know?

Mr. TALBOT. This is the purpose of our study of what is going on in Pakistan, to make our judgments on that point constantly, and we are making our judgments and updating our judgments regularly.

Mr. PASSMAN. I would not quarrel with you if it were not fact that you have about four other nations we have had to examine on. This situation is no different except we had a bit more information on the other nations than we have on Pakistan. They are Burma and Ghana, and especially Indonesia. I do not know of any other nation that could take the type of insults that we have had to take from Sukarno in Indonesia and who would give them a dime.

It would appear that the President of Pakistan has only turned to the left since he became angry about our aid to India. I should think we ought to do more than just guess as to how far to the left the man is going to go before you make them so strong that some day he could be a real menace to our world policy. You make the policy decisions, I do not. However, I hesitate to vote to give you money to carry on a program in many countries where there is every indication that unless you do just what these people want you to do, they will tell you to go to hades.

Mr. TALBOT. We are doing more than guessing.

Mr. PASSMAN. That is your opinion. I do not agree with you. I want the record to show I do not agree with you. You are in policy-

making. I am in the Committee on Appropriations, and I am not willing to vote to give money to the kind of thinking you people pursue with respect to whether or not these people are our friends. Again, it is not my decision other than just my own vote.

India

TOTAL FOREIGN AID

In regard to India, how much have we given India from all 16 spigots?

Mr. MACOMBER. $5,503 million.

Mr. PASSMAN. Through fiscal 1964?

Mr. MACOMBER. Yes.

Mr. PASSMAN. All spigots?

Mr. MACOMBER. Yes, all spigots.

Mr. PASSMAN. International?

Mr. MACOMBER. It does not include international.

Mr. PASSMAN. Let me supplement that with $300 million from IDA, which is foreign aid. You are familiar with the IDA program, Mr. Ambassador?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Are we in accord that that is foreign aid?

Mr. MACOMBER. IDA was set up to assist developing countries. It is aiding them.

Mr. PASSMAN. It is a supplemental to our bilateral aid program?

Mr. MACOMBER. Yes.

Mr. PASSMAN. I believe the claim is made if you did not have IDA, you would have to get more through the U.S. bilateral program.

Mr. MACOMBER. The point on IDA to remember is that our money is matched by other money.

Mr. PASSMAN. That is a matter of opinion.

Mr. MACOMBER. For every IDA dollar, there is money from other countries coming in with it.

Mr. PASSMAN. We are saying, if we put up this much extra money over and above our bilateral program, we can get these countries to contribute $1.42 to $1 of ours. Then we established for the record that the recipient countries, or most of them, are former colonies of the European countries, and they should get the aid from the European countries which wish to keep the trade agreements, to protect their commercial and selfish interests in those countries, whether you had IDA or not.

We pursued it further and found of the 16 other nations in part I, we had an aid program going for 13. I think last year in regard to one nation's contribution, our contribution in grant aid to them was 13 times the amount of their contribution to IDA. It follows, nevertheless, that we are putting up 43 percent. Those mechanics are not important, but you say that by doing it this way we get the other countries to put in funds.

CONTRIBUTIONS FROM OTHER COUNTRIES

You do not know but what the other countries would put up more if you stayed out. They might put up the entire 100 percent, whereas,

under this formula we put up an average of 43 percent. You could not state that other nations would not give them the aid if we did not put this up?

Mr. MACOMBER. It seems highly improbable.

Mr. PASSMAN. That they would?

Mr. MACOMBER. That they would.

Mr. PASSMAN. That is normal thinking of the aid program people. They are doing it because it is their former colonies.

Mr. MACOMBER. I have had some experience in trying to get European countries to give more. I do not agree that if we were not in it, they would do it all.

Mr. PASSMAN. Are not most of those countries who are getting the aid former colonies of those European countries that we got in on this deal?

Mr. TALBOT. Not most of them.

Mr. PASSMAN. Take the African countries.

Mr. TALBOT. India and Pakistan, for example, were under the British Crown; but Britain certainly would not be able to provide all of the external financing they need.

Mr. PASSMAN. How do you know she would not?

Mr. TALBOT. Because Britain has an economy about one-tenth the size of ours. Britain is very much extended around the world.

Mr. PASSMAN. Would you agree we are extended?

Mr. TALBOT. We also are extended.

Mr. PASSMAN. Did you ever have the information pointed out to you that our public debt exceeds by $26 billion the combined public debts of all other nations of the world?

SUPPLEMENTAL ASSISTANCE FROM IDA

I asked you about IDA. It is a supplement or a complement to our regular bilateral program, and it is foreign aid as we think of foreign aid. That is your understanding?

Mr. MACOMBER. It does assist in the development of a country.

Mr. PASSMAN. I know that. Let us get to the basic fact. It is a supplement to our regular bilateral aid. That is your understanding?

Mr. MACOMBER. Yes, sir; but the basic question you raise is whether if we were not in this, the others would do it.

Mr. PASSMAN. You do not know whether they would or would not, and I do not either, and to pursue it is a waste of time. You do not know and I do not know.

Mr. MACOMBER. By logic you feel we are very overextended.

Mr. PASSMAN. Certainly we are terrifically overextended.

Mr. MACOMBER. We have many more resources for this than others do. Thus, if we are overextended, it would certainly overextend the others.

Mr. PASSMAN. What resources do we have? We have a public debt of $1,056 billion.

Mr. MACOMBER. We have great resources in this country.

Mr. PASSMAN. You are burning this Nation out faster than any Nation in the history of the world has ever been burned out. Look at the balance-of-payments situation; look at the gold reserves situation. Look at the situation where we are today borrowing money from for-

eign nations to lessen the impact on our international balance of payments.

I am willing to compromise that you do not know and I do not know whether they would give aid to these people or not. We only know that it is a supplement to our aid program, and beyond that it is a matter of not being able to prove whether they would or would not extend this aid. Congress said the other day they wanted to stop. I do not know about the future.

Mr. MACOMBER. Yes, sir, but I cannot agree with your characterization that with this program we are burning ourselves out.

Mr. PASSMAN. It makes no difference whether you do or not.

Mr. MACOMBER. I want the record to show that what I believe we are doing is making a major contribution to the saving for the free world of a great many countries. That is in our own national interest and is a key to our own survival.

Mr. PASSMAN. You have the right to express your views. In my opinion I think it has been a dismal failure—the most stupid thing ever conceived by the mind of man. I realize that my views are opposite to your views.

Mr. MACOMBER. I recognize the difference of views.

Mr. PASSMAN. I want to say for the record inasmuch as you say we are not burning out the resource of America that we gained our independence 175 years ago. We have a great, free, and wealthy Nation, and we are fortunate to be Americans. We have had our independence 175 years. We have collected in revenue $1,412,058 million. Every time we have collected a dollar in taxes during that 175 years we have created an obligation of $1.82. The public debt is $310 billion. You know and I know that we have $15 billion in gold. We have $26 billion or thereabouts of short-term claims against that gold. It is only upon pleading and careful maneuvering and persuasion that a lot of foreign governments do not use their dollars to buy our gold. It is a precarious situation that we are in.

Furthermore, our generosity has gotten us about 40 percent of the world market on agricultural commodities. So many of the things we have to use in your State and my State, like steel, we are actually importing today more than we are exporting because we are not competitive in the world market. You can buy steel $37 a ton cheaper than you can buy it out of Pittsburgh, because we are not competitive. I think we are burning ourselves out. You do not.

PIPELINE FOR INDIA

What has been the total amount of aid for India? You gave me that figure. What is in the pipeline?

Mr. MACOMBER. I just have the AID pipeline.

Mr. PASSMAN. Let us have the total.

Mr. MACOMBER. $1,336 million.

Mr. PASSMAN. In the pipeline to India?

Mr. MACOMBER. That is correct, sir.

Mr. PASSMAN. That does not include the international spigots?

Mr. MACOMBER. That is the estimate by the end of this fiscal year.

Mr. PASSMAN. Does it include military?

Mr. MACOMBER. Yes.

PROGRAM FOR 1965

Mr. PASSMAN. What do you have planned for India for fiscal 1965?
Mr. MACOMBER. We have $391.8 million total.
Mr. PASSMAN. Does that include military?
Mr. MACOMBER. That is the aid total. Military is ———.
Mr. PASSMAN. How about Public Law 480?
Mr. MACOMBER. 309.5. The total is ———.
Mr. PASSMAN. Total is ——— for fiscal 1965?
Mr. MACOMBER. Yes, sir.
Mr. PASSMAN. If these statistics are correct, the annual growth rate is 2.2 percent, we discussed that earlier, and on page 111, you state that the national income is increasing only a little faster than population. If this is true, and now it appears that has started back the other way, are we going to have to increase our aid program or just hope for the best?
Mr. MACOMBER. It has not started back the other way. It has slowed down.
Mr. PASSMAN. What is the difference between slowdown and started back? Your ratio is less favorable this year than 2 years ago.
Mr. MACOMBER. I accept that.
Mr. PASSMAN. You understand that?
Mr. MACOMBER. Yes.
Mr. PASSMAN. If that is not starting back the other way, you describe it.
Mr. TALBOT. There are cyclical factors.
Mr. PASSMAN. What kind?
Mr. TALBOT. Factors that change from year to year but not necessarily a trend. The fact is, for instance, there have been a couple of bad agricultural years.
Mr. PASSMAN. How far does it have to go in this direction before we figure the monkeys and the cows are contributing to it? Do you propose to increase your aid program above what we have given them because of this reversal?
Mr. MACOMBER. Not this coming year; no, sir. They have the problem that Secretary Talbot has alluded to. They have had 2 poor crop years. Industrial growth is good.
Mr. PASSMAN. Is that not customary to have in all countries peaks and valleys in the economic cycle?
Mr. MACOMBER. Yes, sir; that was the point Mr. Talbot made. There has been no growth of agricultural production for 2 years. Beneath this there is a problem. The industrial part of the economy has moved ahead reasonably satisfactory. Agriculture has been lagging. We do not believe that the slow rate of growth is caused only by bad weather, although that was a contributing factor. Sometimes we have a couple of good years which conceals the lack of progress. The agricultural sector has been lagging. We and the Indians are concerned about it.

ECONOMIC GROWTH IN INDIA

Mr. PASSMAN. There has been such a very little increase. Let us look at the economic growth. Let us go back to their GNP at the start of the first 5-year plan. Let us see where we go from there. Do you have that?

Mr. TALBOT. Mr. Chairman, their object when they started the 5-year plans in 1951 was to double their per capita income in 25 years.

Mr. PASSMAN. Right.

Mr. TALBOT. They are about halfway through that now.

Mr. PASSMAN. Let us see what has been accomplished.

Mr. MACOMBER. During the past 10 years investments have risen from 10 to 19 percent of the GNP, about 80 percent of the investment financed by——

Mr. PASSMAN. That is not what I asked you for, and you know it is not. I asked for the gross national product in dollars.

Mr. MACOMBER. I will have to supply that.

Mr. PASSMAN. OK, sir, if you have to supply it, you have to supply it. That is the basis upon which I want to proceed. Put that in, in constant prices, if you will, please, because you are adjusting one for 1962. We suspect these divider sheets contain as favorable statistics as are available. I think you are going to have to fill in the unfavorable side to get the real facts.

(The information follows:)

India-gross national product and per capita gross national product expressed in terms of constant (1962) prices

	In billions of dollars	Per capita, in dollars		In billions of dollars	Per capital, in dollars
1950–51	25.056	70	1957–58	29.651	73
1951–52	24.381	67	1958–59	31.677	76
1952–53	25.192	68	1959–60	32.370	76
1953–54	26.736	71	1960–61	34.872	80
1954–55	27.683	72	1961–62	35.940	81
1955–56	28.345	72	1962–63	36.880	81
1956–57	29.700	74	1963–64, estimated	38.500	83

FINANCING OF BOKARO STEEL MILL

Mr. PASSMAN. Are you acquainted with the Bokaro steel project?

Mr. MACOMBER. I have heard a lot about it.

Mr. PASSMAN. Are you familiar as to whether or not we are completely finished with it now or whether you plan to continue consideration of it?

Mr. MACOMBER. There are no plans to go through with it now; no, sir.

Mr. PASSMAN. In other words, you could state as Director of this area that the Bokaro project will not be revived and no consideration given to financing it out of 1965 appropriations?

Mr. MACOMBER. I can state that.

Mr. PASSMAN. Thank you. Who is the Ambassador in India today?

Mr. TALBOT. Ambassador Chester Bowles.

Mr. PASSMAN. Mr. Ambassador, this is what Mr. Bowles said last year——

Mr. TALBOT. What was the date, Mr. Chairman?

Mr. PASSMAN. This was after the House acted on the authorization bill last year.

Mr. BOWLES. The next point that is important to remember is that this does not in any way change the amount of American aid money going into India. We had been planning to spend $500 million in Bokaro. We will not have $500

million we did not have before to spend on something else and this now releases the same sum of money for other projects, assuming we could not get the budget we have had for aid to India. It is not a loss of income or AID money or grant loans to India. It is simply switched from one set of projects to another. For instance, there are projects which India is financing herself with her own foreign exchange that she can earn from the sale of jute or iron ore and other projects. We can take over some of those which releases her own funds for Bokaro.

That is what I have been saying ever since I have been here.

When you furnish commodities to a country, it releases their own money to do whatever they please. This is our Ambassador, my personal friend, speaking.

Mr. TALBOT. I had not read that.

Mr. PASSMAN. That is exactly what I have always said. You give them the money and then it releases their money for something else. I am not going to elaborate on that but I would like for you to read what the Ambassador said.

Mr. MACOMBER. I have read the statement but ——

Mr. PASSMAN. When?

Mr. MACOMBER. Just now.

Mr. PASSMAN. Do you think Mr. Bowles is going to permit this to take place?

Mr. TALBOT. Bokaro?

Mr. PASSMAN. Yes. You read what he said. Financing other projects with our funds so India could take the money they intended to finance those projects with and use them for Bokaro. It means the same thing and that is the meaning of the statement.

As long as we keep our aid level up, projects which India intended to finance with her own earnings, will now be financed by our aid money and India can take that money and build Bokaro. They are getting just what they wanted by indirection.

Mr. MACOMBER. I am sure you are aware the Soviets have now come forward to help on Bokaro.

Mr. PASSMAN. According to this, there would be less need for the money you are requesting. You see how your bold statement has come back to haunt you?

Mr. MACOMBER. I do not follow you, Mr. Chairman.

Mr. PASSMAN. Does he not indicate there are certain projects India is going to finance with her own funds?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. If you can keep this AID program up, around a half a billion or $800 million, they can use that money to finance projects India intended to finance with her own money; and that releases her money to build up Bokaro.

If Russia is now going to finance it, they have it coming in three ways.

Mr. MACOMBER. Mr. Chairman, I think it would be extremely difficult for them to build Bokaro with their own resources.

Mr. PASSMAN. Mr. Bowles is Ambassador, is he not, and head of the country team?

Mr. MACOMBER. I have expressed my view.

Mr. PASSMAN. I know that; but what I am trying to get is somebody to confirm what Chester Bowles said. That is all I am interested in.

Has this quotation from the committee report been brought to the attention of any witnesses before this committee to date?

Mr. MACOMBER. Prior?

Mr. PASSMAN. Prior to today?

Mr. TALBOT. Yes, sir. I was aware of that statement. I was aware of what I understood to be the Ambassador's intent which was to say your development loan, or the application for development loans, which are frequently in excess of funds available, would be processed; that this would make funds available for other development loans which could not have been financed if the Bokaro program had gone through.

I think if the development loan program does go forward, India has a greater need for external resources than it can meet from its own resources or from assistance. This makes it possible for some of these needs to be met.

Mr. PASSMAN. Do you agree with that statement?

Mr. TALBOT. I agree that the development loan process goes forward—but I do not agree that that is the sense of the statement, that India could have financed Bokaro from its own resources.

Mr. PASSMAN. That is what he said. He is the Ambassador and the head of the country team. I do not know what he is thinking about but I do know you people have an awful big request this year for India.

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. I hope you will convey the best wishes of this committee to Mr. Bowles, and if you do not agree with what he said, so indicate.

Mr. MACOMBER. I do not think the Indians would have taken this loan, or tried to negotiate this loan, from the Soviets if they could have done it the way the Ambassador suggested.

Mr. PASSMAN. That is all I need.

Mr. Talbot is familiar with the statement. These exchanges are necessary between us so you can know what some of your friends are thinking about.

DEBT SERVICING IN FISCAL 1965

How much money is India going to require for debt service in fiscal 1965?

Mr. MACOMBER. $247.9 million for principal and interest.

Mr. PASSMAN. What percentage of that will come to the U.S. Treasury?

Mr. MACOMBER. About 20 percent, Mr. Chairman. That is a rough estimate.

Mr. PASSMAN. What is the amount?

Mr. MACOMBER. $47.6 million.

Mr. PASSMAN. In dollars or rupees?

Mr. MACOMBER. This figure is in dollars, Mr. Chairman.

Mr. PASSMAN. It might be dollar equivalent?

Mr. WHITE. It is dollars.

Mr. PASSMAN. This goes back into the AID program and you are asking it be reappropriated if collected?

Mr. MACOMBER. The largest part of this goes back into the Export-Import Bank.

Mr. PASSMAN. If you give them $391 million in assistance, would that not release their own resources by indirection, in the same amount?

Mr. MACOMBER. All the donors and their own resources are all drawn on for this debt service. It is not quite fair to say——

Mr. PASSMAN. In this particular category, you are asking for $391 million; is that correct, in 1965?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. The debt service is part of their budget of $202 million?

Mr. MACOMBER. $247 million.

Mr. PASSMAN. The total amount of aid is ——— for fiscal year 1965?

Mr. MACOMBER. Yes; that is correct.

Mr. PASSMAN. I yield to Mr. Conte on Pakistan.

Mr. CONTE. I have no questions.

UNITED ARAB REPUBLIC

TOTAL PROGRAM

Mr. PASSMAN. I note your program of ——— for Egypt and $15 million in development credits.

On page 108 of the presentation book, you state U.S. policy needs to help United Arab Republic to channel its energies into internal development.

What is the amount of the defense budget of the United Arab Republic in the last 5 years?

Mr. MACOMBER. We will have to furnish that for the record, Mr. Chairman.

Mr. PASSMAN. Could you give us a rough guess?

Mr. TALBOT. No, sir; I do not have the basis for that.

Mr. PASSMAN. How about the military man? Does anybody here know? Can anybody tell us what they are putting in?

Mr. QUINN. No, sir.

Mr. PASSMAN. Did I make a statement of fact, as you state on page 108 of the presentation book, that the U.S. policy is to seek to help the United Arab Republic to channel its energies into internal development?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. She has external military projects going on at this time; does she not?

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. It looks to me as if, again, we say one thing and do something else.

Give us a little note tomorrow on the amount that the United Arab Republic put in her military budget in the past 5 years, and when we get to the general questions on Egypt, we will pick it up again.

Mr. TALBOT. Yes, sir.

(The information follows:)

United Arab Republic defense expenditures

Fiscal year:	*Millions (equivalent)* [1]
1960	$203
1961	194
1962	201
1963	243
1964	[2] 290

[1] Converted at $2.30 to EL1.
[2] Estimated.

IRAN

CENTO RAILWAY PROJECT

Mr. PASSMAN. Page 10 of the presentation book indicates you have approved a supporting assistance credit to Iran for the CENTO railway project in fiscal 1964.

Mr. TALBOT. Yes, sir.

Mr. PASSMAN. What was the amount of the loan?

Mr. TALBOT. The Iran part of the loan was for $7,840,000.

Mr. PASSMAN. Have you read the GAO report on this project?

Mr. TALBOT. Yes, sir; I am familiar with that report.

Mr. PASSMAN. Since this is not classified, let me read it into the record. This is dated March 5, 1964:

> Because the availability of local resources was not adequately explored, grant and loan funds aggregating more than $8 million were used for purposes other than those for which they were initially obligated and for financing imports which were not needed or could be produced in the recipient countries.

Mr. MACOMBER. We believe events have not supported the GAO view.

Mr. PASSMAN. That is natural, but they do make a statement of fact. That is what we are interested in. I did not ask you to agree with them.

Mr. MACOMBER. They made some statements of fact.

Mr. PASSMAN. I am talking about what I read and nothing else.

Did I make a statement of fact here, Mr. Ambassador? It is the portion marked in red on this document and it is not classified. The question is one of diversion, is it not?

Mr. MACOMBER. I may have to correct this later for the record but my understanding is some of the funds that were used were intended for this project and there were others which were transferred.

Mr. PASSMAN. They were diverted from the original purpose, is that right?

Mr. MACOMBER. That is correct, some were.

Mr. PASSMAN. Thank you very much.

If I may just comment. This is not the exception; this is the rule all over the world. If you let things like that happen, will they not grow worse? When I say "you" I am speaking of this worldwide program.

Mr. MACOMBER. I think the record does not bear that out, Mr. Chairman.

INVESTMENT SURVEY APPLICATIONS APPROVED AND GRANTED IN NESA

Mr. PASSMAN. The record does. Would you furnish for the record a list of the nine investment surveys approved during the first 7 months of fiscal 1964 at a cost of $157,000 indicating the names of the companies and the individual costs?

Mr. MACOMBER. Yes, sir.

(The information follows:)

Investment survey applications approved and granted, Near East and south Asia region, July 1, 1963–Jan. 31, 1964

Date approved	Grantee	Project	Country	Amount (thousands)
Sept. 10, 1963	Union Bag-Camp Paper Co	Pulp and paper mill	Turkey	$44.5
Do	International Properties (Sachs)	Motels	India	8.3
Oct. 3, 1963	Robert Chuckrow Construction Co.	Hotels	India, Pakistan, Turkey.	7.5
Do	Martin Mason Management Co	Paint resins	Pakistan	4.4
Nov. 27, 1963	Velsicol Chemical Corp	Pesticide manufacturing.	do	23.9
Dec. 11, 1963	Lockheed Aircraft International	Machine shop	do	17.7
Dec. 18, 1963	Arwood Corp	Cast parts	India	3.0
Jan. 21, 1964	American Cement Co	Cement plant	Pakistan	20.5
Jan. 30, 1964	Surburban Propane Gas Co	Bottled gas	do	21.3
Total				157.1

FISCAL YEAR 1965 ESTIMATES

Mr. PASSMAN. Your estimate for fiscal year 1965, as shown on page 112 of the presentation book, is somewhat higher than fiscal year 1964. How firm is your estimate of ——— for fiscal year 1964?

Mr. MACOMBER. Mr. Chairman, that is a very firm figure. At the present time we have projects in excess of that amount.

Mr. PASSMAN. ———.

Mr. MACOMBER. That is correct.

Mr. PASSMAN. You have only approved $15 million through December 31. Does that mean $85 million will be approved in the second half?

Mr. MACOMBER. As of May 5 of this year we approved $88 million.

Mr. PASSMAN. As of December 31, you had approved $15 million?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. During the first 6 months of this fiscal year, you approved $15 million?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. You think $85 million would be firm for the last 6 months?

Mr. MACOMBER. Yes, I think that $88 million up to May 5——

Mr. PASSMAN. You obligated $15 million for the first 6 months, and 85 percent of it is falling due in the last 6 months?

Mr. MACOMBER. I accept that; that is correct.

DEFINITION OF DEBT ROLLOVER

Mr. PASSMAN. There is some indication that the aid programs of some of the other countries, will be used to finance debt rollover; is

that right? That is a new term cooked up but let us confine this to Turkey, if we may.

Mr. MACOMBER. That is correct, Mr. Chairman.

Mr. PASSMAN. What do we mean by "rollover"? Do we mean a creditor who is delinquent? He cannot pay? We bring him up to date?

I think we had better describe what a rollover is.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. You are reshuffling the loan? Is that what you would call a rollover, a reshuffling or changing the interest and maturity date and terms of the loan?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. They could either be delinquent or not delinquent?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Ordinarily, in some agencies like Export-Import Bank, the rollover process comes only after they become delinquent; is that correct?

Mr. WHITE. They were not delinquent.

Mr. PASSMAN. I am talking about other agencies.

Mr. MACOMBER. We were talking about Turkey's case and they were not delinquent.

Mr. PASSMAN. What do you call rollover?

They were just anticipating they were not going to be able to meet their obligations?

Mr. MACOMBER. Germany may be one country which rolled over its debt.

Mr. PASSMAN. I am speaking of the purpose of the rollover. Did they anticipate they could not meet the terms of the contract?

Mr. WHITE. Turkey needed a certain amount of assistance during the year, including requirements to repay its debts. The aid extended was in anticipation of meeting Turkey's total requirement. Any government had two choices. It could give Turkey fresh aid so that some of the debt could be repaid or it could roll over the debt, extend it.

Mr. PASSMAN. In other words, instead of paying, they took the aid and used it, and then extended the debt?

Mr. WHITE. They could.

Mr. PASSMAN. Have I stated it correctly? Money they normally would apply to their debt would be retained and they then extended the debt?

Mr. WHITE. They could have done it that way or donors could have loaned new money and had the debt repaid to the particular institution.

Mr. PASSMAN. They exercised the first option there?

Mr. WHITE. Yes, sir.

Mr. PASSMAN. How much of the small amount of European aid went for development purposes?

Mr. MACOMBER. Mr. Chairman, the only rollover was the German one. That is about a fourth of the German total of $40 million. The Europeans gave $96.1 million total.

Mr. PASSMAN. Let me read into the record what it is. I am going to take your own words on page 130 of the 1965 justifications:

Debt rollover was a large element of the European pledges.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. No questions.

Mr. PASSMAN. The first country tomorrow will be Afghanistan. We will dispense with our labors until 1 o'clock tomorrow.

WEDNESDAY, MAY 13, 1964.

Mr. PASSMAN. The committee will come to order.

THE DEATH OF THE HONORABLE CLARENCE CANNON

This is indeed a sad day for many Americans and for all Members of Congress, especially members of the Committee on Appropriations. The Supreme Architect of the universe has called to the Great Beyond our distinguished charmain, Clarence Cannon. Without a doubt, he was one of the most able men ever to serve in the Congress. He was a dedicated public servant. Undoubtedly, he has saved more billions of dollars in unnecessary expenditures than any other man that ever served this great committee as its chairman.

Often he said this, and it is so true, "We are spending money we do not have for things we do not need." What a true statement. If it applied to this subcommittee, we are spending money we do not have for friends we cannot buy.

Mr. NATCHER. I certainly want to join my chairman in the statement he has just made about Mr. Cannon, the chairman of our committee. He was always my good friend and will go down in history as being one of the great Members of the Congress of the United States. Thank you, Mr. Chairman.

Mr. PASSMAN. I yield to the gentleman from Arizona.

Mr. RHODES. Mr. Chairman, with the other members of the Appropriations Committee and the Congress, I was deeply grieved at the passing of our beloved chairman and leader, the Honorable Clarence Cannon, of Missouri. Truly he was an inspiring leader. Some of the most important decisions in the history of this country, as far as appropriation of money is concerned, were made by Mr. Cannon as chairman of the Appropriations Committee. It was through Mr. Cannon and the gentleman from New York, Mr. Taber, that the Manhattan project was enabled to proceed during World War II with the degree of secrecy with which it proceeded. This was truly a responsibility which was awesome to contemplate which these two gentlemen took and discharged so well. It was necessary to hide the money appropriated for that all-important project, and these two great Congressmen found a way to do it. This is just one example of the great service the gentleman from Missouri rendered this country during his long and distinguished career.

The Congress will miss the gentleman from Missouri. The Appropriations Committee will miss him, and all of us who were privileged to be his friends will miss him also. His country, and indeed the whole world, is richer because of his life, and they will be poorer because of his passing.

May God rest his soul and may His infinite love assuage the grief of the beloved wife and relatives of our departed friend and colleague.

Mr. PASSMAN. Thank you, Mr. Rhodes.

(The following statements were submitted for the record:)

STATEMENT OF REPRESENTATIVE J. VAUGHAN GARY, OF VIRGINIA

Mr. Chairman, I have had the privilege of knowing and working with our departed leader longer than any member of this subcommittee. He was truly a great and good man. He was one of the most ardent champions of economy in the Congress of the United States. As chairman of the Appropriations Committee he has saved this country literally billions of dollars. In my judgment this Nation had one of the most effective economy teams in its history when Clarence Cannon was chairman of the Appropriations Committee and John Taber was the ranking minority member. The way they worked together was a thing of beauty to behold.

Moreover "Cannon's Procedure" in the House of Representatives has been the legislative bible for the conduct of proceedings in the House for many years. He was not only the original author of the volume but he has supervised its revision periodically in order to keep it thoroughly up to date.

I extend my heartfelt sympathy to his wife and his family, whom he loved so dearly.

We are fortunate, indeed, to have one so eminently qualified as George Mahon to take over the duties of his office, but it will be difficult for anyone to fill his shoes.

With the passing of Clarence Cannon the Congress has lost one of its ablest and most colorful Members; the Nation has lost one of its most dedicated public servants; and I have lost a revered friend whose counsel, advice, and assistance have been invaluable to me in charting my course in the Congress.

STATEMENT OF REPRESENTATIVE GEORGE ANDREWS OF ALABAMA

Mr. Chairman, yesterday morning the House Appropriations Committee suffered a great loss in the death of our beloved chairman, Clarence Cannon. The sudden and untimely passing of Mr. Cannon has shocked and saddened us all. To his family, it has brought a sorrow that will ease with time but never cease. Among his friends and colleagues, it has left an emptiness that will be filled with memories but never a replacement.

More than just an admired and respected colleague, Mr. Cannon was a true and devoted friend whose death came as a great personal loss to me. His advice and assistance were always welcomed because I knew they were based on sound judgment and unfailing loyalty.

He was truly a dedicated man. One of the memories that I will always cherish is the opportunity that I had to serve under him on the House Appropriations Committee. Throughout our service together, my respect and admiration for him grew ever greater with the passing of years. No Member of the House of Representatives had greater wisdom or influence. He could be gentle, but he could also act with the strength and toughness of a man who knows no fear. He stamped the print of his personality on the course of events in this committee as few men have done. When we consider the stature of the man, we realize that anything we might say about him would be an understatement. I never met a man who did not respect him. Driven by an indefatigable determination to pursue and fulfill all his dreams, he set his goals high.

As chairman of the great House Appropriations Committee he held tightly the purse strings of our Government's expenditures in an effort to curb unnecessary spending and extravagance. As a parliamentarian he was without equal. He was an outstanding legislator, and his love for this great country of ours was usurpassed.

I find words, mere words, truly are inadequate to express the emotions and sentiments that well up in my heart on this occasion. I extend to his beloved wife and the other members of the family my deepest sympathy in their great sorrow.

STATEMENT OF REPRESENTATIVE JOHN J. FLYNT, JR., OF GEORGIA

I join with my subcommittee colleagues in paying tribute to a great American, a leader of this body, and a friend to all of us, the late Chairman Clarence Cannon of Missouri.

The loss of such a distinguished and able person as Clarence Cannon is felt in our hearts. His absence from the Halls of Congress and from the leadership of the Appropriations Committee will engrave his memory in each of us who continue to serve in the House of Representatives.

Clarence Cannon served his country well. As an author he applied his genius to laying down the guidelines of parliamentary rules and procedure. I have long been a great admirer of his written accomplishments and his books and manuals will long be the mainstay of deliberative bodies.

He served the House of Representatives with dignity, foresight, and courage. As chairman of the Appropriations Committee, his influence reached into every phase of the operation of our Government. A desire for economic management of governmental spending resulted in effectuating economy throughout governmental operations. He was a champion of the principle of fiscal responsibility. He believed and he practiced as John, Viscount Morley said in his "Recollections":

"In my creed, waste of public money is like the sin against the Holy Ghost."

It might be said of him as Alfred Lord Tennyson said of the Duke of Wellington:

"Rich in saving commonsense,
And, as the greatest only are,
In his simplicity sublime.
O good gray head which all men knew."

A legislator, author, devoted husband, and father, Clarence Cannon served well. His family's loss is the Nation's loss. We will miss his presence deeply.

Mrs. Flynt joins with me in expressing our heartfelt sympathy to Mrs. Cannon and her two daughters.

STATEMENT OF REPRESENTATIVE SILVIO O. CONTE OF MASSACHUSETTS

Mr. Chairman, I am saddened by the loss of Clarence Cannon, whose death came as a great shock to me. I know that it is unusual to refer to the death of an 85-year-old man as a "shock" or to say that his passing was "unexpected."

Yet those of us who were fortunate to serve under Mr. Cannon on this great committee within the House of Representatives regarded Mr. Cannon as a continuing force among us.

On the Friday before his death, we all worked together on an appropriation bill and found that his mind was alert, his spirit high, and his concentration profound.

Much has been said of the life and times of the departed chairman, and the press gave a great deal of coverage to his passing.

I will not add to the number of facts that were recounted shortly after his death. I would like to say that he was one of the unique Americans of this century, and a man of great courage and integrity.

It is a tribute to his memory that his power was often placed solidly against the spending trend that we are now finding to be almost beyond our control.

He spent a lifetime in service to his country, and it is a lifetime that was marked by a firm commitment to the quality of thrift, either collectively or individually. I know that he will be greatly missed, and our committee has lost a noble and dedicated member.

STATEMENT OF MR. DAVID E. BELL

I would join Chairman Passman and the other members of this subcommittee in their expression of respect for the late Chairman Cannon. In his long and distinguished career in the House, Chairman Cannon made significant and lasting contributions to the life of our Nation. As Budget Director in 1961 and 1962, I had the privilege of working directly with Chairman Cannon, and came to respect highly his firm and uncompromising support of the integrity of the Federal financial system. He will be missed by all of us.

RESPONSIBILITIES OF THE COMMITTEE

Mr. PASSMAN. Doubtless, along the way in conducting these hearings, it would appear that some of us, at least the chairman of this subcommittee, could be interfering with foreign policy. I am interested in foreign policy, but it is my prerogative to help make the laws; not to administer them.

If we are to appropriate intelligently, we have to know something about what you are going to spend the money for. Otherwise, there would be no purpose in an examination.

This morning I see in the press, "Paris Blocks Tunisia Aid Following Land Seizure."

I want to know more about it. This is not in your area, is it?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. I am going to insert this article in the record.

(The article follows:)

PARIS BLOCKS TUNISIA AID FOLLOWING LAND SEIZURE

(By Waverley Root, the Washington Post foreign service)

PARIS, May 12.—French officials today confirmed that this country has blocked its aid to Tunisia, amounting to somewhat over $40 million for 1964, in retaliation for the Tunisian decision to nationalize French-owned agricultural properties.

Tunisian sources say the aid was stopped May 2, 4 days after a speech by President Habib Bourguiba at Kairouan first warned the French what was coming.

The Tunisians also say the French refused to renegotiate the March 1963 accord, which provided for the gradual purchase of French properties over a 5-year period, with France paying the largest share of the indemnities. The French retort that they never had a chance to consider renegotiation.

According to their account, the first official move made by the Tunisians came May 8, when the French Ambassador at Tunis was invited to discuss the details for turning over the French properties to Tunisia, according to a decision already made unilaterally by the Tunisian Government.

France refused to accept this as valid in the absence of two-country discussions on the arrangement in force.

The situation grew hotter today as Bourguiba made a violent speech which was interpreted here as promising even less compensation for the Frenchmen who will be evicted than was hinted at in the not very generous terms of the law passed yesterday by the Tunisian National Assembly.

This called for indemnization of the evicted at a rate to be fixed by a Tunisian committee. It was understood here that the maximum indemnization would not be more than 10 dinars a hectare (two and a half acres), about $24.

This is what the Tunisian Government has been paying so far—except that it still owes the last two installments—under the scheme for progressive acquirement of the land, with France providing the balance.

The land in question varies in value from 60 to 100 dinars a hectare.

Another way of figuring the respective contributions of the two countries is based on the fact that Tunisia had earmarked $2 million for this operation, which it was estimated in advance would be about 10 percent of the cost of the land—leaving France to pick up 90 percent of the bill.

There is a feeling here that France may now be stuck with 100 percent. The French farmers, Bourguiba said this morning, ought to be happy that we do not hand them a bill for their 83 years of exploitation of our land. It is not too great an effort for France to compensate her colonists herself.

Mr. PASSMAN. We will now get into the individual nations in your region, Mr. Macomber.

Mr. MACOMBER. Could I interrupt simply to associate myself with the expressions of regret that have been made by the members of this committee at the passing of Chairman Cannon, who was clearly a very distinguished American public servant.

Mr. PASSMAN. Thank you, Mr. Macomber.

AFGHANISTAN

TOTAL FOREIGN AID

The first country we shall discuss in your area is that of Afghanistan.

What has been the total amount of our aid to that country since the inception of the program—all 16 spigots?

Mr. MACOMBER. Mr. Chairman, the all-spigot figure at the close of fiscal year 1964 we estimate will be $278.7 million.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What do you have in the pipeline undispersed to the credit of Afghanistan?

Mr. MACOMBER. $16,796,000.

Mr. PASSMAN. I believe we consider Russia is still in Cuba, do we not? She is in there with her missiles and certain personnel?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Would we not feel greatly relaxed if they would pull out and get completely out of Cuba with their troops, their personnel, and their equipment?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. What countries border Afghanistan?

Mr. MACOMBER. It is bordered by Pakistan, Iran, the U.S.S.R. and Communist China.

Mr. PASSMAN. I wonder if that same condition would prevail over there, if peace and quiet would come on the scene if we would get out and stop agitating the situation on the border.

Mr. MACOMBER. On the contrary, if the Russian position were strengthened to the point in Afghanistan where Afghanistan became in effect a satellite to the Soviet Union, the free world countries of India and Pakistan would be very seriously endangered.

Mr. PASSMAN. What is the population of Afghanistan?

Mr. MACOMBER. 13.8 million.

TRENDS IN ATTITUDES OF AFGHANISTAN

Mr. PASSMAN. Is it not true that these people are so pro-Russia and pro-Communist and so attracted to their philosophy that they were willing to accept loans from Russia at short term and high rates of interest, and that it took us a long time to get Afghanistan to accept any of our aid?

Mr. MACOMBER. Sir, the situation is that the Afghans are not by any means overwhelmingly pro-Russian, and in fact in recent years you can see a distinct growth of pro-American feeling and a movement toward the free world.

Mr. PASSMAN. How do you arrive at those conclusions?

Mr. MACOMBER. ———.

(Discussion off the record.)

Mr. PASSMAN. I repeat, how do you arrive at those conclusions? It is easy to make a statement, but what is the proof? We had an unwelcome aid program going on in Afghanistan. They were so indifferent to it that they closed the border. We accumulated aid-financed equipment at the border even though Pakistan was willing to open the border and let the equipment move in. Your witnesses said, "We believe we can finally prevail upon them to open the border. We will accumulate the equipment and we will rush it in once the border opens."

Mr. MACOMBER. That border closing was under the previous Government in Afghanistan.

Mr. PASSMAN. How long has this Government been in power?

Mr. MACOMBER. Since March of last year.

Mr. PASSMAN. What happened to the other Government?

Mr. MACOMBER. It was put out of power by the king.

Mr. PASSMAN. We were supporting the other Government, were we not?

Mr. MACOMBER. Yes; our aid helped the other Government.

Mr. PASSMAN. So it really does not make any difference whether they are pro, anti, or in between, we always end up with an aid program?

Mr. MACOMBER. The attitude of the Government makes a difference.

U.S. SUPPORT OF CHANGES IN GOVERNMENT

Mr. PASSMAN. There appears to be no such thing as an unfriendly government to the United States. Sometimes it is difficult for us to get them to accept our aid, but we finally get them to accept it. A government is overthrown but we do not miss a lick, and we go on with the aid program to the new government.

Mr. MACOMBER. I think there are many instances where there is a difference in our attitude, certainly, depending on the orientation of the government in power.

Mr. PASSMAN. We do support just about any government.

In Yemen we were supporting the Royalists. The rebels threw the Royalists out and we now support the rebels. This is a case where we were supporting an established government and the rebels threw the government out, and we switched over to the new government.

Mr. MACOMBER. We support our interests in all these countries.

Mr. PASSMAN. I am not arguing that point. Your interpretation and my interpretation may be different.

I find we have one foreign policy and that is a checkbook. If we have any other foreign policy, I do not know what it is.

REQUEST FOR 1964

What did you request for Afghanistan last January, fiscal year 1964—the total amount?

Mr. MACOMBER. $29.9 million.

Mr. PASSMAN. What did you allocate?

Mr. MACOMBER. $22.5 million.

Mr. PASSMAN. Do you have an adequate program going?

Mr. MACOMBER. Yes, sir.

REQUEST FOR 1965

Mr. PASSMAN. What are you requesting this year for Afghanistan?

Mr. MACOMBER. ———, Mr. Chairman.

Mr. PASSMAN. I wonder if you have the same amount of fat in the bill this year that you had last year?

Mr. MACOMBER. I believe this is a tight request.

Mr. PASSMAN. Did you not believe that last year when you asked for $29 million?

Would you not agree that the President submitted a tight program last year?

Mr. MACOMBER. Yes; but I believe they were doing it on the basis of optimum things they hoped to do.

Mr. PASSMAN. I am talking about the worldwide program. We have to examine on 100 nations.

Mr. MACOMBER. I think the approach I just spoke about was applied to each country.

Mr. PASSMAN. We know there is an asking price. In any of these estimates you have enough fat to fry an elephant in India. We are just trying to find it.

DEVELOPMENT LOAN PROGRAM

I note your development credit estimate for fiscal year 1964 is $10 million.

Page 3 of the project book indicates through December 31, 1963, you have approved only $2 million of that amount.

What is the prospect of the funding of the additional $8 million in development credit projects?

Mr. MACOMBER. I believe, Mr. Chairman, the rest of those loan funds will be used.

Mr. PASSMAN. I hope not. We want to find out.

In 1963, you obligated, did you not, $10 million?

Mr. MACOMBER. Yes, sir; in fiscal year 1964 we are planning on $10 million in development funding.

Mr. PASSMAN. But there has only been $2 million obligated?

Mr. MACOMBER. In fiscal year 1964, sir?

Mr. PASSMAN. Correct.

Mr. MACOMBER. There are two projects under intensive review. Those two projects would bring us up to the $10 million figure in fiscal year 1964.

Mr. PASSMAN. There is only $2 million that is firm at this point?

Mr. MACOMBER. Absolutely firm; that is correct.

Mr. PASSMAN. Why do they not put the other $8 million in?

Mr. MACOMBER. I think these other two projects will be authorized shortly.

Mr. PASSMAN. If there is only $2 million firm now, and the other may be firm, it explains itself; it was not firm when you allocated the money.

Mr. MACOMBER. We have to plan ahead.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. MACOMBER. These two projects that I spoke of are under intensive review.

Mr. PASSMAN. You have money allocated. If you had all the money needed, and you knew it would never run out, you would not have allocated this money so hastily.

Mr. MACOMBER. We have not moved hastily.

Mr. PASSMAN. By your action thus far, you have debited——

Mr. WHITE. The figure represents an estimate of lending.

Mr. PASSMAN. You are not answering my question. My question is: Over here is your unobligated money? When you make this type of an allocation, it reduces this unobligated——

Mr. WHITE. It does not reduce the unauthorized balance until the loan is approved. It does not reduce the unobligated balance until the loan is signed. The obligation is made when the loan agreement is signed.

Mr. PASSMAN. We have been up this alley before.

Have you reduced this clear, black, unobligated, unmolested, unobligated figure by this amount?

Mr. WHITE. No, sir.

The $10 million was our estimate of lending when we prepared the books.

Mr. PASSMAN. It is the proposed program. Have you allocated $2 million?

Mr. WHITE. $2 million has been allocated and authorized.

Mr. PASSMAN. There is $8 million entirely uncertain at this time?

Mr. WHITE. "Uncertain" would be a strong word.

Mr. PASSMAN. I want it to be a strong word.

Mr. MACOMBER. These additional projects are projects we plan to go ahead with this year.

OBLIGATIONS AS OF MARCH 31, 1964

Mr. PASSMAN. You have only obligated 20 percent in 9 months.

Mr. MACOMBER. We expect to go ahead with the other. We have been working on these other two projects a long time.

Mr. WHITE. Our authorizations amounted to 75 percent of the total at the end of April.

Mr. PASSMAN. For this country?

Mr. WHITE. For the NESA area.

Mr. PASSMAN. We are talking about one country—Afghanistan. We are going to stick there until we get across the border.

What percentage of the $10 million for Afghanistan did you obligate during the first 9 months?

Mr. MACOMBER. 20 percent.

Mr. PASSMAN. 80 percent remains to be obligated during the last 3 months?

Mr. MACOMBER. That is correct. But that does no represent the amount of work that has gone into it. We are not waiting now to start working on these loans.

REGIONAL TRANSIT PROJECT

Mr. PASSMAN. Last year your request was $780,000 for the Afghanistan regional transit project on page 11; is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. What did you obligate?

Mr. MACOMBER. $998,000.

Mr. PASSMAN. An increase of how much?

Mr. MACOMBER. $218,000.

Mr. PASSMAN. The difference being what?

Mr. MACOMBER. $218,000.

HERAT-ISLAM QALA ROAD PROJECT

Mr. PASSMAN. In connection with the Herat-Islam Qala Road appearing on page 15 of the project book, included in the cost of U.S. technicians is an item of support cost for the Corps of Engineers backstopping headquarters in Teheran, Iran, and Leghorn, Italy. This item is also included in the project cost of the regional transit project.

Would you indicate for the record how much funds you are allocating for the backstopping purposes?

Mr. MACOMBER. The actual amount for backstopping purposes I would have to submit for the record.

(The information follows:)

AFGHANISTAN-HERAT-ISLAM QALA ROAD CORPS OF ENGINEERS BACKSTOPPING COST

The supporting costs of the Corps of Engineers headquarters in Tehran, Iran, and Leghorn, Italy, are estimated at $207,000, two-thirds of the estimated Corps fiscal year 1965 costs of $310,000 for this project. This estimate is based on known backstopping costs of the Corps in supervising construction of the Kabul-Kandahar Road.

Mr. PASSMAN. These people are eligible for funds for building this road?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Have you received an application for a development credit to finance the construction?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How much?

Mr. MACOMBER. About $8 million.

SOVIET ROAD CONSTRUCTION IN AFGHANISTAN

Mr. PASSMAN. Russia was building substantial roads and streets out in that part of the world. Is Russia still in there?

Mr. MACOMBER. The Soviets are still working in Afghanistan.

Mr. PASSMAN. On roadbuilding?

Mr. MACOMBER. They are completing a 400-mile road, and they may have built one or two smaller ones.

Mr. PASSMAN. That 400-mile road must have been a whopper.

Mr. MACOMBER. That is a big road. The interest rate on their loans is lower than you have suggested. I think they run around 2.5 percent.

Mr. PASSMAN. I think you might find some of them as high as 8 percent.

Mr. MACOMBER. Not for the roads.

Mr. PASSMAN. Our loans are zero percent with only a three-quarters of 1 percent service charge.

Mr. MACOMBER. Our loan terms vary.

Mr. PASSMAN. In Afghanistan. Let's stay in Afghanistan.

Is this no interest and three-quarters of 1 percent service charge?

Mr. MACOMBER. Loans in Afghanistan will be three-quarters of 1 percent interest with 10 years grace, 2 percent interest after the grace period.

Mr. PASSMAN. That is a service charge. That is not interest. That is what is referred to as a service charge on the loan, is it not?

Mr. MACOMBER. I believe it is——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Then it is three-quarters of 1 percent for a service charge.

COMMITMENTS FOR ROAD PROJECT

Is this $8 million commitment for this road the result of the border closing in Afghanistan between Afghanistan and Pakistan?

Mr. MACOMBER. Mr. Chairman, we have not yet made a loan for this road.

Mr. PASSMAN. You said you were considering it.

Mr. MACOMBER. That is right.

Mr. PASSMAN. You gave the amount as $8 million.

Mr. MACOMBER. That is right.

Mr. PASSMAN. Is this the result of the incident of the border closing between Pakistan and Afghanistan?

Mr. MACOMBER. Well, sir,we have felt for a long time that there should be some access to the free world for Afghanistan other than through Russia, and through Pakistan.

Mr. PASSMAN. That reads good.

Mr. MACOMBER. The recent closing of the border certainly strengthened our conviction in this regard.

Mr. PASSMAN. That is a lot of pretty words you are putting in.

Now answer my question. Is this a result of the closing of the border between Afghanistan and Pakistan?

Mr. MACOMBER. No, sir; it is not a result. The recent closing strengthened our conviction this was a desirable thing.

Mr. PASSMAN. When did you first obligate money to the project?

Mr. MACOMBER. In fiscal year 1963 we obligated technical cooperation funds for a feasibility study.

Mr. PASSMAN. When was the border closed?

Mr. MACOMBER. The border was first closed in the fall of 1961.

Mr. PASSMAN. Before your first commitment in 1963 for this project; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Last year your justifications indicated the Corps of Engineers would be needed in fiscal year 1965 only if the road was constructed under the credit proposal; is that correct?

Mr. MACOMBER. Still correct.

ELEMENTARY AND SECONDARY EDUCATION PROJECT

Mr. PASSMAN. I note under the elementary and secondary education project that you are requesting $50,000 under contract services for the A. & E. contract, which was partially funded in fiscal year 1964; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Did you justify any money last year for this purpose under the old public school and Kabul University projects?

Mr. MACOMBER. I will have to supply that for the record.

Mr. PASSMAN. You have another set of books up here.

Mr. MACOMBER. From further checking here, I see that we did not request any funds for that element of the project.

Mr. PASSMAN. That is what I am talking about.

TECHNICAL EDUCATION PROJECT

I notice in connection with the technical education project on page 20 that a $682,000 estimate for contract services for 1965 is for the Afghanistan Institute of Technology.

I also notice you are requesting $403,000 for scientific equipment and materials to complete the equipping of this school. Is this actually what you call double dipping—that means funding it out of two different spigots and doubling the amount that you need?

Mr. MACOMBER. One of those figures is for the construction of the building, and one is for the equipment that goes into the building—that is in 1964.

Mr. PASSMAN. Scientific equipment. Both of them cover scientific equipment. You would not call that construction, would you?

Look again, please. Take another 5 minutes, and we will have to get along with another question.

Mr. MACOMBER. I misunderstood. You were talking about 1965. Mr. Chairman, the distinction I believe is between the equipment for AIT and the equipment for the engineering faculty at the University of Kabul, but most of the contract funds go for an extension of the engineering faculty team at the university.

Mr. PASSMAN. I note in connection with the National Public Administration project project on page 22 that under local expenses you are requesting $16,000 for educational allowances. Now, since this is the second or third time that I have noticed what appears to be a new method of budgeting for the cost of U.S. technicians, would you please comment on this new procedure, and whether that is going to be uniform throughout the program?

Mr. MACOMBER. No, sir; it will not become uniform throughout the program. In my judgment, these figures should have been included in the cost of contract technicians.

AERIAL PHOTOGRAPHY AND MAPPING PROJECT

Mr. PASSMAN. Straighten it out if you will, gentlemen. I note that you have allocated $149,000 in fiscal year 1964 to the aerial photography and mapping project on page 24; is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. MACOMBER. This project was not shown last year.

Mr. PASSMAN. In other words, you requested no funds for it last year?

Mr. MACOMBER. Yes, sir.

(Discussion off the record.)

Mr. PASSMAN. Even though the request was cut from $5 billion to $3 billion, it looks as if there are hundreds of projects where you have allocated more funds to projects than you requested, or allocated funds to projects which you never justified to the Congress.

Mr. MACOMBER. You will find a number of places where the expenditure goes down from the estimate.

ADEQUACY OF FUNDS IN FISCAL YEAR 1964 PROGRAM

Mr. PASSMAN. Did you terminate any project in your area during the current fiscal year because of a lack of funds?

Mr. MACOMBER. We terminated a number of projects, but not because of a lack of funds.

Mr. PASSMAN. Did all projects in your area receive sufficient funds for them to carry on successful operations during 1964 looking toward a successful termination of the project?

Mr. MACOMBER. That is true.

Mr. PASSMAN. Question 3: Is it not also true that the projects all have about 10 to 20 percent contingency?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. What do they have built in?

Mr. MACOMBER. We are not trying to build a contingency in any of them.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. It simply means you have answered my question in the affirmative.

You state you did not terminate any projects because you did not have sufficient funds, and that they were all sufficiently financed. So it simply means there was excess money in the appropriation, otherwise you would not be able to allocate a substantial increase in funds in hundreds of projects and at the same time start new projects for which you requested no funds at all.

Mr. MACOMBER. One way we did that was by cutting down money in other projects.

Mr. PASSMAN. You just stated you had adequate funds and you did not terminate any projects. We know that is the pattern—you obligate more funds than needed, then there is the deobligation process. You assured me earlier you were going to tighten this program up.

FEASIBILITY STUDIES PROJECT

Last year you requested $200,000 for the feasibility studies appearing on page 27; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you obligate?

Mr. MACOMBER. $252,000.

Mr. PASSMAN. Good.

TECHNICAL SUPPORT PROJECT

Last year you requested funds for 37 technicians under technical support projects; is that right?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. This year I notice you are requesting 43 technicians.

Would you give the committee some reason why you would increase the number by six, especially in view of your declining development grant program for Afghanistan.

Mr. MACOMBER. The estimated number for 1964 was incorrect, and the actual number of technicians will be 44 at the end of fiscal year 1964.

Mr. PASSMAN. Which means you have funded seven more than you requested money for last year; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Thank you.

The record shows you requested money for 37 technicians, but you funded 44.

Gentlemen, there are many other questions that should be asked with respect to the projects and programs in Afghanistan, but inasmuch as there is in excess of more than 4,000 prime and subprojects, it is impossible to ask questions on more than 10 or 20 percent of them.

I shall dispense asking further questions, and yield to the gentleman from Kentucky on Afghanistan.

PARTICIPATING AGENCY VERSUS DIRECT HIRE TECHNICIANS COSTS

Mr. NATCHER. In those cases where you have technicians furnished by other departments of the Government, such as the Bureau of Mines, how do you arrive at the overall cost?

I would like to direct your attention to page 9 of the justifications where you set forth the sum of $103,000 for a six-man team. How do you arrive at this $103,000?

Mr. MACOMBER. Mr. Natcher, we negotiate with the participating agency, in this case the Bureau of Mines, and a figure is worked out which would include the technician's salary, his post allowance, his travel, his housing and retirement. In this particular case, the post and educational allowances are carried under local expenses.

Mr. NATCHER. Can you tell me if this is the approximate charge per technician in your part of the program? You have six here at $103,000. How does that compare with technicians used generally in other countries?

Mr. MACOMBER. It averages $20,000 for the region.

Mr. NATCHER. That is net?

Mr. MACOMBER. But it is $17,600 in this case.

Mr. NATCHER. Can you give me some idea as to direct hire, and distinguish the amount insofar as a participating agency relationship is concerned? What about direct hire as far as technicians are concerned?

Mr. MACOMBER. The direct-hire technicians average cost in fiscal year 1964 in Afghanistan is $21,914, almost $22,000. That is higher than our average cost for direct-hire technicians elsewhere because of the remoteness of Afghanistan. Excluding the Corps of Engineers, the figure is $21,900 per technician in Afghanistan.

Mr. NATCHER. Can you tell me if the six-man team from the Bureau of Mines receive their entire compensation from your agency?

Mr. MACOMBER. Yes, sir; I believe that is the case.

Mr. NATCHER. Why should there be a difference then in direct hire and participating agency contracts insofar as Afghanistan is concerned?

Mr. MACOMBER. For one thing, sir, it depends on the average grade of the technician that is being brought over.

Mr. NATCHER. Assuming they are of the same grade, direct hire and participating agency, why should there be a difference as far as the overall amount is concerned?

Mr. MACOMBER. There should not be any difference, Mr. Natcher.

Mr. NATCHER. You agree with me that there is a difference here, $21,914 for direct hire, and you say that is due mainly to distance. As far as the six-man team is concerned, that figures a little better than $17,000.

Mr. MACOMBER. The $22,000 figure I gave you is the average of all technicians in Afghanistan and it includes the Bureau of Mines people. We get into difficulties with the average figures because the grades are not all identical on all projects.

Mr. NATCHER. Assume they are of the same grade, why should there be a difference between direct hire and participating agency technicians? You just informed the committee that participating agency technicians received their entire compensation from your agency.

Mr. MACOMBER. Excuse me, sir.

Mr. NATCHER. You go ahead.

Mr. MACOMBER. I did not get your question.

Mr. NATCHER. Again I would like to know why there should be a difference between technicians of the same grade, direct hire or participating agency. Why should there be a difference as far as the overall cost is concerned?

Mr. MACOMBER. The answer is, "There should be no difference."

Mr. NATCHER. But there is a difference. Now explain it.

Mr. WHITE. At least one element of the difference is the difference the chairman pointed out, that the cost of living and educational allowances in this particular project are paid under local expenses and for most of the other projects they are paid as part of the technicians cost figure. That would raise the average here by probably another $1,500 or possibly more. So, the difference would not be quite so large. You would have maybe an average cost of about $19,000-plus.

Mr. NATCHER. Assuming you sent two technicians to Afghanistan, one from the Bureau of Mines under the system that you set forth in the justifications, and another is a technician under direct hire. They both go to Afghanistan and work on the same project for 1 year. Is there a difference in the compensation that these two technicians receive?

Mr. WHITE. I do not believe there is.

Mr. MACOMBER. There should not be, sir, and any difference in the figure should be the result of difference in grades of the various people. If you have people of identical grade, the expense should be the same.

Mr. NATCHER. But the amount you are requesting from this committee for direct hire technicians totals $21,914. Is that figure correct?

Mr. MACOMBER. That is the average figure; yes, sir.

Mr. NATCHER. Are some of the technicians receiving more than that?

Mr. MACOMBER. The cost for some of the technicians is higher, yes, sir.

Mr. NATCHER. Due to the grade?

Mr. MACOMBER. Due to the grade. Also, it depends on how many children they have, and when their home leave is coming. Sometimes the costs run up. If you have a bunching of people coming on home leave, and it costs a good deal to bring people back from Afghanistan, it adds considerably to the cost of a man in that year. In the long run, it averages out, but from year to year it swings, up and down. That is where you get this variation in cost.

Theoretically, it should come out exactly the same, and in the long run it will.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. I should like to state this for the record at this time, so there will be no misunderstanding by those who read the record of some of my statements. When a distinguished witness before this committee deletes certain statements he makes before the committee, and then at a subsequent date or day when I refer to these statements, if the original statement is taken out, then of course it makes me look stupid. I see the distinguished Secretary of State deleted certain information from the record that was certainly not classified. He must have had reasons for that. I am going to permit it to remain just as he has deleted it, but those who read my reference to certain countries will be looking for the statement which led up to my remarks and they will not be able to find them.

(Discussion off the record.)

Mr. PASSMAN. Mr. Gary, Afghanistan.

RECOMMENDATIONS OF SUBCOMMITTEE ON AGRICULTURE

Mr. GARY. Are you familiar with the action recommended by the Agriculture Subcommittee—now the action of the Appropriations

Committee—taken last week? In the report, on page 3 under the heading, "Certain Restorations Essential," it is stated:

> The committee is convinced that these activities are extremely valuable, particularly to the consumers of the country, and should be continued. It believes that they are far more essential than work done by the Department of Agriculture for other agencies and departments. Such extra work should be reduced sufficiently to offset the manpower requirements and cost of these activities which are to be restored in the following amounts—

and so forth.

Then they go on with various amounts up to $8 million. There is a table covering that $8 million. Then in the next paragraph they state:

> The Department is directed to provide a budget-balancing offset to these restored items by eliminating an equivalent amount of work for the Agency for International Development, for which a transfer of nearly $12 million is proposed for fiscal year 1965.

Can you tell me what that situation is?

Mr. MACOMBER. I am sorry, Mr. Gary. That is the first I have heard of that situation, and I am not informed about it.

Mr. GARY. Mr. Tennant, are you familiar with that situation?

Mr. TENNANT. No; I heard about it this morning. I requested a copy of the report. I should like to see a copy of the report. As you know, Agriculture does perform activities for us for which we reimburse them. I assume this refers to that.

Mr. GARY. This apparently is some work that the Department of Agriculture does for AID for which AID reimburses them, and the committee is recommending the discontinuance of the arrangement.

Mr. TENNANT. The next paragraph of the report just handed to me reads:

> In the opinion of the committee, it is far better to use taxpayers' money to improve American agriculture and protect the American consumer than to provide training and technical assistance to our competitors in world agricultural markets through the Agency for International Development.

EFFECT OF ELIMINATION OF TECHNICAL ASSISTANCE TO AID

Mr. GARY. I am not questioning the policy, but I am wondering what effect that would have on your budget. It would seem to me if they are to discontinue this policy, and you have been reimbursing them to the extent of $12 million, that would be $12 million less than you would have to put out.

Mr. TENNANT. In the authorizing legislation there is a provision that we should use other agencies wherever possible. When we use other agencies we reimburse them for the amounts that they spend. If Agriculture is unable to provide us the services, we would have to go outside and contract with a commercial organization or a university or hire people to carry out the work that we need to do.

Our budget would not be reduced any in this case. It would mean we had to go to another source to get the work done.

Mr. GARY. But you have been paying them the $12 million to do this work; is that right?

Mr. TENNANT. That is correct. That is the proposal for fiscal year 1965.

Mr. GARY. If you have been paying them, how are they going to get an offset by canceling that $12 million that you are going to pay them to balance this $8,875,000 that they are adding to their budget?

Mr. TENNANT. I do not see how it would be an offset, myself. The statement in that report is not clear to me.

Mr. GARY. It is not clear to me at all. No part of it is clear. Will you look into this?

Mr. TENNANT. Yes, sir. If we have a transaction with another agency, the other agency acts the same as a contractor would. They provide the service and we pay for it. If they have to add men to their payroll, it would increase their budget, but we would reimburse them. We would be glad to look into this.

Mr. GARY. I wish you would; and put an explanation in the record.

Mr. TENNANT. Yes, sir.

(The information follows:)

REIMBURSABLE SERVICES RENDERED BY THE DEPARTMENT OF AGRICULTURE TO AID

The Department of Agriculture is fully reimbursed for all services performed for the AID.

The types and estimated costs of these services for the fiscal year 1965 are as follows:

Administrative expenses	$185,185
Training services	1,632,593
Technical consultation and support	378,941
Special projects	3,827,724
Subsistence for foreign trainees	5,904,000
Reimbursements	23,655
Total, U.S. Department of Agriculture	11,952,098

It should be noted that "The subsistence payments to foreign trainees" which represents approximately 50 percent of the total payments to the Department by AID is the value of the payments made to foreign trainees, and is in no sense a cost of the services of Department of Agriculture employees; the cost of making these payments is a small part of the charges for "Training services" and "Administrative expenses."

The AID uses the services of the Department of Agriculture and other Government agencies in compliance with the will of the Congress as expressed in section 621 of the Foreign Assistance Act of 1961 as amended which states in part that: "In providing technical assistance under this act, the head of any such agency or such officer shall utilize, to the fullest extent practicable, goods and professional and other services from private enterprise on a contract basis. In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs." Before the services of any Government agency are used the AID examines the alternative sources of such services and makes a positive determination that the uses of a Government agency constitutes the most effective and efficient way of rendering the services and is in full compliance with the terms of this statute.

If the Department of Agriculture were to be forced to discontinue any of the reimbursable services now supplied to the foreign assistance program, the Agency for International Development would be required to secure such services through contracts with private enterprise including colleges and universities or to expand its own staff or use a combination of these two methods. In view of the unique competence and facilities of the Department it is unquestionable that such a shift would cause an immediate severe dislocation in the training program and oversea technical assistance and would have a substantial impact on the nature and quality of these services in the future. The transfer of the financial-clerical function (subsistence to foreign trainees) of examining invoices and writing checks for trainees from the Department to AID would, on the other hand, have no substantive impact on the program but might cause some increase in the costs since administration of the training program would be more complicated.

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

Mr. PASSMAN. Mr. Rhodes, Afghanistan.

MOTOR VEHICLE TRANSPORTATION PROJECT

Mr. RHODES. Mr. Macomber, on page 14 of the project book there is a project known as "Motor vehicle transportation." Part of the objective in the description states:

To create motor maintenance facilities for public and private use in Kabul and Kandabar, and to provide American buses and help to develop Kabul and intercity bus transport systems.

The only part of this that I seriously question is the private use of these maintenance facilities. Why do we create maintenance facilities for private use?

Mr. MACOMBER. I assume the answer to that, Mr. Rhodes, is that trucks and cars are a pretty scarce item in Afghanistan, and we are anxious to keep what is there running so that the Afghans will get the most use out of this limited asset.

NATIONAL FILM LABORATORY PROJECT

Mr. RHODES. Now going to page 26, National Film Laboratory. The reason for this apparently is that there are no facilities there for processing films. I am just at a loss to know what quid pro quo the American taxpayers get, or why we think it necessary to spend American taxpayers' money to process films in Afghanistan. Is this not rather far fetched as a foreign aid item?

Mr. MACOMBER. Mr. Rhodes, I share your reservations about this project, and I intend to look into it and see why we got into it.

HELMAND VALLEY REGIONAL DEVELOPMENT PROJECT

Mr. RHODES. The Helmand Valley regional development. Can you provide for the record a description of the Helmand Valley, including some general statement as to the type of soil, the length of the growing season, the height above sea level, the average mean temperature, the average rainfall, and also the flow of the Helmand River, so we can get a bird's-eye view of just what we are trying to do in this irrigation project there?

Mr. MACOMBER. Yes, sir.

(The information follows:)

HELMAND VALLEY REGIONAL DEVELOPMENT

The Helmand Valley is located in the southwest portion of Afghanistan (see map). The Helmand River rises in the Hindu Kush Mountains and runs southwest for about 600 miles to an inland sink known as the Chakhansur Basin, which straddles the border between Iran and Afghanistan. The Arghandab River joins the Helmand River 250 miles above its outlet. Most of the flow in the two rivers comes from melting snows in the high mountains, which rise to elevations of 12,000 feet or more. Average annual flow has been estimated at 4,700,000 acre-feet from the Helmand and about 845,000 acre-feet from the Arghandab (1947–55).

The valley is in the Temperate Zone between latitudes 30° and 33° north. The irrigation season for diversified crops extends from May through September. Wheat and barley are sown in the late fall and harvested the following May or June. Average yearly rainfall in the valley areas is about 4 inches, practically all of which occurs between January 1 and May 1. Temperatures range from 18° to 110°, with occasional lows of 6° to 10°. Humidity is normally low; strong dry winds frequently blow in the western portion of the valley during July and August.

The soils of the Helmand and Arghandab Valleys are characteristically alluvial, being derived from mixed outwash materials from limestones, granites,

feldspars, schists, and basalts. The soils are generally underlain by gravel or by mixed gravelly calcareous materials. The more recent river terraces and bottom lands are commonly deep silt loams or very fine sandy loams over sandy or gravelly substratum. The soils of the older river terraces or outwash plains are shallow to moderately deep fine or silt loams underlain by silts, sands, and gravels in various combinations.

The Helmand Valley development program which was started in 1946, includes two large storage reservoirs, one on the Helmand River and the other on its chief tributary, the Arghandab River. Diversion dams are provided on each of these streams; large irrigation canals carry water to project lands.

The lands now being brought into cultivation are in three general areas: along the Tarnak River near Kandahar; on the plains below Girishk and through the Shamalan Branch of the Boghra; and the Darweshan area below the confluence of the Helmand and Arghandab Rivers.

While detailed statistics on agricultural production in the Helmand Valley are not available, it has been estimated that production has risen threefold between 1947 and 1964. About 300,000 acres have been brought under water command and settlers are farming about 250,000 acres of this newly opened land. A number of roads, power facilities, schools and health facilities, including a modern hospital in Lashkar Gah being assisted by CARE-MEDICO personnel, have been completed. The Afghan Government is continuing to invest a large part of its domestic budget and foreign currency resources in further development of the area.

Beginning in 1952 the United States provided a small technical assistance group to help in raising agricultural production and better utilization of the irrigation facilities. In 1959 the U.S. Bureau of Reclamation agreed to assume the responsibility for assisting the Afghan Government in the development of irrigation, drainage, and operating facilities in the Helmand Valley. This team, composed of between 14 to 20 specialists in irrigation, drainage, land classification, and settlement practices, has helped develop Afghan competence in these fields. An economic survey of agricultural potential has been completed recently by AID and an AID-financed contractor is making an overall power survey of the Helmand area.

ARIANA AIRLINES PROJECT

Mr. RHODES. On page 31, the Ariana Airlines. Is this not partly owned by Pan American World Airways?

Mr. MACOMBER. Yes, sir, Pan Am does have an interest in it.

Mr. RHODES. As I recall, it is about a 49-percent interest.

Mr. MACOMBER. That is correct.

Mr. RHODES. Is this a loan?

Mr. MACOMBER. Yes, sir; a loan to the Government of Afghanistan.

Mr. RHODES. It is on the basis of three-fourths of 1 percent service charge for 40 years, with a grace period of 10 years, repayable in U.S. dollars?

Mr. MACOMBER. That is correct. But the loan provides for the relending by the Government to Ariana to be repaid in local currencies at 3½ percent interest over a 10-year period, including 3 years grace.

Mr. RHODES. Was it impossible for Pan American to provide other financing? As you know, this is a very advantageous rate for the use of money. I would not like to see the U.S. Government get in the business of making loans like this to many countries for the mere purpose of getting American carriers to interest themselves in foreign airlines.

Mr. MACOMBER. Mr. Rhodes, I am sure Pan Am can get loans from a number of other sources, but I believe it would be much more difficult for them to get a loan for this kind of undertaking in Afghanistan where you are dealing with basically a very fragile airline.

TOTAL FOREIGN AID TO AFGHANISTAN

Mr. RHODES. Can you give the amount of aid from all spigots for Afghanistan since the beginning of the program?

Mr. MACOMBER. $278.7 million.

Mr. RHODES. Since what year?

Mr. MACOMBER. 1952.

Mr. RHODES. Have we a Public Law 480 program?

Mr. MACOMBER. Yes; we have a Public Law 480 program, and the cumulative total to date is $62.5 million.

LOCAL CURRENCY HOLDINGS

Mr. RHODES. What magnitude is our holdings of Afghan currency? Is it country owned or U.S. owned?

Mr. MACOMBER. It is country owned. I would have to supply the exact amount for the record. It is not a very large amount. I have just been supplied with the fact that it is $4.098 million equivalent.

Mr. RHODES. This is U.S. owned or country owned?

Mr. MACOMBER. It is a combination, sir.

Mr. RHODES. Is it available for our uses without strings attached? You may supply the answer for the record.

(The information follows:)

Afghan local currency available for U.S. and country uses

	Equivalent in thousands of dollars
U.S. owned	1,248
To be used for:	
Administrative support purposes	10
U.S. Information, educational, and other title I, sec. 104 uses	132
Supporting economic development in Afghanistan	1,106
Country owned: Available only for the support of U.S.-assisted projects or programs as mutually agreed upon by the two countries	2,850
Total, Afghan currency available	4,098

KABUL-KANDAHAR HIGHWAY

Mr. RHODES. Now may I ask about one of my pet peeves, the Kabul-Kandahar Highway. Is it completed?

Mr. MACOMBER. No, sir, it is not completed.

Mr. RHODES. When will it be completed?

Mr. MACOMBER. It is scheduled to be completed in November of 1966.

Mr. RHODES. How about the road up by the border of Iran, from Herat to Meshed?

Mr. MACOMBER. That road in Afghanistan, from Herat to the Iranian border, has not yet been started. We have a loan application for it.

Mr. RHODES. That is a loan?

Mr. MACOMBER. It is a loan.

Mr. RHODES. The Kabul-Kandahar road was a grant, was it not?

Mr. MACOMBER. Yes, sir.

Mr. RHODES. How much money will have been expended on the construction of the Kabul-to-Kandahar road?

Mr. MACOMBER. Our present estimate of the cost of completion is 41.4 million U.S. dollars.

Mr. RHODES. What is the mileage from Kabul to Kandahar?

Mr. MACOMBER. About 300 miles.

Mr. RHODES. The cost is about $136,660 per mile?

Mr. MACOMBER. Yes, sir.

Mr. RHODES. Can you provide for the record the general specifications of this road, the material used, the thickness, and other relevant points concerning the type of construction of this road?

Mr. MACOMBER. I shall be glad to. The costs as you figure them include items that are not normally figured in the cost of road construction in the United States.

Mr. RHODES. If you want to put another figure in the record which would more adequately describe the cost of this road, that would be perfectly all right with me.

(The information supplied follows:)

AFGHANISTAN-KABUL-KANDAHAR ROAD

The Kabul-Kandahar Road is approximately 300 miles long. Its graded width throughout is 32.8 feet, but the construction of segments I (40 miles south from Kabul) and II (62 miles north from Kandahar) differs from that of segments III–VI (198 miles connecting the two end segments). Segments I and II will have a pavement slightly over 1½ inches thick and 23 feet wide made of a bituminous mix and stone-chip seal coat. Under the pavement is a 5-inch gravel-base course and granular subbase varying in thickness depending on the nature of the underlying soil. Segments III through VI will have a double bituminous surface and prime coat pavement of one-half inch and will be 23 feet wide. The gravel base course will be 6½ inches thick and the granular subbase will vary, as in segments I and III, depending on the character of the soil. Local aggregates and rocks are used for pavements and base course. Local cement is used wherever suitable. Imported corrugated metal culvert pipe is used for minor drainage. Major drainage and bridge construction utilize imported structural concrete, piling steel, and asphalt. These specifications generally follow U.S. Bureau of Public Roads "Standard Specifications for Construction of Roads and Bridges on Federal Highways Projects," modified to suit conditions in Afghanistan.

The average cost per mile of the Kabul-Kandahar Road including bridges, major drainage work, change orders, and force majeure, and extra transportation costs caused by the border closure, is $146,660. (This includes both dollars and local currency costs.) If force majeure and cost transportation costs are excluded the average per mile extra cost is $135,110. American practice is to exclude the cost of structures over 20 feet; i.e., all bridges and major drainage construction.

ADVISABILITY OF PROGRAM IN AFGHANISTAN

Mr. RHODES. As I told your predecessor last year, Mr. Macomber, my own feeling is that we are making a great mistake with an aid program in this area of the world which we would have absolutely no chance to defend. I doubt that we would try to defend it. I am not at all sure it is in the interest of the American people to do much in this country because of the fact that its very location indicates it probably could not become a stable part of the free world, even if it so desired.

I look at this roadbuilding project with some fear and trepidation because of the fact that it apparently establishes a final link between the U.S.S.R. and parts of Pakistan. It would make it much easier for the U.S.S.R. to invade the Indian subcontinent if it desired to do so, because of our own road construction. We may agree some day that our going into this country in the first place has been a very tragic mistake. As I said when I began this line of questioning, it is one of my pet peeves, and I guess it will continue to be.

U.S. INTERESTS IN AFGHANISTAN

Mr. MACOMBER. Mr. Rhodes, I know you have serious concerns about our program in Afghanistan, particularly about this road, but I must say that I do disagree with your statement that it is a tragic mistake that we are in Afghanistan. What we are trying to do in Afghanistan—and I believe our program is playing a major role in it—is to prevent Afghanistan, to use your phrase, sir, from becoming a member of the Soviet world. We believe if that were to take place, then the security of the neighboring free world countries would be seriously jeopardized.

We are seeking through our program and in other ways to maintain the independence of Afghanistan. Of course, none of us has the power of infallible prophecy, and everything may go wrong in the end there, but recently things have been going better in Afghanistan from the point of view of the free world. We have a reform government, ——— I believe it important that we stay in Afghanistan.

Mr. RHODES. I hope you are right and I am wrong.

Mr. PASSMAN. Correct me if I am wrong, sir. You were supporting the other government, though, before this government overthrew the government that was friendly to the Soviets, were you not? Did you not have a program in Afghanistan?

Mr. MACOMBER. That is correct, we had a program, Mr. Chairman.

Mr. PASSMAN. Of course, you know we are in 100 nations out of 112 with this program, and there is not a nation we can get in that we do not have some reason why we are in. Even those that tell us to go to hell, which seems to be a standard statement to issue about every second week.

Looking at the record, we know you would support any government.

Your statement in response to Mr. Rhodes' question is very beautiful, but if you go back and read the testimony they gave in support of supporting the old government then you would know why this committee is concerned. It just does not matter to the people who administer this program what government they have, they just have to have an aid program going. Read what your predecessor said about the government that was so very friendly with Russia and the defense he gave for the aid program, and then read your statement, the two together, and then you will know why the committee is greatly concerned.

Mr. Minshall?

(Off the record.)

EDUCATION PROGRAM IN AFGHANISTAN

Mr. MINSHALL. Mr. Macomber, I notice from the tables in the project sheets that one of the things you take pride in having done in Afghanistan is the number of schools you are building there and what you have done for education in Afghanistan, I notice that the literacy rate is only 5 or 10 percent, and some 2 percent of them are going to school. How much have we done and how much were they doing before we got in there in the way of education?

Mr. MACOMBER. They were doing almost nothing until they started their development program. We are just beginning to make an impact in the educational field in Afghanistan. Like all developing countries, they are anxious to be educated.

Mr. MINSHALL. How much have we put in our education program there in school construction and related projects?

Mr. MACOMBER. From fiscal year 1952 through fiscal year 1963, $21.6 million.

Mr. MINSHALL. How many students do they have in school? Two percent of the population—what does that amount to?

Mr. MACOMBER. We have worked at all levels—the university, vocational training schools, and primary schools.

Mr. MINSHALL. In the justification you said there have been visible improvements in the economy since the plan began; hundreds of schools have been constructed; irrigation facilities were built; and so on. Then you say a thousand miles of main highway plus many more feeder roads have been provided, six new airports, four of which were U.S. financed, and electric power capacity has been multiplied several times.

Are we not just building this up for the Soviets to come in and take it over after we get the country in good shape—then they will move in. That is the report I have been getting, and I know that is Mr. Rhodes' concern.

Mr. PASSMAN. Will you let me in on that concern, too?

Mr. MINSHALL. Yes.

Mr. MACOMBER. No, sir; that is clearly not our purpose.

Mr. MINSHALL. I know it is not your purpose, but is that not what is going to happen? The Soviets, I understand, have put nearly half a billion dollars into this country.

ATTITUDE OF THE AFGHANISTAN GOVERNMENT

Mr. MACOMBER. That is correct; they have put in a good deal more than we have. Yet, in the process, the trend in Afghanistan is moving in our direction rather than in the Soviet direction.

It is true that strategically they are much closer to the Soviet Union.

Mr. MINSHALL. Roger Hilsman said 3 or 4 years ago we were making great gains in Laos, and that is practically down the drain. The same thing in Vietnam, and I do not want to bring up Latin America.

Mr. MACOMBER. We are very definitely going better in Afghanistan than the two specific countries you mentioned.

Mr. MINSHALL. It could not be worse.

Mr. MACOMBER. In foreign policy there can be reverses. All I am saying is that it is now moving in our direction. A few years ago it was moving away from us. We are encouraged by the progress the Afghans are making internally. They are trying to make a more democratic form of government there. They have the best Government they have ever had. They are moving in a direction which is away from the authoritarian Soviet system and toward a Western system. I cannot be sure——

Mr. MINSHALL. I hope you are right. If I am fortunate enough to be back here, and if you return, I hope that your report next year will be the same.

Mr. MACOMBER. I sincerely hope so, too.

OBJECTIVES OF UNITED STATES

Mr. PASSMAN. We cannot leave this record all muddled up with your answer that they are definitely traveling in our direction. What basis did you have for giving substantial aid to the previous Govern-

ment which was replaced by the Government now going in our direction?

Mr. MACOMBER. Our objective with regard to the previous Government was the same. We were attempting to strengthen free-world influences in Afghanistan. The point is that under the present Government, the new Cabinet, we feel we are being more successful than we were under the other one.

Mr. PASSMAN. Upon what basis? What is your formula? Do they smile at you or slip a piece of change in your pocket; buy you a meal; or take you home for dinner?

Mr. MINSHALL. A Gallup poll or something?

INDICATIONS OF BENEFITS FROM U.S. ASSISTANCE

Mr. PASSMAN. Words are one thing, but we are misleading a lot of good Americans. Give us some indication of what they have done. Are they suggesting starting an aid program in behalf of the United States? Let us put something in the record.

(Discussion off the record.)

Mr. PASSMAN. Gentlemen, these loose words will not buy you the money. Let us get this in the record.

Mr. MINSHALL. I would like to know what the gage is—what they judge us by—a Gallup poll, or what? We do not want the word of some AID employee who wants a job, who says, "This is going good. Send me some more."

Mr. PASSMAN. Define the indications, what you can put your finger on now, other than just being an enthusiast for this program, believing it will take us all to Heaven.

Mr. MACOMBER. One thing which we are very encouraged by and which we attach some significance to is the fact that the King has for the first time thrown out the concept of having a royal family government. He has established a government of commoners. Furthermore, he is now pressing for constitutional reforms which would put Afghanistan for the first time under a constitutional monarchy in which the King is no longer absolute.

The movement toward constitutional reform and democratization of the country we feel is an indication of the country's moving toward the way of the free world. English is the second language in Afghanistan, not Russian.

(Discussion off the record.)

Mr. MACOMBER. You can say that is just said to make us feel better, but our belief is that that actually represents the situation.

Mr. RHODES. These are your own conversations? Were you present?

Mr. MACOMBER. No, sir; but they were the conversations that were held both by our Ambassador in Kabul and with the King when he came over here.

Mr. MINSHALL. That is all.

(Brief recess.)

Mr. MINSHALL. Mr. Chairman, I should like to say in conclusion that the remarks made by Mr. Macomber are all very well, but I have heard the same type of remarks made by other area chiefs. I have heard them made by the Chiefs of Intelligence of the State Department, I have heard them made by Mr. Harriman, I have heard

them made by Mr. Rusk and many others in the State Department about various countries throughout the world. Things are going along fine, and then suddenly we find ourselves with that particular country gone to the Russians. Whether it be Cuba or South Vietnam or Cambodia—you name it, and you can name almost any part of the world—you will find one which the Russians have succeeded in taking over where we have thrown in hundreds of millions of dollars worth of aid and where we have had the same kind of pie-in-the-sky reports that you have given us today. This disturbs me about the intelligence and the reports that come back from various department heads in the various countries. I think they are blinded by their enthusiasm.

Mr. MACOMBER. Mr. Minshall, nothing I have said today would indicate, I hope, that I think it is a certainty. I hope the trend now going on in Afghanistan will continue. What I have said today does accurately reflect what is happening now, and I believe the aid program is an important factor. Uncertainty is a key element in all that we do in the world. There is no guarantee. All we can do is to make the program work to strengthen the odds as much as possible in our direction.

Mr. PASSMAN. We are talking about hundreds of millions of dollars in your area; in this country, tens and tens of millions of dollars. With that kind of money being given to a country, you could not expect them to talk any other way but friendly, could you?

Mr. MACOMBER. The fact is, the Soviets are putting in about twice as much money.

Mr. PASSMAN. How do you know that they are not giving the Soviets the same line they are giving us?

Mr. MACOMBER. But their performance comes more in the free world direction. Mr. Chairman, we are not trying to bring them in as an ally. We are trying to keep them independent.

Mr. PASSMAN. Then they are not an ally.

Mr. MACOMBER. No, sir; they are not an ally.

Mr. PASSMAN. The Soviet program is double ours?

Mr. MACOMBER. Their aid program is double ours; yes, sir.

Mr. PASSMAN. I guess they are talking friendly to both camps. Do you blame them for playing it both ways if they can pull milk out of the front spigot and the back, too?

Mr. MACOMBER. They are in a very precarious position.

Mr. PASSMAN. What you are giving us is completely hearsay from some political ambassador out there or some clerk who gets up a report and you get hold of it.

Mr. MACOMBER. May I say our Ambassador in Afghanistan is a very distinguished diplomat whom I respect very much.

Mr. PASSMAN. I am sure he is. What is his name?

Mr. MACOMBER. Ambassador Steeves.

Mr. PASSMAN. A career diplomat?

Mr. MACOMBER. A career diplomat.

(Discussion off the record.)

DIFFICULTIES IN EXAMINING AID PROGRAM

Mr. PASSMAN. Do you agree with me on the impossibility of this subcommittee ever thoroughly examining this program? I will dis-

cuss one project. As we indicated earlier, there are over 4,000 projects in 100 nations. If we just turn to this one project, the Helmand Valley regional development project. It is a very expensive project, estimated to cost $14.156 million. You have component parts of that project just for this year—U.S. technicians, participants, contract services, commodities, and local expenses—and you are asking for $1.489 million for it in 1965. It simply means we can ask about five questions on a project that should have at least 1 day for examination. Out of the 4,000 projects, we can ask questions on only about 15 percent. There is no way of our knowing anything about the other 85 percent. In addition, the estimates are all illustrative.

That is the reason we find so many of the projects funded far in excess of the previous year's request.

Do you agree with me it would be impossible for the subcommittee to go into a detailed examination of the 4,000 prime and subprojects in 100 nations of the world?

Mr. MACOMBER. I think you are up against a very difficult time problem.

Mr. PASSMAN. It would be impossible, would it not; within the time limit?

Mr. MACOMBER. I do not know whether it would be impossible, but it would be very difficult.

Mr. PASSMAN. Let us take this one project I just mentioned, $14 million. You would have to get into each of the component parts that make up the $1.429 million for fiscal 1965, and it could take 1 day on that project. I want to know if you concur with my thinking that it is impossible to examine all of these projects. I mention that so you and I will have an understanding that there will be thousands of things that you would expect us to ask you about that we are not going to ask you about. We do not want you to think we are neglecting our duty, but time just will not permit a full examination.

Mr. MACOMBER. No, sir; I certainly agree that it is an overwhelming problem.

Mr. PASSMAN. In the limited time.

Mr. MACOMBER. In the limited time. But you have staff work that can be done. The more controversial and difficult problems are the ones that surface and are discussed. I would not want to leave the impression that all the projects are that kind.

Mr. PASSMAN. We see these project books 1 week before we start our hearings.

Mr. MACOMBER. I believe this material came up quite some time before that, Mr. Chairman.

Mr. PASSMAN. I said we got the project books asking for billions of dollars in a hundred nations, with 4,000 projects, a week before we started our hearings. You can imagine what our homework must be.

CEYLON

DEVELOPMENT LOANS

As I said earlier, I shall dispense with 90 percent of the questions on Afghanistan and go right on into the next country, Ceylon. We have no aid program in Ceylon. However, the Ceylon Government has received two development credits prior to the time that aid was

suspended under section 620 of the Foreign Assistance Act. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Is Ceylon making repayments of interest and principal on these projects on time?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. In local currency?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. What is the amount of the two projects in Ceylon?

Mr. MACOMBER. $891,000.

UNLIQUIDATED BALANCE

Mr. PASSMAN. Have you any unliquidated balances to the credit of Ceylon?

Mr. MACOMBER. Yes, sir; we do.

Mr. PASSMAN. How much?

Mr. MACOMBER. As of the present time, we have $113,223 which remains unliquidated for development loans and technical cooperation.

(The following was submitted for the record:)

Ceylon—Unliquidated balances (as of Apr. 30, 1964)

Total	$113,223
Development loan funds	108,377
DLF 9: Rehabilitation of railways	36,300
DLF 156: Airport construction	72,077
Technical cooperation	4,846

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. What about Public Law 480? What have we given Ceylon through 1964? One of these days I will ask the question, If 100 of these nations are friendly to us, why should we worry about the other 12? That would be a good question.

Mr. MACOMBER. Through 1963 the figure is $61.7 million, Mr. Chairman.

Mr. PASSMAN. Do you have a program for 1965?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. What is the unliquidated in that fund? Furnish it for the record if you do not have it.

Mr. MACOMBER. We have completed shipments under the Public Law 480 title I sales agreements.

Mr. PASSMAN. Any military aid in Ceylon?

Mr. MACOMBER. No.

CYPRUS

TOTAL FOREIGN AID

Mr. PASSMAN. The third country in your area, Cyprus. What has been the total aid to Cyprus since that nation gained its independence, or the total from the inception of the program?

Mr. MACOMBER. $25.1 million.

Mr. PASSMAN. What is the population of Cyprus?

Mr. MACOMBER. 600,000, Mr. Chairman.

Mr. PASSMAN. What do you have unliquidated to the credit of Cyprus?

Mr. MACOMBER. $5.671 million is our present estimate.

Mr. PASSMAN. Do we have a military program in Cyprus?

Mr. MACOMBER. No, sir.

REQUEST FOR 1964

Mr. PASSMAN. What did you request for Cyprus in January, last year, in your original request?

Mr. MACOMBER. $1 million technical cooperation. We indicated they would be eligible for development loan money.

Mr. PASSMAN. What did you allocate? They asked for $1 million.

Mr. MACOMBER. We requested $1 million.

Mr. PASSMAN. How much did you allocate?

Mr. MACOMBER. $750,000.

Mr. PASSMAN. All spigots?

Mr. MACOMBER. Excuse me, $750,000 in technical cooperation and $2.8 million in development loans.

Mr. PASSMAN. Which is about double the previous year. You requested $1 million out of a $5 billion bill, and you allocated $3,550,000 out of a $3 billion bill.

DEVELOPMENT LOANS

How about your development credits for Cyprus? Do you contemplate entering into that area of aid for that little country?

Mr. MACOMBER. Yes, sir, we expect——

Mr. PASSMAN. How much are you requesting for 1965?

Mr. MACOMBER. We show no figure.

Mr. PASSMAN. Can you give us an estimate?

Mr. MACOMBER. It is very hard to tell about Cyprus because of the political uncertainty in Cyprus at the present time. It may be very important to support them through a loan if certain developments take place there.

Mr. PASSMAN. Isn't either side burning up the resources trying to make war?

Mr. MACOMBER. The economy of the country has been hurt very much by the internal strife, yes, sir. We may have to help, obviously, for a number of reasons. The intimate connection with both Greece and Turkey makes it a very important country for us.

(Discussion off the record.)

Mr. PASSMAN. I am only going to ask a couple questions about this.

POLYTECHNIC INSTITUTE PROJECT

I notice on page 41 the polytechnic institute project. Is that a new project?

Mr. MACOMBER. Yes, sir, that is a new project.

Mr. PASSMAN. Have you allocated any funds for it yet?

Mr. MACOMBER. No, sir; this is for 1965.

Mr. PASSMAN. Can you project it to completion?

Mr. MACOMBER. The $100,000 would be the complete cost, Mr. Chairman.

STATISTICS OFFICE PROJECT

Mr. PASSMAN. I notice you have allocated $40,000 for the Statistics Office project on page 42. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate for this project last year?

Mr. MACOMBER. $18,000.

Mr. PASSMAN. I marvel at you people being able to allocate twice as much for these projects even after we reduce the budget.

What will it cost to bring it to completion?

Mr. MACOMBER. It had been planned, Mr. Chairman, to go to $94,000, but I am seriously considering terminating it.

Mr. PASSMAN. Bless your heart. If I recall correctly you said last year the completion of the project would be only $28,000. Is that correct?

Mr. MACOMBER. I will take your word for it, sir. I do not have that record.

Mr. PASSMAN. Why do you not take the bull by the horns in some of these projects? You have some people believing you are getting this program under control, but when I look at what you request and what you allocate, I think it is getting worse all the time.

You say you may terminate it?

Mr. MACOMBER. Yes.

Mr. PASSMAN. At what cost?

Mr. MACOMBER. From $46,000 to $48,000.

Mr. PASSMAN. What have you accomplished for that amount of money?

Mr. MACOMBER. This project, I think has made a real contribution to the capability of Cyprus to collect statistics.

Mr. PASSMAN. Why are you terminating it, then?

Mr. MACOMBER. Because I think they have done the job. I think they have done about as much as they are able to do there in view of the difficulties and I am disposed to come to a halt on this project.

Mr. PASSMAN. You expect to deobligate the funds you have on hand to the credit of the project at this time?

Mr. MACOMBER. What we have on hand will be for paying the man's salary.

Mr. PASSMAN. How much longer?

Mr. MACOMBER. We have not made a final decison on this but I am presently thinking in terms of about a couple months more.

EQUIPMENT AND CONSULTANTS PROJECT LOAN

Mr. PASSMAN. I notice you have approved a $2,275,000 credit for equipment and consultants on June 29, 1963. Is that correct?

Mr. MCOMBER. That is correct.

Mr. PASSMAN. This loan agreement has not yet been signed has it?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Did this $2,275,000 authorization reduce your unobligated total by this amount?

Mr. WHITE. This loan was authorized in fiscal 1963.

Mr. PASSMAN. I do not care when it was, but did you reduce the unobligated funds by $2,275,000?

Mr. MACOMBER. Last year they would have reduced the amount of development loan availabilities by that figure, yes.

Mr. PASSMAN. But the amount you have for your total has been reduced by $2,275,000?

Mr. MACOMBER. Yes.

Mr. PASSMAN. And the loan agreement, even though it goes back to fiscal 1963, has not yet been signed?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Is this not a clear case of rushing the approval of the credit? There is every indication that there are hundreds of millions of dollars being obligated prematurely. When did you actually approve this $2,275,000?

Mr. MACOMBER. The loan proposal was approved at the very end of fiscal 1963.

Mr. PASSMAN. How many months has it been since you actually made this allocation?

Mr. MACOMBER. Ten months ago.

Mr. PASSMAN. And the agreement is yet to be signed?

Mr. MACOMBER. That is correct, but in the intervening 10 months we have had chaos on the Island of Cyprus so I do not think this is a particularly good case.

Mr. PASSMAN. Let the markup man decide that. This is not the only case of this kind. We run into dozens of projects like this.

Mr. MACOMBER. But you do recognize, sir, that Cyprus is a very abnormal situation at the present time.

Mr. PASSMAN. I think the situation is abnormal in about half the nations we are giving money to. What is the credit for anyway?

Mr. MACOMBER. To provide equipment and equipment consultants to help the Government of Cyprus carry out construction projects included in its 5-year plan.

Mr. PASSMAN. What kind of construction?

Mr. MACOMBER. Such things as small dams, small irrigation works.

Mr. PASSMAN. Yet to be planned?

Mr. MACOMBER. I believe most of them have been planned. It is part of their 5-year plan, sir.

Mr. PASSMAN. When did the cost-benefit ratio certifications come in?

Mr. MACOMBER. During the early part of fiscal 1963.

Mr. PASSMAN. What is the possibility of deobligating or dereserving this credit and putting the funds back in the pot in view of the situation in this country?

Mr. MACOMBER. I cannot answer that now, Mr. Chairman.

Mr. PASSMAN. Does it look like we may deobligate it?

Mr. MACOMBER. I would say it is too early to tell, Mr. Chairman.

Mr. PASSMAN. There is a possibility?

Mr. MACOMBER. Yes, there is a possibility.

Mr. PASSMAN. Are you stopping your development grant projects in this country?

Mr. MACOMBER. We are cutting them down.

Mr. PASSMAN. Do they draw from these other spigots, such as Public Law 480?

Mr. MACOMBER. They have had Public Law 480; yes, sir.

Mr. PASSMAN. You have been in Government for a number of years and you have been following this program fairly closely, have you not?

Mr. MACOMBER. Yes, sir.

CONSTANCY OF U.S. OBJECTIVES

Mr. PASSMAN. It is actually about the same program we have had for years, is it not? I am talking about our objectives and projects. Are we carrying on the same kind of projects?

Mr. MACOMBER. Our overall objectives, I believe, have remained constant in that they are to strengthen the free world and increase the odds in favor of these countries staying out of the Communist orbit. But specifically the projects, I think, have improved greatly over the years.

Mr. PASSMAN. Name just one improvement.

Mr. MACOMBER. We have shifted from granting the money to loaning it, albeit on soft terms.

Mr. PASSMAN. But you are still talking about grant aid because they are 40-year loans with no interest.

CHANGING EMPHASIS IN U.S. AID PROJECTS

Beyond that so-called improvement, the programs and projects and objectives are the same?

Mr. MACOMBER. The overall objectives are the same. The projects, I would say, are not the same. First of all, we have gone more and more over to the loan side. Secondly, on our technical assistance projects I have seen a narrowing down, trying to do fewer things and doing those fewer things better. Those are two very specific improvements.

Mr. PASSMAN. What would you say if I told you the record shows that the technical aid program has increased, rather than decreased?

Mr. MACOMBER. You may be referring to the fact that more countries, as they become independent——

Mr. PASSMAN. I am talking about the total program, when you put all technical aid programs together, the Peace Corps, the U.N. technical assistance, and all the other programs. A lot of people believe Mr. Bell is cleaning up the program. I think the program is getting in a worse mess.

Mr. MACOMBER. Mr. Chairman, I think Mr. Bell is doing an excellent job.

Mr. PASSMAN. But where has this program been cleaned up? It appears to me that it is in a worse mess than it ever has been. I do not know why you insist on calling these development credits loans. They all have a 40-year maturity date, no interest, and yet you call them loans. I think you are misleading the American people and I do not want to make myself a party to such a deception.

Mr. MACOMBER. Mr. Chairman, if you would let me get back and answer your questions.

Mr. PASSMAN. I will let you say anything you want to, but you got off on the wrong foot when you said you are cutting down the program. I say you have more projects in more countries and more money than ever before.

Mr. MACOMBER. On the technical cooperation side we have been narrowing down the scope of the things we have been doing. We have been focusing on fewer things and doing them better. I think that is a definite improvement.

EXPANSION OF FOREIGN AID THROUGH VARIOUS AGENCIES

Mr. PASSMAN. But you have more projects in more countries and more money than you ever have had for this type of program. Some aid you call the Peace Corps; some you call U.N. technical aid; but I will prove to you that you have more money, more projects, and are in more countries with technical aid than ever before.

Mr. MACOMBER. My statement was, the technical assistance programs are being focused on fewer projects.

Mr. PASSMAN. But I am saying the opposite. You are not making a statement of fact and I will prove it when I get back.

(Short recess.)

Mr. PASSMAN. The committee will come to order.

Now I want to prove what I said.

I request this of the Controller General: The amount of the Peace Corps appropriation for fiscal year 1964.

Mr. TENNANT. $92 million.

Mr. PASSMAN. How much for the Organization of American States, technical aid? I think it is $9 million.

How much for the U.N. expanded technical aid?

Mr. TENNANT. In 1964?

Mr. PASSMAN. Yes.

Mr. TENNANT. $51.4 million.

Mr. PASSMAN. How much is in the Department of Agriculture? You are disbursing this type of assistance through at least 37 Federal agencies.

Mr. TENNANT. The Agriculture figures I do not have, sir.

REVIEW OF TECHNICAL AID PROGRAM

Mr. PASSMAN. How much out of the development grants appropriation is technical aid?

Mr. TENNANT. Our development grant appropriation——

Mr. PASSMAN. I did not say that. I said how much is technical aid, because it is all put in one pot, is it not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. How much is technical aid?

Mr. TENNANT. I would say approximately 90 percent.

Mr. PASSMAN. Ninety percent and how much is that appropriation?

Mr. TENNANT. That appropriation for 1964 was $155 million; 90 percent would be $140 million.

Mr. PASSMAN. Now put them all together. Just add them all up. There are four more programs I will not even mention.

Mr. TENNANT. $292 million.

Mr. PASSMAN. Let us pick up fiscal 1963. What is the oldest book you have before you?

Mr. TENNANT. 1955. I do not have all the figures for 1955.

Mr. PASSMAN. But your technical cooperation in 1955 was how much?

Mr. TENNANT. $105 million.

Mr. PASSMAN. How much was for U.N. technical aid?

Mr. TENNANT. I do not have all of those figures for 1955, sir.

Mr. PASSMAN. You did not have any Peace Corps then?

Mr. TENNANT. No, sir.

Mr. PASSMAN. What year do you have?

Mr. TENNANT. I have to move to 1963 to have all of them.

Mr. PASSMAN. How much do you have for the Peace Corps in 1963?

Mr. TENNANT. $59 million.

Mr. PASSMAN. How much for the U.N. expanded technical assistance?

Mr. TENNANT. I have $50 million.

Mr. PASSMAN. How about OAS? I know this thing is going up every year and I will prove it. I just want to show what the facts are.

Mr. TENNANT. I think that was $6 million.

Mr. PASSMAN. I think that is correct. You did not, then, have this other mulligan, did you?

Mr. TENNANT. In 1963?

Mr. PASSMAN. Yes, in 1963.

Mr. TENNANT. We did have development grants in 1963.

Mr. PASSMAN. How much was it?

Mr. TENNANT. The appropriation in 1963 was $225 million.

Mr. PASSMAN. What is 90 percent of that?

Mr. TENNANT. $203 million.

Mr. PASSMAN. What is the total on that basis, and we are leaving out at least three spigots.

Mr. TENNANT. $318 million.

Mr. PASSMAN. Now take out the unobligated balances on all of those funds at the end of the year and you will find your technical aid program is $17 million more in 1964 than you had in 1963.

DEVELOPMENT LOANS

For the development credits, when did we start the Development Loan Fund?

Mr. TENNANT. 1958, I believe, was the first year.

Mr. PASSMAN. You had $500 million that year. That was the estimate.

Mr. TENNANT. Yes; and the appropriation was $300 million.

Mr. PASSMAN. Will you place in the record all the other categories of aid you had then. You had the Development Loan Fund, the Asian Fund, and special funds?

Mr. TENNANT. In the loan category?

Mr. PASSMAN. Yes. I want to say again I do not call them loans because I had a discussion with the Secretary of the Treasury several years ago and he said then they were development credits. We know that even the industrialized countries of Europe are not paying back loans we made to them prior to World War II. As far as I am concerned it is still a giveaway program. If we cannot collect our hard dollars back from the industrialized nations of Europe, we certainly could not collect from the so-called underdeveloped nations.

Mr. MACOMBER. Mr. Chairman, if I could just say this——

Mr. PASSMAN. Say whatever you want to.

Mr. MACOMBER. On your last point, we have been repaid by European nations. I recall a big British repayment after World War II.

Mr. PASSMAN. I am talking about World War I. I am not talking about the special British loan. On World War I loans, I do not think we have received a dime.

CONCENTRATION OF AID EFFORTS

Mr. MACOMBER. With regard, Mr. Chairman, to my point about the effort to concentrate these activities, I was there speaking of AID programs within a country, and it is my belief there has been a real effort to narrow the fields of activities and concentrate on them and not be spread around as much as before.

Mr. PASSMAN. You are spread out more. You have more capital accounts in the program than you have ever had since I have been chairman of this subcommittee.

Mr. MACOMBER. I was 3 years in Jordan and that was our effort in Jordan.

Mr. PASSMAN. They change these programs with every moon. They are always picking up a lot of fancy names. But the fact is you have 16 different spigots from which you are pulling foreign aid today. Senator Fulbright recently introduced eight bills in the Senate which I call an effort to fragmentize the program—scatter it around. The bill for IDA that was just passed awhile ago indicates that, and I guess they will succeed. The Agency keeps saying they are cleaning up the program and as far as I am concerned it is worse now than it ever has been.

I think you stated it had 2,600 prime projects?

Mr. TENNANT. 2,300.

Mr. PASSMAN. Prime projects—that did not include the subs and the subs to the subs; is that correct?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Is this the highest number of prime projects you have ever had to deal with?

Mr. TENNANT. That is a tough question, Mr. Chairman.

Mr. PASSMAN. Well, I will not withdraw it but I will not force you to answer it. If you had the proper answer I am sure you would answer the question.

GREECE

TOTAL FOREIGN AID

The next country is Greece.

What has been the total amount of aid to Greece since the inception of the program?

Mr. MACOMBER. $3,592,600,000.

Mr. PASSMAN. That is all the spigots?

Mr. MACOMBER. That is all the spigots; yes sir.

UNLIQUIDATED BALANCE

Mr. PASSMAN. Do you have the unliquidated balance to the credit of Greece?

Mr. MACOMBER. $244,956,000.

Mr. PASSMAN. Including military?
Mr. MACOMBER. Including military.
Mr. PASSMAN. Public Law 480?
Mr. MACOMBER. And Public Law 480.

ACHELOOS HYDROELECTRIC PROJECT

Mr. PASSMAN. In connection with the Acheloos hydroelectric project on page 48, I notice that dollar costs of the project had been underestimated and that drachma costs had been overestimated. Is that correct?
Mr. MACOMBER. That is correct.
Mr. PASSMAN. What is the anticipated additional dollar cost for which you expect a request for a credit?
Mr. MACOMBER. $9.4 million.

DEVELOPMENT LOANS

Mr. PASSMAN. I note that $5 million in development credit funds have been committed to the National Bank of Greece since May 31, 1962, and that another $5 million in development credit funds have been committed since the same date for the Economic Development Finance Organization. Neither of these two credits have had any disbursements. Is that correct?
Mr. MACOMBER. In the first there was no disbursement.
Mr. PASSMAN. And the other one?
Mr. MACOMBER. There has been none on the other one.

ESTIMATED DEOBLIGATIONS

Mr. PASSMAN. When do you expect to deobligate these two credits?
Mr. MACOMBER. We cannot deobligate them before November 5, 1964, at the earliest.
Mr. PASSMAN. Do you have plans to deobligate them?
Mr. MACOMBER. We are certainly going to consider that in both cases.
Mr. PASSMAN. Thank you. Do you think you would be able to get that accomplished before June 30?
Mr. MACOMBER. No; because the length of the agreement runs to November 5 so we cannot do it before then without infringing the rights of the borrower. Success in several subloans of close to $2 million which are being negotiated by EDFO may make cancellation of its loan unnecessary. And you will notice in the sheets there is an alternative suggestion with regard to the National Bank of Greece.
Mr. PASSMAN. That would be on more favorable or less favorable terms.
Mr. MACOMBER. It is an alternative use. I want to take a hard look at this one.
Mr. PASSMAN. You feel at this time you may deobligate these two projects?
Mr. MACOMBER. Yes.
Mr. PASSMAN. That is about $10 million?
Mr. MACOMBER. Yes.
Mr. PASSMAN. Has that been brought to the attention of the appropriate officials, say, Mr. Bell?

Mr. MACOMBER. I do not know if Mr. Bell knows about these specific projects, but the fact is if this is deobligated there will be need for the money elsewhere. In making this year's development loan request, we assumed there would be some deobligations and deducted the availabilities from the request for funds.

Mr. PASSMAN. Oh, I am sure of that. You fellows always need more money. It seems we always give you more money than you need, and every year it is a tight program except when we get into it. That has been my experience in this committee. I honestly believe if we put all of these funds together you could very well go through an entire year without one dime in new appropriations if you had to operate on as tight a budget as I have had to operate on most of my life.

I want to say again for the record that we have a lot of questions about Greece but I am going to dispense with them because we would get about the same answers we have gotten as to the other countries for the same projects, would we not?

Mr. MACOMBER. They would be a little different, Mr. Chairman. The pattern would not be exactly the same, since we ended grant aid in fiscal year 1962 and we have no development grant funds planned for 1964 and 1965 and no supporting assistance planned.

Mr. PASSMAN. I am speaking of the projects and objectives.

Mr. MACOMBER. We have no projects in Greece other than loan projects.

Mr. PASSMAN. Under the development credit projects, referred to by some of the new men in the agency as loans. Some of the older men in the agency accept Secretary Dillon's definition that they are development credits.

Mr. Natcher, any questions on Greece?

Mr. NATCHER. No questions, Mr. Chairman.

Mr. PASSMAN. Mr. Minshall, any questions on Greece?

Mr. MINSHALL. No questions, Mr. Chairman.

INDIA

TOTAL FOREIGN AID

Mr. PASSMAN. The next country in this area is India.

What has been the total amount of aid to India since the inception of the program?

Mr. MACOMBER. The total amount of aid from all spigots through fiscal 1964 is $5,503,100,000.

Mr. PASSMAN. I want to say, Mr. Ambassador, I appreciate your joining me in this spigot terminology. We only try to convert you to our expressions one at a time.

Mr. MACOMBER. I wondered if you had noticed I adopted your phrase, Mr. Chairman.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do you have unliquidated to the credit of India?

Mr. MACOMBER. $1,336,310,000.

Mr. PASSMAN. Undoubtedly you are not requesting any funds for India in fiscal 1965 then?

Mr. TENNANT. The major part of that is Public Law 480.

Mr. PASSMAN. How much is the total?

Mr. MACOMBER. $1,336,310,000, of which the Public Law 480 component is $479,556,000.

Mr. PASSMAN. Fantastic, is it not? And what is the amount of Public Law 480?

Mr. TENNANT. $479 million.

Mr. PASSMAN. Then that would not be the major part, would it?

Mr. TENNANT. No, sir.

CONTRIBUTIONS FROM IDA

Mr. PASSMAN. Does that include the amount of money they have received from the international organizations?

Mr. MACOMBER. It does not include those; no, sir.

Mr. PASSMAN. What have they gotten out of IDA?

Mr. MACOMBER. The last figure I have is through fiscal 1963 and that is $300 million.

Mr. PASSMAN. They put in $40 million, did they not, and drew out $300 million?

Mr. MACOMBER. I believe that is correct.

Mr. PASSMAN. And that is aid and is a supplement to the U.S. bilateral aid; is that not correct? If you want to know the total we have given to India you would pick up the $5,503 million, then you would have to take the percentage of our contribution to international organizations and add that to get the grand total of U.S. aid. That would be a fair way to analyze it, would it not?

Mr. MACOMBER. Yes.

Mr. PASSMAN. Then I must make this observation. It could just about be proven that we put up all the money in these international organizations because even under IDA, of the 16 nations contributing to IDA, we have an aid program in 13 of them. We put up 43 percent and in addition we have a grant aid program going in 13 of the 16 other countries putting up the pot. There is one country that only contributed $30 million to IDA, but that withdrew $300 million in credits.

Mr. MACOMBER. I understand what you are saying but the fact is there is a good deal of money other than U.S. money in these international lending organizations.

Mr. PASSMAN. I spelled out the percentage for IDA. We put up 43 percent, then we have a grant aid program in 13 of the 16 other countries putting up the pot. We could pretty well establish that we are putting up all the money.

Mr. MACOMBER. Mr. Chairman, there is other money not put up directly or indirectly by us.

Mr. PASSMAN. Where does it come from?

Mr. MACOMBER. Western European countries.

Mr. PASSMAN. You have part I European countries and I am talking about our grant-aid program in 13 of the 16 nations who contribute the other 57 percent. Other nations are not as gullible as we are. If we have to give our wealth away it is better to do it directly. You would not like your contribution to be handled through a kitty, would you?

Mr. MACOMBER. There is an advantage of doing it both ways, Mr. Chairman.

Mr. PASSMAN. You would think so, naturally. There are 16 ways you are doing it.

PROGRAM FOR 1965

You propose for India for fiscal 1965 out of the aid program, $391,800,000. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Does that include military?

Mr. MACOMBER. No, it does not.

Mr. PASSMAN. Let us include military.

Mr. MACOMBER. The military figure is ———.

Mr. PASSMAN. Let us add Public Law 480.

Mr. MACOMBER. That is $309.5 million.

Mr. PASSMAN. What does that add up to?

Mr. MACOMBER. ———.

Mr. PASSMAN. I wish George Washington, Abraham Lincoln, Thomas Jefferson, and a few of our Founding Fathers could slip in on us and see what we are doing. If they could see how anxious we are to burn out this country's resources, I wonder what they would think.

Does that include international organizations?

Mr. MACOMBER. No.

Mr. PASSMAN. What a program, what a program, what a program.

Mr. MINSHALL. It is a good thing we do not have Bokaro on top of this.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I think we have India up to ———.

Mr. MINSHALL. What is the cumulative total over the years?

Mr. PASSMAN. $5.5 billion.

Mr. MINSHALL. That is fantastic.

Mr. PASSMAN. It is dangerously close to $6 billion.

I used to have a pet monkey and I know they can really eat. I used to milk cows and I know how cows can consume food and fiber. It is my understanding that they have 280 million sacred cows in India and 335 million sacred monkeys. That is a total of 615 million sacred animals.

Are they still kind to these sacred animals?

Mr. MACOMBER. Mr. Chairman——

Mr. PASSMAN. I am asking you if they are still kind to them? Do they think of them as being sacred and are they good to them?

Mr. MACOMBER. They think of them as being sacred and they are opposed to killing them.

Mr. PASSMAN. How many pounds of food and fiber does a monkey consume a day?

Mr. MACOMBER. I do not know.

Mr. PASSMAN. How many pounds of food and fiber does a cow consume a day?

Mr. MACOMBER. I do not know.

I would like to make the point I made yesterday; it is a small percentage of the total cattle population that is useless from an economic point of view, something like 10 to 20 percent.

Mr. PASSMAN. Where did you get those statistics?

Mr. MACOMBER. From India.

The cattle on the whole contribute a great deal to the economy of the country. It is the marginal group that represents a problem from an economic point of view.

I would not want to deny they do not represent a problem. The point is, because they are largely scavengers, they are not eating food that would be going to more useful purposes.

Mr. PASSMAN. Now Mr. Macomber, are you familiar with ranges where you raise livestock and the tremendous advantage of having pastures for your livestock and your milk cows?

Mr. MACOMBER. Yes.

Mr. PASSMAN. Do you realize you have people down in Louisiana who ship their cattle 800 or 900 miles to a range and pay so much per head for grazing. They ship cattle from the State of Louisiana, to Kansas and Missouri where you have fine grazing fields and they pay so much per head.

If you have 230 milk cows and 335 monkeys running the range, it will be about as barren as the top of this table.

Let's get more accurate statistics.

Mr. MACOMBER. If you would see the ribs on these cattle—they are different from the cattle you refer to.

Mr. PASSMAN. They are keeping that country about as barren as the top of this table.

U.S. CONTRIBUTION TO INDIAN CONSORTIUM

What was the basis for your estimate of $385 million for the U.S. contribution to the fourth year of the 5-year plan inasmuch as the consortium meeting has not yet been held?

Mr. MACOMBER. Mr. Chairman, the preliminary consortium meeting, the early meeting of the same group, was held in March and at that time the members of the consortium discussed what would be the requirements for the coming year. The conclusion of the consortium meeting, which was also the independent conclusion we reached, was that the need would be about the same next year as in the past year.

Mr. PASSMAN. We looked over the statistics last year. We were amazed, shocked, disappointed, disillusioned, and frustrated when we found poor Uncle Sam's money was going in as a gift in the form of a disguised grant.

We look at the loans of other countries, short-term and a high rate of interest. Now, the AID agency seems to be very pleased when one of the countries moves their maturity date up to 15 years.

Could you bring us a complete up-to-date chart on the terms of the other nations' loans in fiscal year 1964, the amount, the number of years, and the rate of interest?

Mr. MACOMBER. I will be glad to.

(The information may be found on pp. 665–666.)

Mr. MACOMBER. I would like to say, there has been some improvement in terms.

Mr. PASSMAN. I keep up with it, too. I know when Japan stretched their loans out to 15 years, they also jumped up their interest rates.

(Discussion off the record.)

Mr. MACOMBER. We will be glad to supply the information you requested. It will indicate an improvement in terms in some cases.

I want to say I am not at all satisfied, none of us are, that the terms have improved to the extent they ought to. It is important they continue to improve.

Mr. PASSMAN. India is a former possession of Great Britain.

Is that also true of Pakistan?

Mr. MACOMBER. That is true. It was a colonial area.

Of course, that is not true of any other country in this consortium.

Mr. PASSMAN. You can call it a consortium if you want to. They are making the same type of loans they were making 100 years ago—actual hard loans with a reasonable to a high rate of interest.

BOKARO STEEL MILL

We had something to say yesterday about Ambassador Bowles' statement on the Bokaro steel mill project.

We know Russia is strong on promises and short on deliveries. I think you agree with me there, do you not?

Mr. MACOMBER. They——

Mr. PASSMAN. I read where Russian may finance this Bokaro steel mill.

Mr. MACOMBER. Yes, sir. That has been announced in the Indian Parliament.

Mr. PASSMAN. That they are discussing it only?

Mr. MACOMBER. No; the announcement was the Russians had agreed to it and they were making final arrangements, or something of that kind.

FINANCIAL SIGNIFICANCE OF UNITED STATES AND RUSSIAN FOREIGN AID PROGRAMS

Mr. PASSMAN. I hope to live long enough to understand why you people do not encourage Russia to give away her money like we have anywhere and everywhere and let her dissipate her gold and everything else.

What is wrong with letting these nations draw off Russia's wealth if they can? What is wrong in it?

In nation after nation, we find they are in with loans at 8 percent interest and short maturities and we are in the same countries at 40 years and no interest. Chances are they are going to get theirs back. They do not give anything away.

If Russia has that kind of wealth, do you not think we should encourage them to dissipate some of it?

Mr. MACOMBER. I am certainly in favor of the Soviet Union's dissipating its wealth. I agree with you, but she must feel her foreign aid program is worth something, too.

Mr. PASSMAN. Why don't you make that recommendation to these spenders downtown and let Russia pour it in? The greatest recommendation I have ever heard about Russia has been made by the witnesses on foreign aid: "If we don't do it, Russia will."

We have gotten into a hundred nations with this program because if we do not do it, the Russians will. I am not willing to give them credit that they could go into a hundred nations with this type of

aid program but, if they should, it simply means they are going to dissipate their wealth. I am not willing to believe that they are that wealthy. We just cannot keep this up, especially when witnesses in previous years testified: "We are not in competition with Russia. We do not care whether people know aid is coming from us as long as we help them." If there were any consistency about the way people testify for this money, it would actually please us a little bit, but the testimony changes each year.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Did you ever read the statement that Lenin is supposed to have made, "Give the United States time and they will spend themselves into destruction"?

Mr. MACOMBER. Yes, I have heard of that statement.

Mr. PASSMAN. I have heard that he said: "They are gullible; just give them time, and they will spend themselves into destruction."

Mr. MACOMBER. May I say I think Mr. Lenin was wrong on a good many counts, including that one.

Mr. PASSMAN. No doubt, but he must have known something. I do not know why he made the statement, if he made it. I just asked if you had heard it. I heard 10 years ago that the man said: "They are gullible; just give them time and they will spend themselves into destruction."

Mr. MACOMBER. It seems to me I have heard that.

WORLD SITUATION IN 1857

Mr. PASSMAN. I would like to see how much you would discount this. This is about the most pessimistic thing I have ever read. [Reading:]

[Article reprinted from Harper's Weekly, vol. 1, p. 642, of the issue dated Oct. 10, 1857, 104 years ago]

TODAY

It is a gloomy moment in history. Not for many years—not in the lifetime of most men who read this—has there been so much grave and deep apprehension; never has the future seemed so incalculable as at this time.

In our own country there is universal commercial prostration and panic, and thousands of our poorest fellow citizens are turned out without employment, and without the prospect of it.

In France the political caldron seethes and bubbles with uncertainty; Russia hangs as usual, like a cloud, dark and silent upon the horizon of Europe; while all the energies, resources and influences of the British Empire are sorely tried, and are yet to be tried more sorely, in coping with the disturbed relations in China.

It is a solemn moment, and no man can feel an indifference—which happily, no man pretends to feel—in the issue of events.

Of our own troubles (in the United States of America) no man can see the end. They are, fortunately, as yet mainly commercial; and if we are only to lose money, and by painful poverty to be taught wisdom—the wisdom of honor, of faith, of sympathy and of charity—no man need seriously to despair.

And yet the very haste to be rich, which is the occasion of this widespread calamity, has also tended to destroy the moral forces with which we are to resist and subdue the calamity.

It is the same thing that we are experiencing today. We flip the tab over and we find out this was 107 years ago. The same trouble

we are having today, the same people—China and Russia. I am going to bring you one of these. It states: "When worrying too much about today, remember that the following article is reprinted from Harper's Weekly, volume 1, page 642, of the issue dated October 10, 1857." That is 107 years ago.

If you read it, you could get a 2-to-1 bet that this was published yesterday.

Mr. MACOMBER. Mr. Chairman, I agree with you. We can go back further than 100 years. You could go back to the time of the Greeks and Romans ——

Mr. PASSMAN. I am glad you agree with me.

Mr. MACOMBER (continuing): And it was the same. The whole history of the effort to move civilization ahead has been fought every century and every decade like this.

Mr. PASSMAN. There never has been anything like this program before.

Mr. MACOMBER. I quite agree. Everybody has gotten up every century and thought that the institutions of freedom faced their greatest challenge at that moment, but the fact is that the challenge, I believe, really is greater at this time than it has been in any previous century.

Mr. PASSMAN. Let us read about Russia and China and Great Britain and our own troubles of 107 years ago. Does it not sound like it was yesterday? Thank God that you are one man who is agreeing about the folly of it. We are burning this Nation up by dissipating its wealth in 100 nations of the world; whether they are Communist nations, anti- or pro-Communist, friendly, unfriendly, or neutrals, we manage to get this program going in them. When I read history, I find that we had the same thing happening 107 years ago, except that today we are trying to correct it all with money.

Mr. MACOMBER. 500 years ago and a thousand years ago there was a challenge to free institutions and to the development of them. This is going on throughout history.

Mr. PASSMAN. Right. We are in complete accord.

Mr. MACOMBER. We agree. What I am saying is that the strength of freedom has grown and the challenge at the moment is greater than it ever has been, and this is the time to keep struggling.

Mr. PASSMAN. Do you think our resources are unlimited?

Mr. MACOMBER. I do not think they are unlimited, but——

Mr. PASSMAN. Now give us that 1-percent propaganda that Mr. Bell puts out.

Mr. MACOMBER (continuing). The portion devoted to the foreign aid bill is a critical asset in this struggle to preserve freedom in the world and to withstand the forces of darkness that are trying to take over freedom as they have for centuries.

COMMODITIES FINANCED

Mr. PASSMAN. Page 18 of the presentation book indicates approximately one-half or more of your proposed development credit estimate, if approved, would go to finance commodities rather than going toward financing projects. Is that correct?

Mr. MACOMBER. That is correct, sir.

UTILIZATION OF U.S.-OWNED LOCAL CURRENCY

Mr. PASSMAN. In connection with the 20 development grant projects contained in the project book this year, for which you are re-

questing $6.8 million, I note that through June 30, 1964, you have obligated approximately $245,567,000 of U.S.-owned local currency and, in addition, during 1965 you proposed to allocate an additional $48,266,000 to these projects. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. What agency of the executive branch or what committees of the legislative branch approve the AID's utilization of U.S.-owned local currencies?

Mr. MACOMBER. The AID approves the use of these local currencies for country uses.

Mr. PASSMAN. Along with how many other agencies of Government?

Mr. MACOMBER. The actual use——

Mr. PASSMAN. I said approved the use. Is it only the AID?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Then you have no committee in the Congress passing judgment upon the use of these currencies? Is the AID just turned completely loose?

Mr. MACOMBER. We have the responsibility for approving the specific use of the so-called country use currencies. Of course, some of what we have done shows——

Mr. PASSMAN. I know that. That is after the fact. I am asking if you have any congressional committee that approves the use of these currencies until after the fact.

Mr. MACOMBER. No.

Mr. PASSMAN. You are just on your own.

Mr. MACOMBER. Before the fact.

Mr. PASSMAN. It is not your fault it is that loose, is it?

Mr. MACOMBER. In other words, we are acting pursuant to legislation passed by Congress.

DRAFTING OF LINE-ITEM BILL

Mr. PASSMAN. We make notes of all these requests and we are still waiting for a draft of that line-item bill as well as a draft of the area bill. How are they getting along with that, Mr. Comptroller General?

Mr. TENNANT. We are having some difficulty on that point, Mr. Chairman.

Mr. PASSMAN. How much difficulty? I want to see what it will look like. I did not ask you to pass judgment on the merits of the request. I asked for the bill to see what it would look like. If you do not prepare it, we may draft one here which you would not like as well as the one you draft.

Mr. TENNANT. You realize this would be a change to the present law.

Mr. PASSMAN. Either cooperate or get some surprises. You bring us up to date Friday. If you are not going to draft a bill, I will have it drafted by the legislative counsel.

Mr. TENNANT. I believe we do have some difficulty in drafting that bill.

Mr. PASSMAN. You mean you have not made any attempt to draft one?

Mr. TENNANT. We have had some internal discussion between ourselves, the military, and the Bureau of the Budget, and while a firm

position is not lined up at the moment, there is a leaning that we could not go ahead with the draft of such a bill.

Mr. PASSMAN. In other words, the request of the committee is being completely ignored.

Mr. TENNANT. No.

Mr. PASSMAN. Then I am going to restate my request.

Mr. TENNANT. We are considering your request, and a piece of paper is being worked on.

Mr. MINSHALL. Mr. Chairman, we are just being ignored when they take that sort of cavalier attitude.

Mr. PASSMAN. I am going to wait only until next Tuesday, and if we do not have a draft bill by then, we will go to the legislative counsel and have it drafted.

Mr. MINSHALL. What are the objections they are running into?

Mr. PASSMAN. If the people downtown figure they are going to ignore the request of this committee or at least not extend us the courtesy of showing us what such a bill looks like, then we are going to draft one, and we can make you like it. We may decide not to approve the bill on a regional basis this year, but if you are going to ignore our request, then we may have to show you that the Congress still has the ability to draft legislation in the form it wishes, and not in the form the Executive proposes.

Mr. TENNANT. No, sir; we have not ignored your request.

Mr. PASSMAN. Then, when are you going to have it ready for us to look at it?

Mr. TENNANT. Our counsel is working on it, and the paper should be ready shortly.

Mr. PASSMAN. Give us something Tuesday if it is only a blank piece of paper with a caption. We asked for it on a regional basis, and it certainly should not take very long to put it on a regional basis. Your books are presented on a regional basis, are they not?

Mr. TENNANT. Only in the Alliance for Progress.

Mr. PASSMAN. The others are on an illustrative basis. You could certainly pick out the projects from the books and add them up.

Mr. TENNANT. Our problem, Mr. Chairman, is that we find it would be difficult and might impair the Executive's ability to carry out foreign policy if line items——

Mr. PASSMAN. If the Alliance for Progress is on that basis, why would this be difficult?

Mr. TENNANT. I was going to say you made the first request on a line item basis for projects. We are working on that first. Should we go to the regional approach first?

Mr. PASSMAN. I supplemented it and said if it is too much trouble, give it to us on an area basis, did I not?

Mr. TENNANT. Yes, sir. Did you mean we should stop on the first request?

Mr. PASSMAN. If you have started, please continue. If you bring the bill on a area basis first, we will have a look at that. I know you cannot reform the looseness of this program overnight.

Mr. MINSHALL. As I understand Mr. Tennant, policy and not the mechanics of drafting the bill is the reason you have not come up with one.

Mr. TENNANT. That is correct. It is a policy matter.

Mr. PASSMAN. Whose policy?

Mr. TENNANT. I think the executive branch policy, Mr. Chairman.

Mr. PASSMAN. The executive branch does not want to give us a bill, is that it?

Mr. TENNANT. It feels it cannot present a bill.

Mr. PASSMAN. I wonder if you would let those people know that this committee writes the appropriation legislation.

Mr. TENNANT. That is true. They fully appreciate that.

Mr. PASSMAN. You had better be concerned about what you are going to do the day we mark this bill up. Let me tell you that you might have some surprises coming. Cooperate, and you will like it a lot better.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. You indicated that the policy of the Executive precluded complying with this request for a draft bill. Let me say that the policy of this committee precludes your having a policy which precludes you from doing what the committee asks you to do. Let us proceed on that basis.

Mr. MINSHALL. Tuesday is the deadline.

ESTIMATED COMPLETION COST OF DEVELOPMENT GRANT PROJECTS

Mr. PASSMAN. What is the estimated cost in future years to complete all the development grant projects that are contained in this year's project book?

Mr. MACOMBER. I will have to submit that for the record, Mr. Chairman.

Mr. PASSMAN. Could you give us an off-the-top-of-the-head guess or a ball-park guess? If you are going to tighten this program up, let us help you get it tight.

OK, gentlemen, put it in the record. Time is up.

(The requested information follows:)

The estimated cost is $64,360,000 in future years beginning with fiscal year 1966 to complete all the technical cooperations projects contained in the fiscal year 1965 congressional presentation project book.

There is also provided below a country breakdown of total estimated future year obligations.

Estimated future year obligations to project completion

Afghanistan	$12,861,000
Cyprus	593,000
India	11,865,000
Iran	3,094,000
Jordan	6,410,000
Nepal	5,673,000
Pakistan	14,848,000
Turkey	4,088,000
United Arab Republic (Egypt)	3,333,000
Yemen	1,595,000
Total	64,360,000

AGRICULTURAL UNIVERSITIES DEVELOPMENT PROJECT

Mr. PASSMAN. I note you allocated $650 million for contract service for five universities for fiscal 1964 under the agricultural university development project on page 55. Is that correct?

Mr. MACOMBER. That is correct, sir.

Mr. PASSMAN. Would you furnish for the record the current expiration date of each of the five university contracts under fiscal 1964 and prior-year fundings, and the contract expiration date under your proposed estimate of $850,000 for this purpose?

Mr. MACOMBER. Yes, sir.

(The information follows:)

INDIA—EXPIRATION DATE OF EACH OF FIVE UNIVERSITY CONTRACTS

Expiration dates of the five university contracts under the agriculture universities development project.

1. Fiscal year 1964 funds financed contracts with the University of Illinois, University of Missouri, University of Tennessee, Kansas State University, and Ohio State University through October 31, 1965.

2. Fiscal year 1965 funds would finance contracts with the above universities through October 31, 1966.

AGRICULTURAL EXTENSION PROJECT

Mr. PASSMAN. The $230,000 estimate for the agricultural extension project on page 57 is the final obligation for this project. Is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. I note your statement that a study will be made during fiscal 1965 to determine whether assistance should be continued and what form it might take. Is that correct?

Mr. MACOMBER. That is also correct.

Mr. PASSMAN. I doubt if you are going to ask for my recommendations. Whether you do or do not, I am going to make them anyway.

When you complete one project, why do you have to start looking for ways to continue the same project? Why don't you just let it drop? Is there any law against letting a project be completed? Here is a project which was started in 1951, 14 years ago. I am astonished to read your statement that you are looking for ways to continue it after it is completed.

Mr. MACOMBER. There is no law against dropping projects——

Mr. PASSMAN. I hope not.

Mr. MACOMBER (continuing). And where we can, we do and we will. In this particular case the part of the Indian development which is going the least well is in the agricultural field, and if we are ever to get out from under this burden, agriculture must start moving ahead. I would think——

Mr. PASSMAN. This is just one project out of thousands of projects. On page 57, country: India, Agricultural Extension Project, No. 386–1–110–007. You started obligations back in 1951, and you are to conclude it in 1965. If you take 1951 to 1965, inclusive, that is 15 years.

We look at that with possibly some degree of satisfaction, notwithstanding the fact that it has cost $2,387,000. Then we come down the text and pick up a sentence:

A study will be made during fiscal 1965 to determine whether assistance should be continued and what form it might take.

It looks as if they are going to revive this project.

Mr. MACOMBER. That is a possibility.

Mr. PASSMAN. Thank you.

COMMUNICABLE DISEASE CONTROL PROJECT

Last year you requested $49,000 for a new project in fiscal 1964 entitled, "Communicable Disease Control." Is that correct?

Mr. MACOMBER. That is correct, Mr. Chairman.

Mr. PASSMAN. How much did you allocate to this project in 1964?

Mr. MACOMBER. $75,000.

Mr. PASSMAN. If this had been a line item bill, you would have stuck to your original request; wouldn't you?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. This was supposed to be a new project in fiscal 1964. Is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. How could you obligate $70,000 in fiscal 1963, then? This thing is loose; isn't it?

Mr. MACOMBER. Mr. Chairman, it was classified as a new project in the fiscal year 1964 request, but the initial obligation was made at the end of fiscal year 1963 after the fiscal year 1964 congressional presentation was printed.

Mr. PASSMAN. Did you call it a new project in 1964?

Mr. MACOMBER. I will have to check the record.

Mr. PASSMAN. Check the record.

Mr. MACOMBER. Mr. Chairman, I would like to check further into this.

Mr. PASSMAN. Let me say to you, Mr. Ambassador, they have a way of doing it and they have admitted they do do it.

According to your book it was a new project in 1964; is that right?

Mr. WHITE. It appears to be; yes.

Mr. PASSMAN. But yet you made an allocation retroactive in 1963; did you not?

Mr. WHITE. Yes. An allocation was made at the end of fiscal year 1963.

Mr. PASSMAN. I brought this point out one day a year or two ago when we had a witness before the committee who apparently carried his feelings on his cuff. He got very indignant.

INDIAN INSTITUTE OF TECHNOLOGY PROJECT

I notice on page 70 you are requesting $1.5 million for the Indian Institute of Technology project. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Since the pipeline of $2.6 million will carry university contracts to September 1965, to what period will the $1.5 million carry the project?

Mr. MACOMBER. To September 1966, Mr. Chairman.

Mr. PASSMAN. You know, this is something we ought to spend a week on. You have $1.5 million to carry it for 1 year and we do not have any information whatsover, just a figure. Where do we find the detailed information on this project?

Mr. MACOMBER. Well, sir, you have some information on the sheet.

Mr. PASSMAN. Where? What page?

Mr. MACOMBER. Seventy and seventy-one.

Mr. PASSMAN. Where do we get any detailed information? All you do is make a statement:

> Contract services: Funds requested for fiscal year 1965 will provide an additional year of funding for the consortium contract to cover the salaries of 25 professors, 10 laboratory-research assistants, 6 consultants and 2 administrative assistants, ESI overhead, and the purchase of scientific equipment.

What does all that mean? You have one figure, $1,500,000.

Mr. MACOMBER. We give the one figure.

Mr. PASSMAN. U.S. technicians, you do not show the cost; participants, you do not show the cost; commodities, you do not show the cost; and local expenses, you do not show the cost.

Mr. MACOMBER. This is all included in the contract services. About $1 million of the $1.6 million figure is for commodities; the rest for the team of advisers.

Mr. PASSMAN. You do not show anything for commodities, do you? You had better do some reconciling. If $1 million of the $1.6 million is for commodities, then the contract services are $600,000. Is that correct?

Mr. WHITE. No. The contractors are purchasing the equipment so that the purchase of the commodities is part of the contract. It is included in the contract figure. We are not buying the equipment.

Mr. PASSMAN. How much of the $1.5 million is commodities, then?

Mr. MACOMBER. $700,000.

Mr. PASSMAN. It is going up. What type of commodities?

Mr. MACOMBER. Laboratory equipment, library equipment——

Mr. PASSMAN. Will you break this down and give us a breakdown of the expenditures to date and tell us what kind of commodities and the percentage the agent gets for procuring these commodities, because that is a new wrinkle. You let an agent do the procuring and you have no direct hire personnel at all in the contract, do you?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Will you break it down for us and bring it tomorrow or whenever you can.

Mr. MACOMBER. We will do the best we can on that, sir.

(The information supplied follows:)

Expenditures through Mar. 31, 1964, of the contract with Educational Services Inc. for the Indian Institute of Technology at Kanpur

	Total
Salaries	$591,278
Travel and transportation	59,720
Participants	9,524
Equipment	2,172,291
Chemical engineering	167,053
Electrical engineering	281,065
Mechanical engineering	145,673
Aeronautical engineering	105,000
Civil engineering	49,000
Metallurgical equipment	222,453
Chemistry laboratories	275,167
Physics laboratories	463,114
Central laboratory and miscellaneous	58,183
IBM computing equipment	187,263
Textbooks	218,320
Other direct costs (e.g., commodity shipping costs, insurance premiums, communication costs)	250,289
Overhead	156,446
Grand total	3,239,548

Engineering Services Inc. has a procurement agent who receives $10,000 per annum salary. The company procures equipment on a nonprofit basis. Most of the equipment is purchased with the benefit of a 20- to 40-percent educational discount.

TEACHING OF SCIENCE AND MATHEMATICS PROJECT

Mr. PASSMAN. I note you have allocated $600,000 to the teaching of science and mathematics project in fiscal 1964. I further note this amount will remain unliquidated on June 30, 1964; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. MACOMBER. We did not request anything for this project last year. It is a new project, Mr. Chairman. This project was developed in the spring.

Mr. PASSMAN. Do not elaborate. Let us get the question pinned down and then talk. Let me say you did not justify this project before the committee last year, even on an illustrative basis; is that correct?

Mr. MACOMBER. That is correct, Mr. Chairman.

Mr. PASSMAN. So you did not request any money for this project in fiscal 1964?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. But you allocated $600,000 for the project in fiscal 1964?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. And it is anticipated that the entire $600,000 for this project will be on hand, unexpended, at the end of fiscal 1964. Is that correct?

Mr. MACOMBER. That is correct. Mr. Chairman, this money is allocated for about 70 teachers who will be going to India this summer to teach in summer institutes that will be set up throughout India to conduct seminars on the teaching of science, mathematics, and engineering. Therefore, the money will be expended within fiscal year 1965. This project was developed after the books had been prepared last year. If we had waited until we came before you this year we would have lost a full year in the implementation of this project.

Mr. PASSMAN. You would have saved $600,000, too. You did not even justify it on an illustrative basis, but you allocated $600,000, and now you tell us the $600,000 will remain unexpended on June 30, 1964.

Mr. MACOMBER. They will be teaching teachers.

Mr. PASSMAN. Teaching teachers to teach teachers. What do these teachers cost? I do not like it because it was not justified, Mr. Ambassador. It was not even justified on an illustrative basis and then you allocated $600,000 to it and now it develops you are not going to spend a dime of it this year.

Mr. MACOMBER. Mr. Chairman, we needed that money if we were going to enter into the contracts to get the people to do this program. This is a pretty exciting program.

Mr. PASSMAN. It must be terrifically exciting, this kind of monkey business. It surely excites me and I want to agree with you 100 percent that it is exciting.

What do you pay these teachers?

Mr. MACOMBER. I will have to provide that for the record.

Mr. PASSMAN. How many teachers are involved?

Mr. MACOMBER. The sheet shows 100, maybe slightly less than that.

Mr. PASSMAN. That looks like $4,500 per teacher to teach teachers how to teach teachers and they will be there less than 3 months. Is that right?

Mr. MACOMBER. This will include the per diem of these teachers.

Mr. PASSMAN. I should think so.

Mr. MACOMBER. And their salary and I believe there will be some overhead involved—getting them to the sites that are to be set up.

Mr. PASSMAN. What sites?

Mr. MACOMBER. Where they will have the institutes.

Mr. PASSMAN. You do not even know what sites they will be assigned to?

Mr. MACOMBER. Yes; we know where they will be.

Mr. PASSMAN. Where are the sites?

Mr. MACOMBER. I do not personally know, but the Agency knows.

Mr. PASSMAN. How do you know that they know if it is not in the books?

Mr. MACOMBER. A number of Indian centers is what the book says.

Mr. PASSMAN. How many Indian centers?

Mr. MACOMBER. I will have to supply that for the record.

Mr. PASSMAN. Give us a breakdown per teacher, whether it is just a paid vacation or whether they will do something out there and how long they will be there. Put it in the record.

(The information supplied follows:)

TEACHING OF SCIENCE AND MATHEMATICS PROJECT—COST PER TEACHER AND LENGTH AND LOCATION OF SEMINARS, JUNE–AUGUST 1964

1. Seventy-six U.S. educators will receive honorariums of $3,500 each for leading 36 summer institutes lasting 8 weeks each in science and engineering in India ($266,000).

2. An honorarium of $3,500 was established after review and consultation with the six U.S. universities involved and an evaluation of the responses from a sampling of professors interviewed at the beginning of the planning for the project. It was found that individuals of the caliber needed to assure a successful program were receiving annual salaries varying widely, depending upon the institution, the geographic location, and the nature of the profession. A negotiated salary rate based on present earnings probably would not have resulted in lower total costs, and would have resulted in instances where eminent educators from one institution would be receiving payment not comparable to equally qualified educators from other institutions. Accordingly an agreement was reached by AID and the universities to establish a fixed sum as an honorarium in order that the question of professional status would not arise.

3. The six universities: Ohio State University; Teachers College of Columbia University; Michigan State University; University of Illinois; University of Wisconsin; and the University of Houston, providing the educators will receive approximately $1,450 per educator to cover overhead and other costs. These costs include services of campus administration officers involved in recruitment, record processing, and other necessary services, and travel and per diem within the United States for summer institute professors from their homes to university campuses for orientation and planning sessions prior to departure to India ($110,000).

4. Books, laboratory equipment, and other training aids valued at $224,000 are also being procured by the five contracting universities in support of this program ($224,000).

5. The 36 summer seminars will be located in the following 27 places:

A. *Secondary schoolteachers*

1. Physics—Varanasi, Gauhati, Ahmadabad, Dharwar.
2. Chemistry—Calcutta, Hyderabad, Poona, Jaipur.
3. Mathematics—Mount Abu (Rajasthan), Simla, Mysore, Darjeeling.
4. Biology—New Delhi, Bombay, Madurai, Cuttack.

B. *University teachers of science and mathematics*

1. Physics—Bombay,* Darjeeling,* Tirupati, Sagar.
2. Chemistry—Jadavpur,* Hyderabad,* Chandigarh, Vidyanagar.
3. Mathematics—New Delhi,* Ahmadabad,* Madras, Patna.
4. Biology—Porto-Novo, Aligarh, Varanasi,* Trivandrum.

C. *Summer institutes in engineering for polytechnic faculties*

Madras,* Jadavpur,* Chandigarh, Ahmadabad.*

SUMMER INSTITUTE PROGRAM

Mr. MINSHALL. In that same category they say:

The plan includes bringing influential Indian educators to the United States to observe our programs, so that future summer seminars can profit from the Indian reaction to the American methods.

We are sending people over there and bringing some of them back here. I do not follow this.

Mr. PASSMAN. I will say this: If ever, in this country of ours, we ever created a "Frankenstein," something uncontrolled and uncontrollable, this program is it. I am talking about the entire program

*Indicates locations where more than one seminar will be conducted.

and not just this project. This is no more messed up than the rest of it.

Mr. MACOMBER. I wanted to comment on what Mr. Minshall said.

Mr. MINSHALL. I am quoting from the book.

Mr. MACOMBER. I understand, but you raise some doubt as to the method of proceeding.

This summer institute technique has become a very successful and useful device in this country.

Mr. PASSMAN. You have not even started this project; have you?

Mr. MACOMBER. No. We will start it this summer. But the summer institute method has been tried in this country and has been found very successful and is a very effective way of getting new teaching techniques and disseminating information on new subject matter in a relatively short period of time to a relatively large number of people. They tried it on an experimental basis in India—a pilot operation—and it worked very well.

Mr. PASSMAN. Who financed it and whose evaluation was it that it was successful?

Mr. MACOMBER. The USIA financed the first one and it was evaluated by both American and Indian officials.

Mr. PASSMAN. Did USIA get in on this?

Mr. MACOMBER. Yes.

Mr. PASSMAN. If it was so good, why did they not continue it?

Mr. MACOMBER. I believe it was——

Mr. PASSMAN. Too good?

Mr. MACOMBER. No; it was more the kind of project AID——

Mr. PASSMAN. That answers it.

Mr. MACOMBER. This is a development project and USIA is not in that field.

The second part Mr. Minshall made was why do we do it both ways.

Mr. PASSMAN. Why did not USIA do the job?

Mr. MACOMBER. USIA did the pilot operation.

Mr. PASSMAN. You know who is getting operated on, do you not? It is the American taxpayer.

Mr. MACOMBER. The second point Mr. Minshall made was why do we do this thing both ways—taking Americans over there and bringing Indians back here. We have found this process is useful in all kinds of projects where part of your job is working on the scene with people and you are backstopping your effort by bringing people over here to learn and bring back new information to the country. This is not an inconsistent program.

Mr. PASSMAN. Not by the AID formula, I agree with you.

COSTS OF TRAINING AIDS AND BOOKS

Mr. MINSHALL. Mr. Chairman, before you pass over some of these too quickly, there is a large number of items they spell out in their description for books and training aids. On page 70 of your justifications you have an item:

> The present project plan calls for the purchase of $6.2 million of equipment and books by summer 1966 out of the total project cost of $10.5 million.

This is a lot of books. And again on the secondary program you have an item on page 74—

to help organize 54 training centers, for which $838,000 was provided to finance books and training aids.

This is a fantastic sum just for books and training aids. I wonder if you could explain that, Mr. Macomber? How much have you put in training aids and books just for India?

Mr. MACOMBER. The total figure I would have to supply.

Mr. MINSHALL. These are just two isolated instances and they total a fantastic sum just for books.

Mr. MACOMBER. It is over a number of years. The need for books is very great, particularly in the first school that you mentioned, that is, the Institute. And much of the money is for scientific equipment. But I myself am concerned about the level of commodities and will look into it.

(The information supplied follows:)

Obligations for books and scientific equipment, India

[In thousands of dollars]

Projects	Actual, fiscal year 1963		Estimate, fiscal year 1964		Proposed, fiscal year 1965	
	Books	Scientific equipment	Books	Scientific equipment	Books	Scientific equipment
AGRICULTURE						
Crop production		43.0				
Agricultural universities development (contract funded)	46.0	240.0	10.0	86.0		
HEALTH						
Medical educator training		33.0	.4	7.4		
Nursing college	2.3	6.3	2.5	1.5		
Public health education	2.5		.8			
Communicable disease		76.0	1.1	8.9		
EDUCATION						
Multipurpose schools (contract funded)		80.0	20.8			
National Institute of Education (contract funded)	37.5	40.0	5.0			
Technical Education Institute (contract funded)						
IIT, Kanpur (contract funded)			100.0	817.2	140.0	562.0
Teaching of science and mathematics (contract funded)			187.6	32.6		
INDUSTRY						
National Products Council (contract funded)	6.5		5.8			
Construction equipment training (contract funded)	10.0		5.0			
Power generation			20.4			
Government operations	2.6		12.0	3.0		
Technical support	2.5		13.0		15.0	
Total	109.9	518.3	384.4	956.6	155.0	562.0
Grand total by fiscal year	628.2		1341.0		717.0	

Mr. MINSHALL. Do you not think it is a fantastically high figure just for training aids and books?

Mr. MACOMBER. Books, training aids, and scientific equipment are extremely expensive and necessary.

Mr. PASSMAN. Are those books donated by the publisher or do we have to buy them?

Mr. MACOMBER. We buy them.

Mr. PASSMAN. Mr. Minshall, this is about the most disillusioning thing you will ever be associated with. You have the program in all 50 States. It spills over into universities, colleges, and trade schools in 46 of the 50 States and practically every book publisher and manufacturer has his sales representative there getting their hands into the public trough. This is the most luscious thing ever opened up to industry. That is why I say you have created an uncontrolled and uncontrollable monster, and I do not see how we will ever get it controlled until we cut out about 75 percent of the projects and only do a few of the projects and do them well rather than providing a windfall to manufacturers of pens and pencils and carbon paper and all the accessories. Thousands of businesses are getting their hand into this trough and no doubt selling a lot of stuff that will never be used and never should have sold to start with.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

ALLOCATIONS FOR SCHOOL CONSTRUCTION PROJECTS

Mr. PASSMAN. We want the total for school construction and everything worldwide.

(The information supplied follows:)

Allocations for school construction projects

[In thousands of dollars]

Region	Fiscal year 1963, actual	Fiscal year 1964, estimate	Fiscal year 1965, program
Latin America	10,500	3,600	9,300
Near East and south Asia	1,725	1,825	178
Far East	1,135	1,049	813
Africa	20,265	15,231	5,418
Total	33,625	21,705	15,709

Gentlemen, we will see you Friday at 1 o'clock.

FRIDAY, MAY 15, 1964.

Mr. PASSMAN. The committee will come to order.

I shall open our hearings today by quoting our former, beloved chairman, Clarence Cannon:

We are spending money we don't have for things that we don't need.

That is as truthful a statement as I have ever heard, and it applies, particularly, to this program.

Off the record.

(Discussion off the record.)

CAMBODIA

FINANCING OF TRAINING PROGRAMS

Mr. PASSMAN. I might comment for the record with respect to the aid program in Cambodia. I just can't comprehend why we would continue an aid program in this country and at the same time issue statements saying we have cut off our aid program.

I make that statement because the committee has just received an insert for the record relating to aid to Cambodia.

Inasmuch as the insert indicates we will be training Cambodian participants through 1968—and that is a long time off—would you furnish for the record the date that these funds were obligated, give us the cost of the training program for fiscal year 1964, and how much you propose to expend in the years 1965, 1966, 1967, and 1968? If it goes beyond 1968, give us that information also. We hope we won't have to go beyond that date.

You tell us that we have no aid program, but we get an insert for the record showing it goes through 1968.

(The information supplied follows:)

CAMBODIAN STUDENTS IN THE UNITED STATES—FINANCING OF TRAINING PROGRAMS TO COMPLETION

I. List of Cambodian students in the United States, by year of expected graduation, showing school of attendance, probable date of completion of studies, and additional fiscal year 1964 funds required to complete each planned training program:

Name	College or university	Estimated date of completion	Additional fiscal year 1964 funds required for completion
1964			
Sim Sun Huor	University of Florida	August 1964	0
Yeth Kim Srun	do	do	0
Suon Saroeung	University of Washington	September 1964	$800
Bou Chhon Leap	California State Polytechnic	July 1964	500
Uong Chhonn	Iowa State	November 1964	850
Nhel In	Purdue University	August 1964	
Um Amrong	University of Tennessee	September 1964	
Mam I	do	do	
Sau Plin	University of Oklahoma	June 1964	
Trang Meng Kry	University of Georgia	December 1964	3,000
Subtotal			5,150

Name	College or university	Estimated date of completion	Additional fiscal year 1964 funds required for completion
1965			
Sam El Julcofy	University of Florida	August 1965	0
Nouth Chantha	Louisiana State	February 1965	$1,400
Lim Kheng Lam	California State Polytechnic	March 1965	1,500
Thong Sarath	do	June 1965	900
Kang Keng	Kansas State	February 1965	
Neil Samroeng	do	June 1965	3,000
Kiet Srang	University of Georgia	do	600
Tin Taing Heang	University of Michigan	September 1965	6,000
Saing Hok San	University of Georgia	March 1965	900
Ear Kim Nol	do	August 1965	1,000
Keo Saric	do	March 1965	
Hou Sisavann	California State Polytechnic	February 1965	
Keat Keng Sin	University of Georgia	March 1965	
Kem Sos	Mississippi State	September 1965	500
Ou Thouk	University of Georgia	August 1965	1,400
Om Sary	University of Southern Illinois	June 1965	1,000
Lim Lay	California State Polytechnic	do	1,000
Uk Solang	Louisiana State University	do	800
Sin Meng Srun	University of Georgia	do	3,400
Keo Tan	do	August 1965	4,000
Duong Sok San	do	June 1965	3,400
You Sambath	do	August 1965	4,000
Chap Chamnan	do	do	4,000
Yim Youvaing	do	December 1965	4,600
Uk Lipal	do	August 1965	4,000
It Sareth	do	June 1965	3,400
Sor Savay	do	August 1965	4,000
Yang Huong	Los Angeles State	do	4,500
Sean Ell	do	do	4,500
Meas Phanna	do	do	4,500
Chhay Neth	do	do	4,500
Kuy Heng	Long Beach State	do	4,700
You Youern	do	do	4,500
Plong Chhath	do	do	4,500
Sie Chhorn	do	do	4,500
Pol Khorn	Los Angeles State	do	4,500
Oum Thup M. Thourke	University of Oregon	do	4,500
Pech Phoeun	do	do	4,500
Yen Kantang	University of New Mexico	do	
Ketsarik Kreng	Ohio University	do	3,000
Viradet Kreng	do	do	3,000
Ouch Mau Nora	do	September 1965	3,500
Subtotal			113,800
1966			
Meas Sivon	California State Polytechnic	June 1966	3,050
Som Chieng	do	do	3,050
Chim Sotuon	University of Southern Illinois	do	3,000
Kong Sarom	Oregon State	March 1966	3,000
Tun Sovan	University of Tennessee	September 1966	4,300
Cheng Huor	North Carolina State	June 1966	2,000
Mak Sony	University of Florida	August 1966	3,500
(Miss) Punne Soonthornport	Louisiana State University	do	3,000
Kousoum South Sakhan	California State Polytechnic	do	5,500
Kheng Seng Try	do	do	5,500
Chhang Song	Louisiana State University	June 1966	5,600
Sakou Siphon	Long Beach State	August 1966	9,000
Ok Hoeun	do	do	9,000
Hang Chan	do	do	9,000
Thong Mamith	do	do	9,000
Teng Mith	do	do	9,000
Meng Hing	do	do	9,000
Houi Huong Vi	do	do	9,000
Prom Sam Ol	do	do	9,000
Chin Chieu Banon	Los Angeles State	do	9,000
Lam Trieu Luong	do	do	9,000
Ny Bun Heang	do	do	9,000
U Sam Oeur	do	do	9,000
Cheth Sokhon	do	do	9,000
Hor Savath	do	do	9,000
Say Kanal	University of Oklahoma	June 1966	9,000
Tan Poly	do	do	9,000
Cheam Venghuot	do	do	9,000
Mao Chamrong	do	do	7,000
Keo Sokrin	University of Pennsylvania	do	9,000
Saing Kim Say	University of Oklahoma	do	12,100
Prak Yoeung	do	do	12,100

Name	College or university	Estimated date of completion	Additional fiscal year 1964 funds required for completion
1966—Con.			
Pan Sothi	Ohio University	February 1966	$4,400
Dan Sipo	Long Beach State	September 1966	9,000
Lu Lay Sreng	do	do	9,000
Minh Thien Voan	University of Georgia	March 1966	5,175
Chim Sun Hin	do	do	5,175
Subtotal			267,450
1967			
Nou Nilean	Kansas State University	June 1967	
Hy Sun Veng	University of West Virginia	do	3,000
Chim Bun Sean	University of Wisconsin	January 1967	5,500
Chanty Abdullah	do	do	5,550
Klok Ly Ngan	do	do	5,550
Thuon Sopheasy	Ohio State University	August 1967	9,000
Phok Ell	Los Angeles State	September 1967	13,500
Tuot Neat	do	do	13,500
Om Sapek	do	do	13,500
Kim Chandabot	do	do	13,500
Lim Lay Sreng	do	do	13,500
Oung Saly	do	do	13,500
Ou Sam Koeun	do	do	13,500
Pao Lim Neurat	do	do	13,500
Tat Sroeung	do	do	13,500
Tran Can	do	do	13,500
Prak Chum	do	do	13,500
Has Chhon	do	do	13,500
Men Vinsong	do	do	13,500
Chum Kanyr	do	do	13,500
Srin Chhiv Lim	do	do	13,500
Kim Cone	do	do	13,500
Sam Chhorn	Long Beach State	do	13,500
Chak Onn	do	do	13,500
Thor Lan	do	do	13,500
Phu Ly Seng	do	do	13,500
Lay Kheng	do	do	13,500
Chey Pheany	do	do	13,500
Ek Sareth	do	do	13,500
Sor Damrey	do	do	13,500
Taing Maryn	do	do	13,500
Sin An	do	do	13,500
Khieu Savy	do	do	13,500
Try Chheang Huot	do	do	13,500
Nisay Bunna	University of Michigan	January 1967	11,250
Yi Seng Long	do	do	11,250
Kheang Lim Hak	University of Pennsylvania	August 1967	15,000
Tea Nget Chheng	University of Southern California	September 1967	15,000
An Vin	do	do	15,000
Subtotal			474,100
1968			
Meas Sam Ay	University of Michigan	June 1968	16,000
Buoy Lap Buoy An Binnh	Los Angeles State	September 1968	18,000
Du Thanh Ly	do	do	18,000
Heang Chheng Eang	do	do	18,000
Hieng Kim Sreng	do	do	18,000
Hong Theav	do	do	18,000
Im Saroeum	do	do	18,000
Iv Saroeun	do	do	18,000
Kit Nay	do	do	18,000
Kim Kethavy	do	do	18,000
Lao Bun Eng	do	do	18,000
Lor Peng Kim	do	do	18,000
Mau Kun	do	do	18,000
Mouv Chhan	do	do	18,000
Poon Ya Yun	do	do	18,000
Ros Saphan	do	do	18,000
Seng Try	do	do	18,000
Um Be	do	do	18,000
Van Chhorn	do	do	18,000
Yang Sem	do	do	18,000
Khor Sun Heap	do	do	18,000
Yos Ham	do	do	18,000
You Sam Ell	do	do	18,000

Name	College or university	Estimated date of completion	Additional fiscal year 1964 funds required for completion
1968—Con.			
Bun Eak Ly	Long Beach State	Sept. 1968	$18,000
Che Yang	do	do	18,000
Em Chan Dy	do	do	18,000
Sam Or Deng	do	do	18,000
Hen Sarun	do	do	18,000
Slaut Siphat	do	do	18,000
Hing Naing	do	do	18,000
Som Sun	do	do	18,000
Hor Kong	do	do	18,000
Uch Thoeun	do	do	18,000
In Suvacha	do	do	18,000
Ker Bun Han	do	do	18,000
Kong Sam Ul	do	do	18,000
Ly Meng Keng	do	do	18,000
Mean Savy	do	do	18,000
Meas Phan	do	do	18,000
Ouk Heng	do	do	18,000
Pech Kim Chroan	do	do	18,000
Heng Kim Dan	do	do	18,000
Ken Vath	do	do	18,000
Sieng Lapresse	University of Southern California	February 1968	17,500
Subtotal			789,500
Total			1,650,000

II. Funding and expenditure data:

1. On April 29, 1964, the Deputy Administrator authorized the obligation of fiscal year 1964 funds to finance to completion the training programs of Cambodian students in process in the United States. This action was informed to the Cambodian Government on April 30, 1964.

2. Expenditure of the $1,650,000 is estimated by fiscal years as follows:

Year:	*Amount*
1964	$7,000
1965	595,000
1966	500,000
1967	352,000
1968	196,000
Total	1,650,000

Mr. PASSMAN. I have to be fair to the Congress, to our Government and all of those who take a part in running our Government. At the same time, I have to be fair to about 195 million Americans.

I believe that you have, Mr. Controller, in these books, indicated the amount of funds that would be available, unliquidated to the credit of the recipient countries, on June 30, is that correct, sir?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We have asked the question, for example, what will be the unliquidated credit to "Randolphville."

Mr. TENNANT. Yes, sir.

INTERNATIONAL FOREIGN AID SINCE WORLD WAR II

Mr. PASSMAN. Would you give us a list of each nation we have furnished aid to since the end of World War II? Include all 16 spigots, including international organizations. For simplification, if our

average contribution to international organizations has averaged 50 percent, you may use that as a guide.

I am trying to be completely fair about this, and I will discuss it at a very high level in the not too distant future.

Is it perfectly clear what I want?

Mr. TENNANT. Yes, sir. As I understand, you want the heretofore unliquidated——

Mr. PASSMAN. No, I will get to that next. I want the total amount of aid we have given since the inception of the program from all spigots, to all nations.

(The information follows:)

BILATERAL FOREIGN ASSISTANCE AND CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

AID and predecessor agencies, social progress trust fund, Food for Peace, Export-Import Bank, other economic, and military

FISCAL YEAR 1946 THROUGH FISCAL YEAR 1964 [1]

	Millions
Economic assistance:	
AID and predecessor agencies	$38,157
Social progress trust fund	519
Food for Peace	11,672
Export-Import Bank long-term loans	8,870
Capital subscriptions to international organizations [2]	1,229
Other economic programs	16,834
Total economic assistance	77,281
Military assistance:	
Military assistance program	31,860
Other military assistance	1,659
Total military assistance	33,519
Subtotal U.S. economic and military assistance	110,800
Less repayments and interest	11,145
Grand total, all programs	99,655

[1] Fiscal year 1964 element of these figures is estimated.

[2] Only the amount of U.S. capital subscriptions actually paid to international agencies is reported as foreign assistance in this schedule. This amount excludes $5.9 billion held in reserve by the United States to meet future calls by the international organizations as drawdowns against the agreed U.S. percentage contributions as follows:

[Dollar amounts in millions]

International organizations	Percent U.S. subscription requirement	Subscription payments made to bank	Held in reserve by United States
IBRD	30.63	$635.0	$5,715.0
IDA	33.06	258.6	61.7
IFC	35.81	35.2	----------
IDB: Ordinary capital	43.04	150.0	200.0
Fund for special operations	68.35	150.0	----------
Total	----------	1,228.8	5,976.7

NOTE.—The total assistance furnished to cooperating countries by these organizations (whose resources consist of subscriptions, repayments, interest, bond issuances, etc.), aggregated $9,095,600,000 through June 30, 1963.

AID and predecessor agencies, Social Progress Trust Fund, food for peace, Export-Import Bank, other economic, and military

FISCAL YEAR 1946 THROUGH FISCAL YEAR 1964[1]

	Millions
Latin America, total	$8,981.7
Argentina	713.5
Bolivia	402.2
Brazil	363.4
British Guiana	5.3
British Honduras	3.2
Chile	937.8
Colombia	663.6
Costa Rica	119.8
Cuba	52.1
Dominican Republic	119.3
Ecuador	220.1
El Salvador	79.5
Guatemala	195.2
Haiti	103.6
Honduras	63.5
Jamaica	28.6
Mexico	852.8
Nicaragua	89.4
Panama	131.2
Paraguay	79.7
Peru	583.6
Surinam	3.8
Trinidad and Tobago	36.7
Uruguay	124.8
Venezuela	355.3
Other West Indies	3.0
Regional	[2]435.5
Public Law 480, title III made available to American National Red Cross in connection with Cuban prisoner exchange	6.1
ROCAP	39.5
SPTF (undistributed)	169.8
Near East and south Asia, total	21,799.2
Afghanistan	258.7
Ceylon	86.6
Cyprus	24.7
Greece	3,589.2
India	5,367.3
Iran	1,494.1
Iraq	85.5
Israel	1,031.6
Jordan	463.7
Lebanon	97.8
Nepal	72.2
Pakistan	2,605.0
Saudi Arabia	46.6
Syria Arab Republic	86.7
Turkey	4,459.3
United Arab Republic (Egypt)	940.7
Yemen	36.2
CENTO	49.8
Regional and undistributed	1,003.3

See footnote at end of table.

AID and predecessor agencies, Social Progress Trust Fund, food for peace, Export-Import Bank, other economic, and military—Continued

	Millions
Far East, total	$24,638.9
Burma	123.0
Cambodia	371.9
China (Taiwan)	4,607.5
Hong Kong	38.0
Indochina (undistributed)	1,535.2
Indonesia	917.8
Japan	3,825.5
Korea	5,971.3
Laos	370.9
Malaya	26.6
Philippines	1,858.9
Ryukyu Islands	297.2
Thailand	905.7
Vietnam	2,056.3
Western Samoa	(3)
Africa, total	2,869.0
Algeria	145.2
Basutoland	.1
Burundi	7.7
Cameroon	17.9
Central African Republic (economic)	1.6
Chad	1.8
Congo (Brazzaville)	4.2
Congo (Léopoldville)	287.7
Dahomey	7.3
Ethiopia	219.6
Former Somaliland	.1
Gabon	2.7
Ghana	162.1
Guinea	50.4
Ivory Coast	20.4
Kenya	25.1
Liberia	187.6
Libya	213.7
Madagascar	1.1
Malagasy	2.8
Mali	14.1
Mauritania	2.5
Morocco	460.0
Niger	6.1
Nigeria	131.4
Rhodesia and Nyasaland	40.2
Rwanda	1.1
Senegal	16.8
Sierra Leone	9.6
Somali Republic	39.8
South Africa	154.1
Sudan	82.5
Tanganyika	36.7
Togo	7.8
Tunisia	393.0
Uganda	15.0
Upper Volta	4.8
Zanzibar	.2
Regional and undistributed	94.3

See footnote at end of table.

AID and predecessor agencies, Social Progress Trust Fund, food for peace, Export-Import Bank, other economic, and military—Continued

	Millions
Europe, total	$46,097.0
Albania	20.4
Austria	1,198.3
Belgium-Luxembourg	1,980.9
Czechoslovakia	193.0
Denmark	946.9
East Germany	0.8
Finland	134.6
France	9,412.6
Germany (Federal Republic)	4,994.8
Berlin	131.9
Hungary	31.5
Iceland	74.3
Ireland	146.5
Italy	6,010.9
Netherlands	2,471.6
Norway	1,180.6
Poland	537.8
Portugal	510.6
Spain	1,761.0
Sweden	109.0
United Kingdom	8,709.2
U.S.S.R.	186.4
Yugoslavia	2,553.4
Regional and undistributed	2,750.3
Infrastructure	50.0
Oceania, total	224.5
Australia	127.1
New Zealand	22.3
Trust Territory of the Pacific Islands	75.1
Canada	36.3
Nonregional, total	6,151.9
AID and predecessor agencies:	
Administration expenses, AID	555.6
Administrative expenses, State	39.7
International organizations and programs	907.4
Other agency programs	844.9
Capital subscriptions to international organizations:	
IBRD	635.0
IDA	258.6
IFC	35.2
Other U.S. economic programs	1,626.9
Food-for-peace	249.6
Military	999.0
Subtotal, all programs	110,800.0
Less repayments and interest	11,145.0
Grand total, all programs	99,655.0

[1] Fiscal year 1964 element of these figures is estimated.
[2] Includes $300,000,000 subscription to IDB and $1,200,000 for Peace Corps.
[3] Less than $50,000.
NOTE.—Detail may not add to total due to rounding.

Now, request No. 2: The amount of unliquidated aid, all spigots, to each nation there to whom you will make disbursements in subsequent years. Of course, you will include Cambodia and any of the other nations to which you will be disbursing funds to out of prior years' allocations. I am talking about this purely giveaway program. You will certainly pick up military assistance, but not those expenditures made directly out of the Defense Department appropriation.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We just want to establish the actual giveaway part of it; is that clear?

Mr. TENNANT. On that second part, on the unliquidated, you don't want international organizations, do you?

Mr. PASSMAN. I don't believe so.

Mr. TENNANT. I would have some difficulty getting that.

Mr. PASSMAN. Leave out international organizations. Leave them out of both tables. You may add a footnote: "This does not include our own Defense Department appropriations."

What you want to do is get a subtotal. Then you want to add "Contributions to international organizations added but not distributed."

Mr. TENNANT. Not distributed by country?

Mr. PASSMAN. Yes. Then you will put "Grand total." That is saving you a lot of trouble, isn't it?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. You are going to come down with all the others and wind up with $107 billion. You may have "International organizations, $2,840,000,000." Then a little footnote: "Added in grand total but not included in distribution."

Is that simplifying it?

Mr. TENNANT. Yes, sir.

Mr. FUNARI. On that second table, the unliquidated, will we be able to get the unliquidated balances?

Mr. TENNANT. When you were talking about the $107 billion, you were talking about the accumulated aid, all countries?

Mr. PASSMAN. Yes. The second is the estimated unliquidated balance as of June 30. You will have to indicate that is an estimate.

Mr. TENNANT. Coming to the unliquidated table, I think there is some problem in getting unliquidated figures from the international organizations, but I think——

Mr. PASSMAN. No, you don't have to do that. We are assuming that all funds have been liquidated, which we know is not true. But you want to state the total. If it is $3 billion, put it. You can say, "Listed in total, but not distributed by account."

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. I don't want to make it too voluminous, but I want a complete table. I am afraid we have too many people who don't know how much money we are giving away.

(The information supplied follows:)

BILATERAL FOREIGN ASSISTANCE UNLIQUIDATED BALANCES

Summary as of June 30, 1964 (estimated)

	Millions
Mutual defense and development programs:	
Economic:	
AID and predecessor agencies, budgeted programs	$3,804.7
Social Progress Trust Fund	370.0
Subtotal	4,174.7
Military:	
Grant aid	1,869.4
Credit assistance	193.3
Subtotal	2,062.7
Total mutual defense and development programs	6,237.4
Food-for-peace program	1,340.1
Total	7,577.5

Unliquidated balances as of June 30, 1964 (estimated)

Latin America, total	$1,669.5
Argentina	96.6
Bolivia	88.9
Brazil	290.9
British Guiana	1.8
British Honduras	(1)
Chile	124.8
Colombia	145.8
Costa Rica	29.0
Dominican Republic	18.5
Ecuador	54.3
El Salvador	26.9
Guatemala	22.4
Haiti	2.3
Honduras	7.4
Jamaica	6.7
Mexico	36.0
Nicaragua	14.8
Panama	30.6
Paraguay	7.8
Peru	119.3
Surinam	(1)
Trinidad and Tobago	11.9
Uruguay	26.2
Venezuela	78.1
Other West Indies	(1)
Latin America, regional	25.7
ROCAP	32.6
Social Progress Trust Fund	370.0
Near East and south Asia, total	3,112.4
Afghanistan	61.9
Ceylon	1.7
Cyprus	5.7
Greece	245.0
India	1,287.9

See footnote at end of table.

Unliquidated balances as of June 30, 1964 (estimated)—Continued

	Millions
Near East and south Asia—Continued	
Iran	$138.2
Iraq	6.7
Israel	94.1
Jordan	20.3
Lebanon	10.5
Nepal	9.2
Pakistan	509.1
Syria, Arab Republic	18.7
Turkey	438.4
United Arab Republic (Egypt)	94.0
Yemen	6.2
CENTO	24.0
UNRWA	17.3
Regional and undistributed	123.5
Far East, total	1,513.0
Burma	24.5
Cambodia	34.5
China (Taiwan)	233.0
Hong Kong	2.5
Indonesia	94.6
Japan	50.6
Korea	475.3
Laos	24.9
Malaya	1.7
Philippines	50.9
Ryukyu Islands	9.2
Thailand	97.3
Vietnam	179.9
Regional and undistributed	233.9
Africa, total	638.8
Algeria	19.7
Burundi	3.9
Cameroon	11.0
Central African Republic	1.0
Chad	1.9
Congo (Brazzaville)	2.8
Congo (Léopoldville)	62.0
Dahomey	.8
Ethiopia	23.6
Gabon	1.3
Ghana	77.0
Guinea	21.5
Ivory Coast	9.6
Kenya	6.0
Liberia	53.5
Libya	4.0
Malagasy	0.8
Mali	7.3
Mauritania	.3
Morocco	65.0
Niger	2.4
Nigeria	76.9
Rhodesia and Nyasaland	4.8
Rwanda	(1)
Senegal	3.0
Sierra Leone	3.6
Somali Republic	11.3
South Africa	

See footnote at end of table.

Unliquidated balances as of June 30, 1964 (estimated)—Continued

	Millions
Africa—Continued	
Sudan	$21.0
Tanganyika	15.0
Togo	2.3
Tunisia	87.9
Uganda	7.7
Upper Volta	.7
Zanzibar	.1
Regional and undistributed	29.3
Europe, total	503.0
Belgium-Luxembourg	5.2
Denmark	88.3
France	15.8
Germany (Federal Republic)	.4
Ireland	.1
Italy	66.1
Netherlands	49.2
Norway	80.4
Portugal	34.4
Spain	63.0
United Kingdom	.1
Yugoslavia	8.8
Infrastructure	121.7
NMSSA	.2
NATO	.9
Undistributed	−31.7
Oceania, total	62.9
Australia	62.7
New Zealand	.2
Nonregional, total	77.7
Grand total, all programs	7,577.5

[1] Less than $50,000.

NOTE.—Detail may not add to totals due to rounding.

INDIA

MULTIPURPOSE SECONDARY EDUCATION PROJECT

Mr. PASSMAN. Mr. Ambassador, last year you requested $175,000 for 1 year for the Ohio State University contract under the multipurpose secondary education project on page 74; is that correct?

Mr. MACOMBER. I believe we requested $215,000, Mr. Chairman, for the project.

Mr. PASSMAN. Have a look at your records, gentlemen.

Mr. MACOMBER. We requested $175,000 for the Ohio State contract last year.

Mr. PASSMAN. And you allocated $170,000?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Why do you need an additional $425,000 to fund the Ohio State University contract through 1965, then? Here we see that you are asking for $425,000 to take it only through 1965.

Mr. MACOMBER. Last year's figure, Mr. Chairman, was estimated on the size of the pipeline that we had at that time. In the intervening

year, we have used up a sizable portion of that pipeline. We are spending at the rate of about $405,000 a year.

Mr. PASSMAN. We can't understand your arithmetic. You asked for $175,000 last year, and when you allocated funds, you found out $170,000 was sufficient to forward-fund the contract for 1 year, into 1965.

Now, just to complete 1965, you want to jump it all the way up to $425,000, just to take it through December 31, 1965.

I don't know who gets these figures up. It appears to me like all these things are inflated to make these things add up to this big budget request this year. I can't understand it any other way.

Mr. MACOMBER. I see the problem now, Mr. Chairman. That sentence on the sheet is incorrect. It is to fund the contract through December 1966.

Mr. PASSMAN. Do you have a contract with the ink manufacturers and paper houses that you have to do a certain amount of printing to print up something that is not accurate? If this was an exception it would be all right, but we run into these errors just about every time we flip a sheet.

GOVERNMENT OPERATIONS PROJECT

I notice you have allocated $290,000 to the Government operation project on 76, is that right, sir?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. MACOMBER. $179,000, Mr. Chairman.

Mr. PASSMAN. I think this committee owes the agency an apology for giving it so much more money than you needed last year.

TECHNICAL SUPPORT PROJECT—FISCAL YEAR 1964 REQUEST VERSUS ALLOCATION

Last year you requested $1,175,000 for the technical support project, of which $775,000 was for 50 technicians and 3 consultants, and $400,000 was for commodities, is that correct, sir?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate to these two elements of the technical support project in fiscal year 1964?

Mr. MACOMBER. $1,600,000.

Mr. PASSMAN. We surely gave the agency a hard job. It must be discouraging for you to recognize the committee would be so liberal that you just had to take excess money and scatter it all over the world so as to not leave too much on hand.

Mr. MACOMBER. The reason in this case, Mr. Chairman——

Mr. PASSMAN. You might explain 1 case, but you cannot explain 100 others, but go ahead. You are entitled to your day in court.

Mr. MACOMBER. In this case, we originally planned some 50 technicians, and we revised that to 56 technicians.

Mr. PASSMAN. You couldn't have done that with a line item bill, could you?

Mr. MACOMBER. That is correct, we could not do it on a line item bill.

Mr. PASSMAN. And you couldn't do it on the others, could you?

I didn't mean to interrupt you. I thought you had finished.

Mr. MACOMBER. Six additional technicians and seven additional consultants.

Mr. PASSMAN. If you had a line item bill, you would have lived by your previous request?

Mr. MACOMBER. Yes; if the law required us to.

Mr. PASSMAN. We are dealing with the original budget request of January 1963, are we not, for fiscal year 1964 funds? Did I make a statement of fact, that you asked for $1,175,000 for this project? That is the bite you wanted out of the $5 billion estimate, but you got a $1,600,000 bite out of the $3 million appropriation?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. If we had reduced the appropriation to $1 billion, this project might have received $4 million.

Mr. MACOMBER. We could do it here, because we could make savings in other projects.

Mr. PASSMAN. Are you going to let the record show that when you have extra money, you have to spend it?

Does it mean you have to inflate a project?

Mr. MACOMBER. It is not a question of inflating projects, Mr. Chairman. When we are dealing with this many projects, it is extremely difficult, if not impossible, to come up with a specific figure that will hold for the whole year for every project in this book. When we are dealing with this many transactions——

Mr. PASSMAN. If you would hold to what you testify for, you wouldn't get in trouble.

Mr. MACOMBER. Excuse me, sir. It would be impossible. Dealing with this many transactions, to come out specifically to the exact figure we have stated a year in advance in each case would be impossible. We come out very close on the average, but you have to have a certain amount of flexibility in these things, so we don't have a completely frozen and inflexible set of projects.

Mr. PASSMAN. This program is loose at both ends, and cut in the middle.

NEED FOR LIMITATION ON TRANSFERABILITY OF FUNDS BETWEEN PROJECTS

Are you familiar with how the other Federal agencies operate? Like the Postal Establishment: $5 billion to handle our postal operations. If they spend $100 more than that, they are subject to Federal prosecution. The only way they can exceed that is to have laws passed by the Congress calling for additional payouts of money. And this double standard, one to fit the foreign projects and one to fit local projects, just doesn't add up. I don't think it follows, simply because you asked for too much money for some project—Project B, in Randolphville, and you can't waste that much money on it, then you have to go add it to other projects. I still think that a line item bill is the answer.

Do you have that line item bill with you today, Mr. Controller?

Mr. TENNANT. I thought you gave me until Tuesday, sir.

Mr. PASSMAN. How about the regional bill?

Mr. TENNANT. I don't have it either, but they are working on them.

Mr. MACOMBER. Mr. Chairman, one point you just made is that we feel we have to take this money and add it on to other projects. That is not the way it works.

Mr. PASSMAN. There is no law to make you do it. I want to be sure you understand you are not subject to prosecution if you don't do it. I want that perfectly clear in the record.

Mr. MACOMBER. You said that we felt we had to.

Mr. PASSMAN. That is pretty strong, but I want you to know that I know enough about this program to know that you couldn't be prosecuted if you didn't spend it.

Mr. MACOMBER. I didn't suggest that you felt that we had sanctions of law, but that rather we felt some kind of compulsion to take a saving from one project and put it over in another. That is not the way it works, at all.

It is simply that when you are dealing with this many projects, you cannot predict down to the last dollar, 200-odd projects——

Mr. PASSMAN. I didn't want you to get down to a single dollar. If you got down to a million dollars, I would be happy.

Mr. MACOMBER. You will occasionally have overages and underages. Where you have an overage—for instance in this case, not only do we add the consultants and technicians, but there were two special studies that we felt were necessary to do——

Mr. PASSMAN. Did you mention that to the committee last year?

Mr. MACOMBER. No. This is the kind of thing I am talking about in saying we need flexibility. We didn't know about the need——

Mr. PASSMAN. But you don't have that privilege in America. You would get prosecuted if you were the head of some other agency in America.

Mr. MACOMBER. The point is, Mr. Chairman, we are not operating in America.

Mr. PASSMAN. I wish we were.

You stated earlier that there is over $18 billion I believe expended in your area, since the inception of the program.

Mr. MACOMBER. Yes, sir.

ESTIMATED UNOBLIGATED BALANCE

Mr. PASSMAN. Now, let's see whether or not you are abiding by an airtight program. How much are you going to have unobligated in your area at the end of this fiscal year?

Mr. MACOMBER. I cannot at this time give you an exact figure, but my estimate would be something in the neighborhood of $500,000——

Mr. PASSMAN. Out of how much money, please, sir?

Mr. MACOMBER. We do not expect to use $500,000, sir, of technical cooperation deobligations.

Mr. PASSMAN. Let's get the total amount of unobligated funds in your area as of June 30.

I am talking now about the technical cooperation, development grants, and supporting assistance. What is the total?

Mr. MACOMBER. There will be none in the categories mentioned.

Mr. PASSMAN. You are operating as if you had some law that you had to spend all funds or be prosecuted.

How much do you have to operate on in fiscal year 1964?

Mr. MACOMBER. $826 million.

FUNDS AVAILABLE IN FISCAL YEAR 1964

Mr. PASSMAN. How much U.S.-owned local currencies have been given to India to finance the costs of her development credits?

Mr. MACOMBER. We will supply it for the record, Mr. Chairman.

(The information supplied follows:)

U.S.-owned local currencies used to finance India's development program

	Rupees	Dollar equivalent
Total local currency obligated through Mar. 31, 1964, for loans and grants for economic development programs and projects	*Millions* 6,902.1	*Millions* 1,278.5
Public Law 480, title I:		
Sec. 104(e) grants	1,784.5	374.0
Sec. 104(e) loans (Cooley)	393.1	82.5
Sec. 104(g) loans	3,636.8	764.0
Public Law 665, sec. 402 (Mutual Security Act of 1954, as amended):		
Grants	277.7	58.0

Mr. PASSMAN. There are hundreds of other questions pertinent to your request for India. We shall dispense with asking all those questions, because we are trying to meet a deadline. Before moving to the next country, are there any questions other members have to ask with respect to India?

(No response.)

IRAN

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total aid to Iran out of all the spigots since the inception of the giveaway program?

Mr. MACOMBER. $1,503,300,000.

Mr. PASSMAN. What is the population of Iran?

Mr. MACOMBER. Over 20 million, Mr. Chairman.

Mr. PASSMAN. How long have we been in Iran with an aid program?

Mr. MACOMBER. Since 1952, Mr. Chairman.

ECONOMIC GROWTH

Mr. PASSMAN. Let's look at their economic growth. Are they holding their own?

Mr. MACOMBER. Overall they have been making——

Mr. PASSMAN. Let's forget about the overall. Let's get into the specifics. What is the population growth by year since 1952?

Mr. WHITE. I think the per capita growth would be 2.5 to 3 percent.

Mr. PASSMAN. What is the population growth. Per capita, it is 2.5 to 3 percent.

Mr. WALSH. The population growth we estimate at 2.5 percent.

Mr. WHITE. The growth rate of gross national product would be between 5 and 6 percent.

Mr. PASSMAN. And the population growth per year is how much?

Mr. WALSH. About 2.5 percent.

Mr. PASSMAN. You could use your statistics either for or against. At least they are holding their own, or maybe a little better.

Mr. MACOMBER. They are doing a little better than holding their own, and the reason, sir, is their oil revenues. Oil revenues are going up; they are doing very well on the oil side. The rest of their economy is not doing as well.

Mr. PASSMAN. In other words, the oil revenues are actually what brings about their doing a little better?

Mr. MACOMBER. That is the major thing.

Mr. PASSMAN. This is a very old country, isn't it?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How long has this country been in existence?

Mr. MACOMBER. It is the historic country of Persia.

Mr. PASSMAN. Thousands of years old?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How in the world did they manage to get along before we went in with this aid program?

Mr. MACOMBER. In recent years they were not getting along very well.

Mr. PASSMAN. They got along for thousands of years, didn't they? That is one of the oldest civilizations on the face of the earth, is it not?

Mr. MACOMBER. That is correct, but it depends on what you mean by getting along.

Mr. PASSMAN. They were able to increase their population, learn to sing and play games, and have fun?

Mr. MACOMBER. They were able to do all of those things at some times. At other times, it was a great struggle to just endure.

ESTIMATED UNLIQUIDATED BALANCE AS OF JUNE 30, 1964

Mr. PASSMAN. What do you have on hand, unliquidated, to Iran, estimated for June 30?

Mr. MACOMBER. $138,239,000.

Mr. PASSMAN. Is that all spigots?

Mr. MACOMBER. Yes, sir.

PETROLEUM SALES RECEIPTS

Mr. PASSMAN. Could you furnish for the record the income Iran has received from her oil production in the last 3 years?

Mr. MACOMBER. Yes, sir.

(The information supplied follows:)

Income Iran has received from oil production

Year:	*Millions*
1961	$300
1962	328
1963	388

EMPHASIS ON AGRICULTURAL SECTOR

Mr. PASSMAN. I notice on page 134 a statement that you propose to emphasize the agricultural element of the development grant program, is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. How much did you allocate to this sector of your program in 1964?

Mr. MACOMBER. $538,000 of technical cooperation funds.

Mr. PASSMAN. What are you asking for fiscal year 1965?

Mr. MACOMBER. $533,000 for technical cooperation.

Mr. PASSMAN. Which is a reduction below last year?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. I like the kind of emphasis you are placing on this sector of the program. I hope you spread such emphasis over all of your programs.

Mr. MACOMBER. Mr. Chairman, in Iran we are—we consider Iran——

Mr. PASSMAN. Keep it going this way. I like your statement and I like the way you are doing it.

Mr. MACOMBER. We consider Iran a transitional country. It is getting to the point where we will not make any further AID-type loans.

Mr. PASSMAN. When you say "AID-type loans," you are talking about these development credits?

Mr. MACOMBER. I am referring to soft-term loans.

Mr. PASSMAN. Right.

Mr. MACOMBER. They would be expected to rely more and more in the future of Export-Import Bank loans, and World Bank loans, and normal commercial banking facilities.

AGRICULTURAL EDUCATION AND EXTENSION PROJECT

Mr. PASSMAN. Last year you requested $135,000 to hire five direct technicians under the agricultural education extension project on page 125; is that correct?

Mr. MACOMBER. That is correct, sir.

Mr. PASSMAN. How much money did you allocate to the project?

Mr. MACOMBER. $200,000. Mr. Chairman, on this project, the reason for the increase was that we decided to go on for an additional 2 years——

Mr. PASSMAN. Yes, that I know.

Mr. MACOMBER. And the reason is that this project is a very important project to support the Shah's land reform effort.

Mr. PASMAN. All projects are considered important, aren't they?

Mr. MACOMBER. We think they are all important, but some are more important than others, and this is one of the more important ones, because land reform in Iran is a critical undertaking at this time.

Mr. PASSMAN. That has been true for tens of thousands of years.

Mr. WALSH. They have made very poor progress in this up until recent years. Now they are making good progress.

Mr. PASSMAN. I said they have had trouble with land reform and agriculture for many, many, many long centuries; is that not correct?

Mr. WALSH. That is correct.

TOTAL U.S. CONTRIBUTION TO LAND REFORM PROGRAM

Mr. PASSMAN. What has been our total contribution to the overall Shah's land reform program—all spigots, whether a development credit or any of the other disguised definitions of these accounts?

Mr. MACOMBER. I will have to supply the total for the record. This is one of the main efforts.

Mr. PASSMAN. I know. It may have been cheaper to have just put them under a shade tree and given them a fan and forget about the land reform. Can you give us any indication?

I am looking at just one little project, with a cost of $2,750,000.

Mr. MACOMBER. Let me answer it this way, Mr. Chairman: The total request for next year is $2.9 million for technical cooperation.

Mr. PASSMAN. We have already gotten that information. We want to know what we have spent on this land reform project in the past, all spigots. If we can't get that information on land reform, then I am going to dispense with asking any other questions on it.

Each one of these agricultural projects supports the Shah's program, does it not?

Mr. MACOMBER. Yes; but not every project that we are showing supports the land reform project.

Mr. PASSMAN. That is why I want the total cost.

Mr. MACOMBER. We will be glad to supply that for the record.

(The information supplied follows:)

U.S. CONTRIBUTION TO LAND REFORM PROGRAM, IRAN

In January 1951 the Iranian Government announced a program to distribute the crown lands. Since the passage of the revised land reform legislation in early 1962, which provided for distribution of private lands, events have moved rapidly.

The United States has assisted a number of Iranian institutions over the years which are now helping to implement a program of land redistribution.

The United States provided experts to the crown lands distribution program to train village and area supervisors, demonstrate improved land use practices and help set up credit facilities in the initial pilot distribution area.

The actual physical distribution of private holdings is being carried out principally by the extension service of the Ministry of Agriculture. The extension service was created with the assistance of U.S. advisers. About 60 extension employees, many of whom now hold key positions in the service, have received training in the United States. There are now about 700 agricultural agents and 210 home agents working with village farm families in all areas of Iran.

The United States helped establish the community development service within the Ministry of Interior. A substantial Iranian staff of this service is now working at the village level to establish the local institutions needed to fill the vacuum created by the disappearance of the landlord.

The Agricultural Credit and Rural Development Bank is the only agricultural credit institution providing loans to farmers on a national basis. Since 1958 the United States has provided a total of eight advisers to assist the Bank in the field of credit and cooperatives. Twelve Iranian employees, who hold responsible positions in the Bank, received training in the United States under the AID program.

In addition, in fiscal year 1964, AID approved a Public Law 485, title I, 104(g) loan for the rial equivalent of $3.1 million. The rials will be used to carry out a program of supervised credit to new farmowners which will be administered by the Agricultural Credit and Rural Development Bank.

Although AID has closed out a number of technical cooperation activities, we will continue to give assistance in the field of agriculture directed toward helping the Iranian farmer created by the land reform program.

U.S. contribution to Iranian land reform

Project or program	Duration	Thousands of dollars
Extension service	Fiscal years 1952 to date	1,600
Community development	Fiscal years 1953–63	5,000
Agricultural Credit and Rural Development Bank	Fiscal years 1958 to date	402
Crown land distribution program	Fiscal years 1951–61	378
Total dollar contribution		7,380
U.S. local currency loan (dollar equivalent)	Fiscal year 1964	3,100

MOBILIZATION OF LOCAL CAPITAL PROJECT

Mr. PASSMAN. I notice you have allocated $35,000 to the mobilization of local capital project on page 131; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. MACOMBER. $135,000.

Mr. PASSMAN. Let's identify the project in last year's book.

Mr. MACOMBER. Page 154 in last year's book, Mr. Chairman.

Mr. PASSMAN. Do you people switch this thing around purposely to confuse the committee?

Mr. MACOMBER. It is the same project, Mr. Chairman.

CHANGE IN PROJECT NUMBERING SYSTEM

Mr. PASSMAN. Last year you had a project "AA"—that is a good rating—"AA 92 AE 5" under general and miscellaneous sector.

This year we find a project known as the mobilization of local capital, but they have changed its sector to industry and mining, and the number of this project is now 265–11–92–240. What is the relationship of these two projects?

Mr. MACOMBER. The project title remains the same, but the project has been shifted from the general sector to the industry sector.

Mr. PASSMAN. But I am looking at the project number. You have a different activity and a different number assigned to it, don't you?

Mr. MACOMBER. The numbering system of all of projects changed this past year, Mr. Chairman.

The point I am making is that the project description and the title of the project are the same.

The activity it is shown under has been shifted. It is correct to say this project was shown last year under "General miscellaneous" and this year under "Industry and mining."

It seems to me the activity "Industry and mining" and particularly the word "industry," is more descriptive of this project's purpose than is "miscellaneous."

Mr. PASSMAN. I am not going to ask you to use my terminology in describing these things. That would be going too far, but I hope we don't run into too many "miscellaneous."

MINING ENGINEERING SERVICES PROJECT

Would you comment on your new project entitled "Mining engineering services," for which you are requesting $25,000 to initiate the project in fiscal year 1965?

Mr. MACOMBER. This new project has been established in response to a request of the Ministry of Economy for the services of a mining engineer to help its new technical assistance division. The American mining engineer will work for a period of 3 years to advise the division on how to establish and staff programs to provide advice on mining and evaluation to the mining industry, carry out mine surveying and geological mapping, and prepare mine reports. He will also help the mining section establish training programs in practical mining and mine rescue work.

Mr. PASSMAN. This is just as confusing as anything I have ever fooled with.

You have on page 130, "Industry and mining," and on page 132 you break out with a new project with the same caption:

"Activity: Industry and mining," but you call it "Mining engineering services."

Every time you hire a new man, do you have to set up a special project for him?

PROJECT ADMINISTRATION

Mr. MACOMBER. No, sir, but the activity title refers to the area in which you are working, and this activity is within the broad activity of industry and mining.

Mr. PASSMAN. You have four projects under "Industry and mining" in the book don't you?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. And each one, when you set up a new project, has to have a project chief, doesn't it?

Mr. MACOMBER. Not always.

Mr. PASSMAN. Not always, but in most cases?

Mr. MACOMBER. It depends on the size of the project and the amount of activity in the area.

Mr. PASSMAN. You have all four of these projects operating under one chief, sitting back in his air-conditioned office, under the technical support project?

Mr. MACOMBER. The division chiefs are under technical support.

Mr. PASSMAN. Do you have a division chief for each one of these projects?

Mr. MACOMBER. No, sir; we have a division chief for each sector where there are a number of projects.

Mr. PASSMAN. Why don't you put all of them under one project? Why do you have to break them out into four projects?

Mr. MACOMBER. If we can get it in one project, we will do it that way, if you want it that way.

Mr. PASSMAN. It is not how I want it.

Mr. MACOMBER. The reason we don't do it, if you put everything under one project, you have——

Mr. PASSMAN. Not everything. But if you have a "corncrib" project, you shouldn't have to have another project known as the crib of corn.

Mr. MACOMBER. That is correct, but if you had a corncrib and then down the river you were putting a little irrigation ditch on the farm, you would probably put those in two different projects.

Mr. PASSMAN. But you said you had it under one project chief, you understand.

I don't know whether it is to confuse the committee or to confuse yourselves.

Mr. MACOMBER. No, sir.

Mr. PASSMAN. One day you tell us you are trying to consolidate projects and the next day we find out where you are trying to break them out so we can understand them.

Mr. MACOMBER. Trying to consolidate activities, Mr. Chairman.

FUND OBLIGATION FOR THE LAKE REZAIEH NAVIGATION PROJECT

Mr. PASSMAN. Last year the project book indicated actual obligations through June 30, 1962, for the Lake Rezaieh navigation project were $1,176,000; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. On June 30, 1962, actual unliquidated obligations amounted to $1,023,000. Is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. You did not request any funds in fiscal 1963 or in fiscal 1964, did you?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Would you explain, then, how obligations through June 30, 1963, amounted to $1,280,000 and your unliquidated obligations on June 30, 1963, amounted to $1,125,000? See if you can unscramble that one.

Mr. MACOMBER. I will have to look into that and supply it.

Mr. PASSMAN. Get one of your assistants to make a brief comment. On June 30 actual obligations were $1,176,000 and the actual unliquidated obligations were $1,023,000. You did not request new funds for fiscal 1963 and 1964. Therefore, I am at a loss as to how obligations through 1963 amounted to $1,280,000 and unliquidated obligations on June 30 amounted to $1,125,000.

Mr. WHITE. I cannot find here the basis for the difference.

Mr. PASSMAN. Don't try.

(The information follows:)

OBLIGATIONS FOR LAKE REZAIEH NAVIGATION PROJECT—IRAN

No additional funds have been obligated for this project. The obligation and unliquidated obligations figures which appeared in the fiscal year 1964 project book were in error. Correct figures for this project are as follows:

[In thousands of dollars]

	As of June 30, 1962	As of June 30, 1963
Obligations	1,280	1,280
Unliquidated obligations	1,128	1,125

LABOR SERVICES AND TRAINING PROJECT

Mr. PASSMAN. Last year's justifications indicated the labor services and training project on page 134 would be completed in fiscal 1964. Is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. That means this is one project we found where you just do not have to worry about new appropriations. You said last year you would complete it and you have completed it?

Mr. MACOMBER. No, sir. One additional year.

Mr. PASSMAN. Is there any cost?

Mr. MACOMBER. We are requesting $40,000 for it next year.

Mr. PASSMAN. I want to say again, gentlemen, there is no law against terminating one of these projects. If you say you are going to finish it with this year's funds, you will not be reprimanded by this committee if you do finish it.

Mr. MACOMBER. In this particular case, Mr. Chairman, we consider that the strengthening and development of a labor movement in Iran is important to the stability of Iran. Therefore, we have hoped to get something going here.

Mr. PASSMAN. We had our independence 175 years, Iran has had their for thousands of years. The project started in 1953. There appears to be no such thing as terminating one of these projects.

Mr. MACOMBER. Mr. Chairman, I looked at this before I came up here. I agree with the belief of the mission and AID that the effort to get the labor program going is important. But I share your concern on this. I will have a careful look at it.

Mr. PASSMAN. You say get this project going. This thing has been going about 11 years, has it not?

Mr. MACOMBER. I mean get it going in the way that I think would justify our continuing with it.

Mr. PASSMAN. If you have been funding it with this much money for 11 years and still have not got it started, that is certainly disillusioning.

ARMED FORCES VOCATIONAL TRAINING PROJECT—REQUEST VERSUS ALLOCATION

I note you allocated $130,000 to the Armed Forces vocational training project on page 142 last year; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. MACOMBER. $58,000.

Mr. PASSMAN. Congratulations. Only $58,000 out of $5 billion. We cut it to $3 billion. You doubled the allocation.

Mr. MACOMBER. We are able to do that, sir, because of savings in other projects.

Mr. PASSMAN. I want to remind you that you do not have to find ways of spending money because you requested more money than you needed for other projects.

Mr. MACOMBER. I fully understand that, sir.

Mr. PASSMAN. You do not mind my calling it to your attention occasionally, do you?

Mr. MACOMBER. No, sir; but I hope you do not mind my pointing out these things.

Mr. PASSMAN. I want you to point out anything that will help you shore up what I thing is a bad case in this program.

Mr. MACOMBER. This is an excellent project.

Mr. PASSMAN. Is it better than the others you described as being indispensable or something of that nature?

Mr. MACOMBER. This is another excellent project.

Mr. PASSMAN. We have gone through hundreds of projects. Could you help the committee decide which ones are excellent and which ones are subexcellent? Some are very excellent?

Mr. MACOMBER. As to how you judge projects, I believe in the case of these projects we have been discussing, the purpose we are trying to carry out is important and, if you will, an excellent purpose.

Mr. PASSMAN. All of them?

Mr. MACOMBER. The purpose.

Mr. PASSMAN. The purpose is excellent?

Mr. MACOMBER. When you deal with this many projects, some are better than others.

Mr. PASSMAN. Some are excellent projects, some are not excellent?

Mr. MACOMBER. When you deal with this many projects, some move ahead in a more satisfactory way than do others.

Mr. PASSMAN. Does that make them more excellent?

Mr. MACOMBER. Yes. We may have a project with an excellent purpose which is moving ahead very satisfactorily.

Mr. PASSMAN. Then all of them are excellent projects by that definition.

Mr. MACOMBER. As the record shows how I defined it, yes, sir. That is, the purpose of these projects is excellent—the implementation of these projects sometimes is, and sometimes is not.

Mr. PASSMAN. As how you defined it?

Mr. MACOMBER. I spoke of excellence in two different senses.

Mr. PASSMAN. That is right.

Mr. MACOMBER. This particular project is a project where they take people that have been in the army and are about to get out and give them vocational training, give them a skill so when they get out, they can become both self-supporting and productive members of the economy.

Mr. PASSMAN. How long did they serve in the army? What is the period of service?

Mr. MACOMBER. Two years for ages of 21 to 45. There is a small proportion of voluntary enlistments that run for 5, 7, or 10 years.

Mr. PASSMAN. Some of them got out earlier than that?

Mr. MACOMBER. No, this would be at the end of their period of enlistment.

Mr. PASSMAN. Do some get out earlier than 2 years?

Mr. MACOMBER. I do not believe so, but I would have to check.

Mr. PASSMAN. Do they lose the knowledge of the vocation they pursued before they went in?

Mr. MACOMBER. These would be young fellows who come in without any training.

Mr. WALSH. Illiterates.

Mr. PASSMAN. How many have you trained?

Mr. MACOMBER. I will have to supply that for the record.

(The information follows:)

NUMBER OF IRANIANS TRAINED UNDER ARMED FORCES VOCATIONAL TRAINING PROJECT

Through March 1964, conscript training centers had graduated 1,100 conscripts. The teachers for these centers were drawn from the 130 technically skilled noncommissioned officers who have completed 6-month teacher training courses.

VOCATIONAL EDUCATION PROJECT—FISCAL YEAR 1964 REQUEST AS ALLOCATION

Mr. PASSMAN. Last year you requested $157,000 for the vocational educational project on page 144, is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. I believe you stated that this project would terminate in fiscal 1966; is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. How much did you allocate to the project in fiscal 1964?

Mr. MACOMBER. $180,000.

Mr. PASSMAN. You people are past masters. Out of $5 billion, you requested $157,000, and out of $3 billion you were able to increase the allocation to just about every project. Did you advance the termination date?

Mr. MACOMBER. We did, by 1 year.

Mr. PASSMAN. If this had been a line item bill, you could not have done that without returning for more money; is that correct?

Mr. MACOMBER. That is correct.

INTERNAL SECURITY PROJECT

Mr. PASSMAN. I note you have programed $304,000 for the internal security project on page 145; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. MACOMBER. $165,000.

Mr. PASSMAN. Congratulations. You asked for $165,000 out of $5 billion, but you allocated $304,000 out of $3 billion. The project book last year indicated that project would be completed in 1965; is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. This year's book indicates it will not be terminated until 1966; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. What commodities did you supply to this project in 1964 at a cost of $102,000?

Mr. MACOMBER. I will have to supply that for the record, Mr. Chairman.

(The information supplied follows:)

Commodities provided in fiscal year 1964 under internal security project, Iran

Public safety equipment (chemical preparations, gas masks, gas guns, motor vehicles, spare parts)	$82,000
Communications equipment (transmitters, receivers, spare parts)	20,000
Total	102,000

Mr. PASSMAN. At least you will put in the record at this time that you did not request any funds for commodities for this project in 1964, would you not do that?

Mr. MACOMBER. That is correct. The reason this project was increased in amount and extended a year, was that before the work had been done in Tehran, we wanted to do some work in provinces outside of the city.

Mr. PASSMAN. Is this also an excellent project?

Mr. MACOMBER. I think this is an excellent project.

Mr. PASSMAN. It would not be in the superb category?

Mr. MACOMBER. I have to take a careful look before saying.

Mr. PASSMAN. I certainly would not want any new definitions attached to it.

ADMINISTRATIVE REFORMS AND TRAINING PROJECT

I note you are requesting $40,000 for contract services for the administrative reforms project on page 147, which will provide two short-term consultants to advise the High Council on Administration. This seems to be about $20,000 for each person; is that correct?

Mr. MACOMBER. That is correct. That figure is too high, Mr. Chairman.

Mr. PASSMAN. Is this the government where they just take in money and pay it out and have no budgetary system as we understand it to account for receipts and expenditures? We insisted about 3 years ago, after about 10,000 years of recorded history of this country, that they change their system and they agreed to change; is that right?

Mr. MACOMBER. That is correct, we have encouraged improvements in budgetary practices.

Mr. PASSMAN. Having pursued such a policy for 10,000 years, do you think we have completely reformed them in 3 years?

Mr. WALSH. No, sir.

Mr. MACOMBER. The point is in Iran they have potentially great wealth. One of their great difficulties that is holding back their development is their inability to manage it and properly administer it. It is very important that this developing country, which does have money unlike so many others that do not, learns to take advantage of this money.

VILLAGE, TOWN, AND PROVINCE PROJECT

Mr. PASSMAN. Did you justify any funds last year for the village, town, and province project on page 148?

Mr. MACOMBER. No, sir; we did not.

Mr. PASSMAN. Did you by chance allocate any money to this project?

Mr. MACOMBER. We allocated $45,000, Mr. Chairman.

Mr. PASSMAN. Of course, you know I am not asking you what the completion cost will be for these projects. I am dispensing with that part of the examination so as to get through.

Mr. MACOMBER. Mr. Chairman, you will recall last year we did state that we wanted to retain considerable flexibility in this program in Iran for fiscal 1964 because we wanted to be in a positon to support the Shah's reform program as much as we possibly could.

Mr. PASSMAN. That is exactly why I asked the question about the cost. You have had this same program going for years out there; is that right? I should say programs.

Mr. MACOMBER. We have had programs out there for some time, but the Shah is trying to institute a decentralization of government at the same time that he is trying to institute land reform——

CASH GIFT TO THE SHAH

Mr. PASSMAN. Is this the same Shah who paid us a little visit about 3 years ago and we gave him a cash gift, while he was here of $15 million. He bought himself $16 million worth of our gold about 3 weeks later. Is this the same country, and the same Shah?

Mr. MACOMBER. Yes, the same man is Shah of Iran who was Shah 3 years ago.

Mr. PASSMAN. You remember the little gift from our President? He brought his beautiful bride over, and we gave him $15 million out of the contingency fund. He then turned around and bought our gold with the money. That is a matter of record.

Mr. MACOMBER. I am familiar with the allegation. The Shah has embarked on a very interesting and a very important program in Iran. It is quite a gamble.

Mr. PASSMAN. I wish him all the luck in the world. I wish he would stop gambling, however.

Mr. MACOMBER. The reform program is a gamble. If he does not take this gamble, then——

Mr. PASSMAN. What kind of a gamble is he taking to take hundreds of millions of dollars of our money and dissipate it? It is not his money.

Mr. MACOMBER. He is taking a real gamble.

Mr. PASSMAN. He is the king, is he not?

Mr. MACOMBER. Yes.

Mr. PASSMAN. His predecessor was assassinated, was he not?

Mr. MACOMBER. No.

Mr. PASSMAN. That was in Iraq?

Mr. MACOMBER. Yes. With regard to your basic question, it would be worse than that. The Shah is a good friend of the West, and if he and his regime went, it would be more than simply a personal tragedy.

Mr. PASSMAN. If I became Shah and you give me as much money as you have given him, I would be a friend of the West. I would put it in writing that I would say nothing against the West, and sign it before a notary public.

I yield to Mr. Natcher for questions on Iran.

STATUS OF LAND REFORM PROGRAM IN IRAN

Mr. NATCHER. Can you tell me just where the Shah is at the present time with his land reform program?

Mr. MACOMBER. Yes, sir. He has completed the first phase, which was to break up the huge holdings where one person would hold a number of villages and all the lands around those villages. He has gotten it down to where a landowner has a village and the surrounding land. It will proceed further, but the first big step has been taken.

Mr. NATCHER. As I recall, several months ago, in order to justify a portion of the funds requested for Iran, statements were made to the effect that the Shah was giving up considerable holdings of his own; is that correct?

Mr. MACOMBER. That is correct.

Mr. NATCHER. Just how far did he go? Has he stopped?

Mr. WALSH. No, sir; this program of his, his personal distribution, has been going on for some years. He has given up extensive land. What is left is largely land that can hardly be given up, land which is not much good, desertland, wasteland.

Mr. NATCHER. At the time he started the program, did he own half of the country?

Mr. WALSH. No.

Mr. NATCHER. Did he control as much as half?

Mr. WALSH. No; he did have extensive holdings, though. These holdings have now been largely turned over to the people.

PURPOSE OF MUTUAL SECURITY PROGRAM IN IRAN

Mr. NATCHER. Why should we have a mutual security program in Iran?

Mr. MACOMBER. The reason is that Iran is of vital importance to the free world. We believe keeping its friendship and its orientation toward the free world is extremely important. That means keeping a stable Iran.

The key to keeping a stable Iran is to get an Iran which is developing economically and socially at a sufficiently rapid rate to maintain stability there. They have resources, Mr. Natcher, but they do not yet have the techniques developed to really use these resources to develop the country at the kind of rate that we think is necessary to keep stability. The purpose of our aid program is to get this development going. It is an insurance policy for us.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Natcher. I hope I misunderstood you, Mr. Macomber, but I am afraid I did not. Did you say that this aid program is to keep them oriented toward this country and the West?

Mr. MACOMBER. My answer was a good deal longer than that, sir.

Mr. PASSMAN. Is that what you said in essence?

Mr. MACOMBER. I believe the aid program is an important ingredient in the effort to keep Iran stable and oriented toward the free world and a part of the free world.

WEALTH OF THE SHAH OF IRAN

Mr. PASSMAN. I thought that was what you said. The Shah himself is one of the richest men in the world; is he not?

Mr. MACOMBER. He is a rich man, yes; but the economic burdens in the country dwarf his riches.

Mr. PASSMAN. I am sure of that. Is he not reputed to be one of the wealthiest men in the world?

Mr. WALSH. That I do not know.

Mr. PASSMAN. He is considered to be extremely wealthy?

Mr. WALSH. Yes.

Mr. PASSMAN. Where did he get this land to start with?

Mr. WALSH. Inherited it from his father.

Mr. PASSMAN. Where did his father get it?

Mr. WALSH. His father got it——

Mr. PASSMAN. Centuries ago the royal family owned everything; did it not?

Mr. WALSH. His royal family is more recent.

Mr. PASSMAN. These tremendous land holdings were more or less in the family?

Mr. WALSH. Not in his family.

Mr. PASSMAN. In the leading families?

Mr. WALSH. Yes.

Mr. PASSMAN. His father inherited the millions of acres?

Mr. WALSH. Yes.

Mr. PASSMAN. Then the present Shah inherited from his father?

Mr. WALSH. Yes.

Mr. PASSMAN. Along the way the present Shah became immensely wealthy?

Mr. WALSH. Yes, through landholdings largely.

Mr. PASSMAN. He is immensely wealthy in dollar holdings and other holdings also, is he not?

Mr. WALSH. Yes.

Mr. PASSMAN. No wonder he is willing to give up a little land. He may be giving back to the people something they are entitled to.

Mr. WALSH. It is going to different people.

Mr. PASSMAN. As far as I am concerned, the family must have made a lot of money along the way or he would not have been so immensely wealthy. Do you agree?

Mr. WALSH. Yes, sir.

SOVIET LOANS TO IRAN

Mr. PASSMAN. I think we have just about agreed, almost, if not by direct confirmation, then by indirection, that Russia is not giving away as much as a ruble; they are making the same type of loans that nations have been making from time immemorial—short term and drawing from 2½ percent to a very high rate of interest up to 8 percent.

I notice that Iran, even though we have given to Iran through 1963, a net, in round figures, of $1.5 billion. However, it looks as if the Soviet bloc's assistance is going up. In 1962 it was $500,000; in 1963

it is $38,900,000. Could you tell us on what terms they made those loans to Iran?

Mr. MACOMBER. I do not know offhand, Mr. Chairman.

Mr. PASSMAN. Since witnesses in previous years have stated we were not in competition with Russia with our aid program, I do not guess it would be material to this subject, would it?

Mr. MACOMBER. What is material to the subject of Iran is that it is contiguous to the Soviet Union and it has always felt its exposed position, being close to Russia and her military strength.

Mr. PASSMAN. That made them want to borrow Russia's money, I suppose. Do you know what we call that in Louisiana? We call that double dipping. Let the record show the chances are those are hard-boiled loans. We hope we will not find out some day that they are taking our money to repay Russia.

ISRAEL

TOTAL FOREIGN AID

What has been the total aid to Israel since the inception of the program?

Mr. MACOMBER. $1,028,800,000.

Mr. PASSMAN. They have a thriving economy in Israel at this time; is that right?

Mr. MACOMBER. They are doing well under very difficult circumstances.

Mr. PASSMAN. What is so difficult about it? They are getting a lot of aid. Are you speaking about the actual threat to their security rather than to their economy?

Mr. MACOMBER. I am speaking about both the political situation in which they find themselves and the fact that the land they live in is a land which still requires a good deal of development.

Mr. PASSMAN. I thought they were making tremendous progress out there.

Mr. MACOMBER. They are.

Mr. PASSMAN. There is no budget for economic grant assistance to Israel in 1965; is that correct?

Mr. MACOMBER. That is correct, sir.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. I note, however, that Israel is expected to receive approximately $27 million in agricultural commodities for fiscal 1965; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Repayable in local currency or in dollars?

Mr. MACOMBER. It is local currency.

Mr. PASSMAN. It falls in the category of grant or soft loans, then?

Mr. MACOMBER. That is correct.

U.S.-OWNED ISRAEL CURRENCY

Mr. PASSMAN. $27 million is a lot of aid. Could you give us an idea as to the amount of Israel currency we own?

Mr. MACOMBER. The total figure is $78,305,000. That breaks down into——

Mr. PASSMAN. If it is local currency, that is all we want to know. Do we have Israel currency in excess of our needs?

Mr. TENNANT. Yes, sir, it is an excess currency.

EXTENSION OF INDUSTRIAL DEVELOPMENT BANK LOAN

Mr. PASSMAN. How much do you anticipate deobligating under the Industrial Development Bank credit to Israel?

Mr. MACOMBER. We do not expect to deobligate under this loan. The last line of the sheet suggests that, but the terminal date has been extended to June 30, 1965. We do not now expect to deobligate.

Mr. PASSMAN. That is the rollover in reverse, is it not? Give them more time to try to utilize it.

Mr. MACOMBER. It is an extension; yes, sir.

Mr. PASSMAN. Do we have much trouble getting them to let us extend it?

Mr. MACOMBER. No, sir; the extension was at their request.

DELAY IN FINALIZING TIMNA COPPER PROJECT LOAN

Mr. PASSMAN. What is the reason for the delay in the signing of the Timna copper project development credit approved in 1963?

Mr. MACOMBER. There are some technical problems and I am not familiar with the details.

Mr. PASSMAN. To keep the record straight, that is another case of rushing through an obligation before you finalize one of these loan agreements, is it not?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. When I speak of obligation, I am speaking of anything that reduces the amount of unobligated funds. I do not care what it is called. If it reduces the funds on hand available for obligation, then, of course, I think of it as an obligation. What is the amount of this commitment?

Mr. MACOMBER. $4,400,000.

Mr. PASSMAN. Do you think there is a possibility that may come back into the pot for use elsewhere?

Mr. MACOMBER. As I say, I do not know the details of these technical problems that have developed, and until I do I could not give you a good answer.

Mr. PASSMAN. If this was left entirely up to you, Mr. Ambassador, knowing of your background, your devotion to duty, your dedication to any assignment, your determination to do credit to those assignments, if you had to reapprove this loan, would you not make it on the basis that we would not get money all tied up until these things had been made final?

Mr. MACOMBER. I do not believe we tie up money if we do not think we are going through with projects.

Mr. PASSMAN. You believe in tying it up before you know whether you are going to go through with it?

Mr. MACOMBER. I believe in committing the money when we are satisfied that a loan makes sense.

Mr. PASSMAN. Even before getting everything straightened out and before all conditions are finalized?

Mr. MACOMBER. We do not commit the money until we are satisfied that the loan will be made.

Mr. PASSMAN. You debit the unobligated balance on hand, do you not?

Mr. MACOMBER. When we reach that decision.

Mr. PASSMAN. There has been no signing of this contract?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. You have charged it already against the unobligated funds, have you not?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. There could be a half billion dollars tied up in loans of this type.

Mr. MACOMBER. The technical problems that I referred to in connection with this loan developed after the authorization. If we had known about them ahead of time, we would not have gone ahead with the authorization.

Mr. PASSMAN. Which is an indication that these things are being approved prematurely. It looks as if you are working overtime to get all your funds in some kind of status where you can say the unobligated is zero.

Mr. MACOMBER. No, because in the majority of cases these loans proceed as we have planned for them.

Mr. PASSMAN. Just like you are going to have no unobligated funds on June 30 out of nearly a billion dollars. That is what I call perfect timing. It has never happened before. If you were to read some of these memorandums I have in my pocket, you would know I know why it is happening this year. We hope you can find some of these loans are commitments that you can deobligate and put it back in the pipeline.

JORDAN

TOTAL FOREIGN AID

What has been the total aid to Jordan since the inception of this program?

Mr. MACOMBER. $468,800,000.

Mr. PASSMAN. This country is known as the Holy Land, is it not?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Jordan has also been in existence for a mighty long time, has it not?

Mr. MACOMBER. The land that the nation of Jordan now occupies has been there a long time.

Mr. PASSMAN. The land, the tradition, and the people.

Mr. MACOMBER. A good part of Jordan in many periods of history has been a vacant lot. The country has risen and fallen. It had periods with a good bit of population. The capital city of Amman was the original city of Philadelphia which at the time of Christ had a population of 100,000 people. One hundred years ago nobody lived there. Today its population is 275,000. It is an area with ups and downs.

Mr. PASSMAN. Peaks and valleys. That has been true from time immemorial?

Mr. MACOMBER. Yes.

Mr. NATCHER. Would you yield, Mr. Chairman?

Mr. PASSMAN. Yes.

PRESS STATEMENT OF KING OF JORDAN

Mr. NATCHER. Did you agree with the King's statement made to the Press Club?

Mr. MACOMBER. Which statement?

Mr. NATCHER. Either of his statements.

Mr. MACOMBER. I read his two speeches and also saw his interview on "Meet the Press."

Mr. NATCHER. Did he make a speech to the Press Club, do you remember?

Mr. MACOMBER. I do not believe he did, sir.

Mr. NATCHER. He was just on "Meet the Press?"

Mr. MACOMBER. And he gave a speech here in Washington and in New York.

Mr. NATCHER. Where did he make the speech in Washington?

Mr. MACOMBER. At the Shoreham.

Mr. NATCHER. I thought that was the Press Club. Who did he speak to at the Shoreham.

Mr. MACOMBER. That was before a private American committee. I do not recall the name at the moment.

Mr. NATCHER. That is the speech I am referring to. Did you agree with what he said in that speech from the newspaper reports we saw here in Washington?

We had this distinguished gentleman from Pakistan to make a speech before a joint session of Congress, and was along the order of the speech made at the Shoreham.

I wonder when these people come over here to ask our assistance whether or not they should make some of the statements they make in our country. Should he make some of the statements in this country that this man made before he left here or do you agree with everything he said?

Mr. MACOMBER. I do not agree with everything he said, Mr. Natcher. Because of my former position as Ambassador there, could I answer you off the record?

Mr. NATCHER. All right.

(Discussion off the record.)

Mr. PASSMAN. What did you say was the amount for this country since the inception of the program?

Mr. MACOMBER. $468,800,000.

Mr. PASSMAN. Since the inception of the program. Is that all spigots?

Mr. MACOMBER. That is all spigots.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do we have unliquidated to the credit of Jordan as of June 30, 1964, estimated?

Mr. MACOMBER. $20,306,000.

Mr. PASSMAN. This country could not exist without outside aid, could it?

Mr. MACOMBER. Under present circumstances that is correct, Mr. Chairman.

Mr. PASSMAN. Under any circumstances?

POTENTIAL DEVELOPMENT OF JORDAN

Mr. MACOMBER. Yes. I envision circumstances where it will be able to go on its own. I think this is the exciting thing about the aid program in Jordan, that if Jordan can keep going on the course it is on, I think in perhaps 10 or 12 years or 15 years that Jordan can become what that area has never been in its history. It can become a nondeficit area and a self-supporting area.

Mr. PASSMAN. Upon what basis can they reach that goal?

Mr. MACOMBER. On the basis of their development program.

Mr. PASSMAN. Development of what?

Mr. MACOMBER. The very meager resources they have in the country. It is a remarkable thing what I think they are on the road to accomplish, although nobody can be sure they will finally be able to accomplish it. The East Ghor River development offers a great prospect for increasing revenues. They are a capable people. They have very little in the way of natural resources but are developing light industry and commerce. They have two mineral assets there that they can develop. Above all, they have one of the great potentials in the world for tourism. Through a combination of these factors, if they can and will do the things that need to be done there, I believe they can bring Jordan to the point where it will be a nondeficit area. Until the last year or two no one thought that was really a possibility.

Mr. PASSMAN. Are we not just dreaming now?

Mr. MACOMBER. No, sir; we are not just dreaming.

REQUEST FOR 1964

Mr. PASSMAN. What did you request for Jordan in fiscal 1964?

Mr. MACOMBER. $41,500,000.

PUBLIC LAW 480 PROGRAM FOR 1965

Mr. PASSMAN. What is the proposed Public Law 480 agricultural commodity program for fiscal 1965?

Mr. MACOMBER. $3.9 million.

Mr. PASSMAN. We have no alternative as the situation exists today but to continue an aid program for Jordan; is that correct?

Mr. MACOMBER. That is my belief, Mr. Chairman.

ASSISTANCE FROM OTHER COUNTRIES

Mr. PASSMAN. Are any other countries helping Jordan?

Mr. MACOMBER. The United Kingdom is helping Jordan.

Mr. PASSMAN. How much a year? Do you have figures for fiscal 1965?

Mr. MACOMBER. About $6 million, Mr. Chairman.

Mr. PASSMAN. Is that hearsay or factual?

Mr. MACOMBER. Factual.

Mr. PASSMAN. Grant or loan?

Mr. MACOMBER. $4.2 million of it is grant; $2 million of it is an interest-free loan.

Mr. PASSMAN. She has substantial personal interests there, does she not?

Mr. MACOMBER. Not any more, Mr. Chairman.

Mr. PASSMAN. She did, though.

Mr. MACOMBER. She did.

Mr. PASSMAN. That is why there is a closeness to Jordan, on account of their previous relationship?

Mr. MACOMBER. Yes, Jordan was under British authority.

Mr. PASSMAN. In other words, Jordan was a satellite, a colony, a possession—what would be the category?

Mr. MACOMBER. A protectorate.

Mr. PASSMAN. If it is not a child at least it would be as close as a stepchild to the United Kingdom. Would it be in that general category?

Mr. MACOMBER. They have had a very close relationship, yes.

Mr. PASSMAN. Then Great Britain should be giving more.

Mr. MACOMBER. Over the years they have given about the same amount as we have.

Mr. PASSMAN. I would like to bet you on that—since 1957?

Mr. MACOMBER. No; going back over the years.

Mr. PASSMAN. They had their own interests there. It is only natural to always look after your offspring.

EAST GHOR IRRIGATATION PROJECT

I believe you have an estimate of $1,420,000 in fiscal 1965 under the East Ghor irrigation project on page 165. Is that correct?

Mr. MACOMBER. That is right.

EAST GHOR RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. Last year's project book indicates the East Ghor rural development project on page 169 would terminate in 1966 and that the total cost of the project was estimated at $1,128,000. Is that correct?

Mr. MACOMBER. Your statement is correct, sir.

Mr. PASSMAN. Did you increase the cost to completion?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Have you also advanced the date of completion?

Mr. MACOMBER. Yes, sir; to fiscal 1967.

Mr. PASSMAN. I believe under this project you propose to build 10 houses; do you not?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Will these be rental houses?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. To whom are you going to rent them, Jordanians, Americans, Israelites, or a mixture of all?

Mr. MACOMBER. To Jordanians who work in the Ghor and provide services for this project.

Mr. PASSMAN. They do that on a voluntary basis or do they get paid for it?

Mr. MACOMBER. They get paid for it, Mr. Chairman.

Mr. PASSMAN. So we are building houses, taking American money to build houses to rent to the Jordanians; is that correct?

Mr. MACOMBER. That is correct?

Mr. PASSMAN. Who gets the rental payment?

Mr. MACOMBER. The cooperative.

Mr. PASSMAN. Who owns the cooperative?

Mr. MACOMBER. It would be owned by the members participating in it. That is, they have the——

Mr. PASSMAN. How do we get our money back?

Mr. MACOMBER. We will not get any money back in this project.

Mr. PASSMAN. In effect, we are taking U.S. tax dollars to start a Jordanian housing development, we build the houses, then turn them over to the cooperative. They rent the houses to Jordanians and the Jordanians pay rent to the cooperative. But we do not get any money back. Is that stated in factual terms?

Mr. MACOMBER. We do not get money back; that is correct.

Mr. PASSMAN. How about the other part of my statement? It is either correct or not.

Mr. MACOMBER. What we are doing is developing a cooperative with the purpose of making the agricultural economy in the Ghor area move ahead. What we are dealing with here, Mr. Chairman, is people whose experience is working with dry farming——

Mr. PASSMAN. We have a lot of that in Louisiana.

Mr. MACOMBER. Now they will be able to farm irrigated lands. This is a new experience for them.

Mr. PASSMAN. Granting that it may be a good project, tell me whether I made a factual statement—we are taking U.S. tax dollars, starting a housing project in Jordan for the Jordanians. The housing project will belong to a cooperative owned by the Jordanians and any rent the Jordanians pay to this project goes to the Jordanians and we will not get back any money. Is that correct?

Mr. MACOMBER. Yes. The housing project you referred to consists of 10 small houses.

Mr. PASSMAN. That is just a beginning. From little acorns big trees grow. Did you ever hear that expression?

Mr. MACOMBER. I heard that expression; yes, sir.

Mr. PASSMAN. I would call that a housing project. How many houses do you have to have before it falls into that category?

Mr. MACOMBER. I was just pointing out the size of the project.

Mr. PASSMAN. I asked the question originally about the 10 houses. What is the cost of them?

Mr. MACOMBER. $97,000.

Mr. PASSMAN. Per house?

Mr. MACOMBER. No, sir; for the 10 houses.

Mr. PASSMAN. That is $9,700 per house; is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. Individual houses?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. That sounds to me like a pretty good small house.

Mr. MACOMBER. Building houses is expensive in Jordan, Mr. Chairman.

You quoted the saying about great trees from small acorns grow. That is exactly what we are hoping will happen in this project and this is what we think will happen. This is a very exciting project——

Mr. PASSMAN. I will bet it is.

Mr. MACOMBER. We have taken an area which has been brown and dry throughout the centuries and now is green.

Mr. PASSMAN. How many people live in Jordan?

Mr. MACOMBER. Total population of Jordan is about 1.77 million.

Mr. PASSMAN. Is this the only housing project we have started?

Mr. MACOMBER. The only one I know anything about.

Mr. PASSMAN. That means about 500,000 families are out there. You run about four people to a family, do you not?

Mr. MACOMBER. That is about right.

Mr. PASSMAN. You would have roughly 500,000 families out there; is that right?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. What if these other 499,990 families decide they want a house? What will be the answer?

Mr. MACOMBER. Sir, we are not in the business of building houses for all the people of Jordan.

Mr. PASSMAN. You can't tell. This might create a lot of dissatisfaction. If you built my brother a house and gave me a wornout tent I would be unhappy. You may be creating dissatisfaction.

It is all right to improve the land, but we have to get into everything else.

I have offered a prize to any individual appearing before this committee who could think up any project devised by the mind of man that we have not started in this program.

Mr. MACOMBER. Mr. Chairman, this project is worth a prize.

Mr. PASSMAN. I understand it may be a good project.

Mr. MACOMBER. It is.

Mr. PASSMAN. They are accustomed to their way of living. I am more interested in food and developing the land than in spending $9,700 for a house.

Then I look above on the same page and you have other commodities to put into the progrem so they can use the houses; is that right?

Mr. MACOMBER. Other commodities go into the overall cooperative project; yes, sir.

Mr. PASSMAN. So we do not know what it will cost?

I am not saying that they do not need houses, but you do not have to give people fillet, caviar, and pink champagne for them to be happy. I can see these things breaking out all over the world once it is started.

Mr. MACOMBER. That is correct, but the living facilities in the valley are extremely primitive. This is an effort to provide housing for people we want down there helping on the cooperative.

Mr. PASSMAN. Hasn't that been true from time immemorial, the conditions you have described?

Mr. MACOMBER. It has, and so has that valley been a brown valley. Now it is becoming a green valley.

Mr. PASSMAN. During certain seasons of the year——

Mr. MACOMBER. Throughout the year, sir.
Mr. PASSMAN. I hope it succeeds.

TOURISM DEVELOPMENT PROGRAM

Last year you requested $391,000 for the tourism project, shown on page 174; is that correct?
Mr. MACOMBER. That is correct.
Mr. PASSMAN. How much did you allocate to this in fiscal 1964?
Mr. MACOMBER. $660,000.
Mr. PASSMAN. I want to apologize to you and I hope you will take this apology downtown. This is an indication of what happens when you appropriate more money than needed.
In project after project there is more money allocated than was asked for.
Last year did you not request funds for contract services? Page 174 indicates you allocated $435,000 for this purpose in fiscal 1964.

RESTORATION OF ANCIENT SITES

Mr. MACOMBER. Yes, sir; the reason is that we found one of Jordan's most treasured assets, its antiquities, were being spoiled and their value as a tourist attraction was being reduced by the inadequate supervision which was being supplied in the restoration of some of these antiquity sites.
We urged the Government of Jordan to put a halt to that. We are negotiating a contract with the American Schools of Oriental Research in Jerusalem to supervise the restoration and excavation of sites. That is what the extra money went for, Mr. Chairman.
Mr. PASSMAN. But you increased substantially the amount of money you said you would use. These people undoubtedly realize the value of this Holy Land as a tourist attraction. I visited that land many years ago. It appeared to me it was under very good control. I was even afraid to pick up a rock in one of the gardens adjacent to the church there.
Mr. MACOMBER. Mr. Chairman, they certainly value these sites. They have some very able archeologists and antiquity experts there but they do not have enough.
What happened was that in their impatience to get on with the job they brought the Army in and brought bulldozers in and began going too quickly in some of the areas and damaging the sites.
Mr. PASSMAN. If they have no more judgment than that how in the world can you ever help them?
Mr. MACOMBER. The record shows they have a good deal of judgment, but——
Mr. PASSMAN. It certainly does not indicate this from what you have just said, bringing in a bulldozer and destroying one of the sites which is a main source of revenue.
Mr. MACOMBER. I would rather deal any day in the week with people trying to go too fast than people not moving at all. This was our problem here, they were moving too rapidly.
Mr. PASSMAN. Wouldn't you first want to qualify that to find out what direction they are traveling in? You can go too fast in the wrong direction as fast as you can in the right direction.

Mr. MACOMBER. That is correct, but developing the tourism industry in Jordan is certainly in the right direction.

On the question of judgment, they, too, felt when they began to assess what was happening that it should not be done this way. They were very happy to have this kind of expert assistance in cleaning up these sites in a way that would not damage their historic value.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

ESTIMATED TOTAL COST OF TOURISM PROJECT

Mr. PASSMAN. If I recall correctly you indicated last year the total cost of this project was $865,000; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. What is you current estimate of the total cost?

Mr. MACOMBER. $2,593,000.

Mr. Chairman, I think you will see the logic of this if you will consider for a moment the tourism potential in this country.

Mr. PASSMAN. I understand that. We are just trying to do everything for everybody everywhere, on borrowed money. I still contend—and I love this Nation as much as any other living soul, now or who has lived in the past—that we are burning out this country by trying to share our wealth with peoples in 100 nations around the world.

Sometimes if you leave it up to people they might work out something on their own initiative. Give them the idea and let them take it from there. Why do we have to get into projects going into millions of dollars?

Mr. MACOMBER. So we can shorten the time we have to give assistance to Jordan.

Mr. PASSMAN. They told us that 18 years ago. You should read the Congressional Record of 18 years ago.

It took a courageous Member, one of the oldtimers, to start off in a whisper, "Mr. Speaker, we are embarking on a program which may take us into as many as 16 countries, could cost as much as $15 billion, and could require 5 years to complete it."

"What?"

Well, they put the program into effect.

Fifteen nations? No; 100.

Five years?

No; 18 years.

Sixteen nations?

No, 100.

We are trying now, no doubt, to get into some of the other countries.

Mr. MACOMBER. This one we are trying to get out of in the long run.

Mr. PASSMAN. You are trying to get out by getting deeper into it. If you live by what you say you would do in previous years we would not quarrel too much.

Mr. MACOMBER. Mr. Chairman, I wish you would visit Jordan again and see this program.

Mr. PASSMAN. I doubt if I would see very much difference even though we put a half billion dollars, or thereabouts, in there.

Mr. MACOMBER. I think you will have a favorable impression.

Mr. PASSMAN. I know our money will not hold out to keep this thing going. I can look at the economic growth and the population

growth, and as far as I am concerned on the average we are getting close to having one offset the other.

I hope in the end something will come out of it. It is not our responsibility to finance everybody.

INDUSTRY AND BUSINESS SERVICES PROJECT

Last year you requested $57,000 for the industry and business services projects on page 176. Is that true?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How much did you allocate?

Mr. MACOMBER. $109,000.

MALARIA ERADICATION PROJECT

Mr. PASSMAN. Last year you requested $15,000 to purchase vehicles and spare parts for the malaria eradication project, shown on page 178. Is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. Page 178 also indicates that you allocated $15,000 for commodities, so I assume you purchased the vehicles. Therefore, why do you need three passenger vehicles, tires, and spare parts for this project in fiscal 1965?

Mr. MACOMBER. These are additional vehicles for other personnel in the program, Mr. Chairman. We purchased them last year and we are requesting them again for this coming year.

Mr. PASSMAN. Out of the $15,000 last year what part went for vehicles and what part went for commodities?

Mr. MACOMBER. I would have to supply that for the record, Mr. Chairman.

Mr. PASSMAN. What if you find out you purchased $15,000 worth of vehicles? Then you would not need $15,000 for this year, would you?

Mr. MACOMBER. I would have to check the requirements, Mr. Chairman.

(The information follows:)

Commodity requirements for malaria eradication project—Jordan

	Actual fiscal year 1964 obligations	Planned fiscal year 1965 obligations
4-wheel-drive passenger/utility vehicles for the Ministry of Health's entomological staff (2 for fiscal year 1964; 3 for fiscal year 1965)	$5,500	$8,000
Spare parts for project-owned vehicles	2,200	2,000
Spare tires for project-owned vehicles	3,000	3,000
8,000 pounds DDT	2,000	----------
Spare parts for sprayers	1,500	----------
Drugs	----------	2,000
Laboratory equipment and supplies	800	----------
Total	15,000	15,000

PUBLIC SAFETY PROJECT

Mr. PASSMAN. I note you have allocated $245,000 in fiscal 1964 to the public safety project shown on page 185. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. MACOMBER. Zero. The reason for this new project, Mr. Chairman, is that we have been concerned all through the years with the internal security situation in Jordan. We have been anxious to see the internal security capability increased. We are pleased that this project is starting because we think it is a form of an insurance policy to backstop our other efforts in that country.

Mr. PASSMAN. Thank you, Mr. Ambassador. Did you say you thought for many years this would be a good project?

Mr. MACOMBER. I thought so all the years I was there, yes, sir.

Mr. PASSMAN. I wonder if your predecessor shared those conviction with you? He worked this new budget up; you didn't.

Mr. MACOMBER. My predecessor? Oh, you mean here.

Mr. PASSMAN. Yes. You didn't change your mind. We have given $465 million to these people. They didn't even have an illustrative justification for this project last year.

Mr. MACOMBER. This was an approach to us by the Government of Jordan which we welcomed and wanted to take advantage of it.

Mr. PASSMAN. Is it one you had not thought of before?

Mr. MACOMBER. We thought of it but we had not seen any indication that the Government was prepared to cooperate with such a project, or wanted such a project.

Then as a result of the disorders which took place in Jordan about a year ago, and the threat to the internal stability which was apparent at that time, His Majesty changed his mind and asked for our help in this particular field.

Mr. PASSMAN. He wanted it, didn't want it, and then wanted it. Is that right?

Mr. MACOMBER. He decided about a year ago that this would be an important and useful activity to get into.

Mr. PASSMAN. All they have to do is to think of some project, it costs us x dollars, submit it to you and you start it?

Mr. MACOMBER. No, sir; that is not the case at all.

Mr. PASSMAN. The record shows that is the case.

Mr. MACOMBER. I don't think——

Mr. PASSMAN. I think we are making a good record.

Mr. MACOMBER. The record does not show that.

Mr. PASSMAN. If you had a line item bill you could not have started this project; is that correct?

Mr. MACOMBER. That is correct, and it was fortunate we were able to start this.

Mr. PASSMAN. With all the hundreds of millions of dollars you have put in that country, and with all the turmoil they have had this is a project where you could not even give us an illustrative justification, but you had to take money in excess of your needs for other projects and start a brandnew one without giving the committee, the Congress, and the American taxpayer an opportunity to discuss it before getting it started.

Mr. MACOMBER. That is correct, sir. The reason is that you cannot wait for turmoil. In a tumultuous situation you cannot wait. You have to move in.

Mr. PASSMAN. What if money runs out? Then what will you do, Mr. Ambassador?

Mr. MACOMBER. I don't believe for the great resources of the United States that it will run out with projects of this priority.

Mr. PASSMAN. Do you think you can drain the largest water tank in Washington one drop at a time if a spigot was open all the time?

Mr. MACOMBER. Yes, if it was not replenished.

Mr. PASSMAN. As my former chairman said, we are spending money we do not have for things we do not need.

It is not only this one project. We have to multiply this by perhaps 4,000 projects and subprojects worldwide.

JORDANIAN CONTRIBUTION

How much is Jordan contributing to this project in its budget?

Mr. MACOMBER. I haven't the exact budget figure. They are cooperating with it and sending people to work with it.

Mr. PASSMAN. It is their people we are spending the money on; is it not?

Mr. MACOMBER. It pays for our technicians and Jordan's participants.

Mr. PASSMAN. Their people have to participate.

Mr. MACOMBER. I am talking only about their actual participants in a technical sense.

Mr. PASSMAN. What is the total annual revenue of this country, annual earnings from exports?

Mr. MACOMBER. Earnings from exports?

Mr. PASSMAN. Foreign exchange earnings?

Mr. MACOMBER. About $20 million of exports.

Mr. PASSMAN. We have given them about twice the amount they earn from their exports. What is their main export?

Mr. MACOMBER. Their main export is people.

Mr. PASSMAN. I see no need to ask page after page on these other projects. I would get about the same answers.

Mr. MACOMBER. You would get answers to justify each project, Mr. Chairman.

Mr. PASSMAN. If I went into all of these projects, with this type of examination, the answers would be a repetition of the others, would it not?

Mr. MACOMBER. Yes, I would defend these projects, as I believe in them.

Mr. PASSMAN. If I went through every project I would have the same questions and receive the same answers, would I not?

Mr. MACOMBER. I think they would be very similar; yes, sir.

Mr. PASSMAN. We will dispense with the other nine pages on Jordan.

Questions by members of the committee?

(No response.)

JORDANIAN PHOSPHATE MINE

Mr. PASSMAN. You might give us the missing sheet on the phosphate mine in Jordan.

Mr. MACOMBER. There is no sheet, Mr. Chairman, because they repaid the loan out of money they got from Kuwait.

Mr. PASSMAN. How much was it?

Mr. MACOMBER. About one and a half million dollars.

NEPAL

TOTAL FOREIGN AID

Mr. PASSMAN. What have we given Nepal since the inception of the program?

Mr. MACOMBER. $72,800,000.

Mr. PASSMAN. Is that the total from all spigots?

Mr. MACOMBER. Yes.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What do you have in the pipeline unliquidated?

Mr. MACOMBER. $8.8 million.

Mr. PASSMAN. That is increasing, is it not?

Mr. MACOMBER. I have 12.2 shown for last year, Mr. Chairman.

Mr. PASSMAN. Last year you told us $5 million, and that is in the record.

Mr. MACOMBER. $7 million of that figure was Indian rupees which were authorized but not yet obligated as of that date.

Mr. PASSMAN. Was it 5 million U.S. dollars?

Mr. MACOMBER. Yes, $5.5 million.

Mr. PASSMAN. 1963, 5.5 million U.S. dollars. What is the estimate as of June 30?

Mr. MACOMBER. $5.8 million.

Mr. PASSMAN. Your asking price for Nepal is $3.6 million for fiscal 1965?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. I believe you propose to make available for Nepal a total of $7,500,000 in both of the items discussed?

Mr. MACOMBER. That is substantially correct, we may also make some Indian rupees available on a loan basis in fiscal year 1965.

NEED FOR CONCENTRATION OF EFFORT ON FEWER PROJECTS

Mr. PASSMAN. I note you have 26 different projects in this country which has a population of 9.8 million and a total area of 54,000 square miles.

I wonder if you, Mr. Ambassador, inasmuch as you proposed to tighten up this program, would not recommend that we have fewer projects and do those projects well, rather than have all types of projects scattered all over the lot?

Mr. MACOMBER. There is a number of projects but the key——

Mr. PASSMAN. You have 26 different projects, not subprojects. You have 26 different prime projects going in this small country.

Mr. MACOMBER. The key, Mr. Chairman, is the number of activities you are in and not the number of total projects.

Mr. PASSMAN. I am willing to say "activities." Why don't you have fewer activities? You have seven activities. Why not take one or two and really do a good job and impress the people? You can pour the wealth of America in your area and you would not increase the standard by more than 3 percent, but you may be able to do some good if we had just a few activities and do the job well.

I am of the opinion we are just scattering our resources everywhere. I think one of these days a man with your background will be agreeing with me.

(Discussion held off the record.)

FOREST INVENTORY AND MANAGEMENT PROJECT

Mr. PASSMAN. Last year you requested $107,000 to finance the salaries of six U.S. technicians under the forest inventory project on page 196; is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. You allocated $107,000 in fiscal 1964. Why do you need $132,000 for six U.S. technicians in fiscal 1965?

Mr. MACOMBER. I believe the explanation for that, sir, is that the six show under fiscal 1964 and were there for only part of the year. If they had been there a full year the total cost would have been higher.

FUND ALLOCATIONS IN EXCESS OF JUSTIFICATIONS

NEPAL INDUSTRIAL DEVELOPMENT CORPORATION PROJECT

Mr. PASSMAN. Last year in connection with the Nepal industrial development corporation project shown on page 197, you requested $194,000. During the testimony, page 456, part 4, Mr. Gaud stated, "We are not asking for any new funds for 1964. We are dropping that $194,000."

This year's page 197 indicates you allocated $105,000 to the project in 1964 despite the testimony that you did not need any money for the project. Is that correct?

Mr. MACOMBER. Yes, sir.

POWER DEVELOPMENT PROJECT

Mr. PASSMAN. Last year you requested $27,000 for the power development project on page 200. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate to the project in fiscal 1964?

Mr. MACOMER. $70,000

Mr. PASSMAN. The $27,000 was out of the original $5 billion.

AVIATION DEVELOPMENT PROJECT

Last year's project book contained an estimate of $260,000 for the aviation development project shown on page 203; is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Subsequently during the testimony shown on page 1457 Mr. Gaud stated, "We are not asking any funds for fiscal 1964 for the project. We are dropping that."

However, I note you have allocated $97,000 to the project in 1964 despite Mr. Gaud's testimony to the contrary; is that correct?

Mr. MACOMBER. Mr. Chairman, I am not familiar with Mr. Gaud's testimony.

Mr. PASSMAN. I want you to see that is the testimony he gave us on page 1457. Did I read it correctly?

Mr. WHITE. Yes, sir.

SUSPENSION BRIDGES PROJECT

Mr. PASSMAN. Last year you requested $40,000 for the suspension bridges project shown on page 204; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate?

Mr. MACOMBER. $77,000.

PUBLIC HEALTH ADMINISTRATION PROJECT

Mr. PASSMAN. Last year you requested $28,000 for the public health administration project on page 206; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate to the project?

Mr. MACOMBER. $46,000.

HEALTH EDUCATION PROJECT

Mr. PASSMAN. Last year you requested $36,000 for the health and education project on page 207; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate to the project?

Mr. MACOMBER. $47,000.

Mr. PASSMAN. Of the five educational projects contained in this year's budget program I note you have allocated more funds than you requested last year for three of them; is that correct?

Mr. MACOMBER. Yes, sir; by about $30,000.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. I note you allocated $10,000 to the public safety project on page 214; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you justify for the project last year?

Mr. MACOMBER. This is a new project, Mr. Chairman.

Mr. PASSMAN. You didn't even justify it on an illustrative basis.

Mr. MACOMBER. That is correct.

Mr. PASSMAN. What is the total cost of this project to completion?

Mr. MACOMBER. We have a tentative cost at this time of $610,000. We are doing a survey so we do not really know.

Mr. PASSMAN. This is just another indication of starting a project prematurely. You don't even know what it will cost but you have to start it.

Mr. MACOMBER. No, sir; we are starting with a survey to see——

Mr. PASSMAN. You don't know what it will cost but you have allocated funds to the project, have you not?

Mr. MACOMBER. We are asking for funds for this coming year; yes, sir. We have allocated $10,000 of fiscal year 1964 funds for it.

That $10,000 is for a survey to see whether the project makes sense.

Mr. PASSMAN. You are going to spend $10,000 to see whether the project makes sense?

Mr. MACOMBER. That is what we have obligated; yes, sir.

Mr. PASSMAN. To see whether it makes sense?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. All right.

Mr. MACOMBER. As you see, it could be a $600,000 project. It is well worth spending $10,000 to be sure it is right.

Mr. PASSMAN. Why not spend money on projects that make sense rather than those you have to find out if they do make sense?

Mr. MACOMBER. I think it makes sense, contemplating a project costing $600,000, to spend $10,000 to be sure it makes sense.

Mr. PASSMAN. Not where you have spent hundreds of millions without justification. I will go along on this $10,000, but haven't you a lot of projects that do make sense already?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. It would be wise to spend money on projects which make sense, if there is such a thing.

GOVERNMENTAL BUDGET AND ACCOUNTING SYSTEMS DEVELOPMENT

I note you have allocated in fiscal year 1964 more funds than you justified last year for the Government budget project on page 216. Is that correct?

Mr. MACOMBER. Yes, sir.

PANCHAYAT RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. I note you are requesting $154,000 for the Panchayet rural development project shown on page 218. Is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. How much did you request for this project last year?

Mr. MACOMBER. Estimated $83,000.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $61,000 for the helicopter services under the technical support project on page 219. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you allocate to this project?

Mr. MACOMBER. $156,000.

Mr. PASSMAN. In the interest of time I shall ask you only one other question on Nepal——

Mr. MACOMBER. But that was because we had to fund the contract for 2 years, Mr. Chariman, instead of 1. You will notice in this project we requested $1,044,000, but we spent $999,000.

Mr. PASSMAN. If you needed that money you would have spent it, would you not?

Mr. MACOMBER. If it turned out we needed it we would have spent it.

Mr. PASSMAN. The very fact you asked for more money than you need does not give you license to find some place to spend it.

Mr. MACOMBER. That is correct——

Mr. PASSMAN. I know that is the system. I hope you try to correct it.

Mr. MACOMBER. ——but you cannot make the argument both ways.

Mr. PASSMAN. If you waited 6 months more to justify this you would find a congenial and cooperative committee.

I know you have legislation to do everything that you do, but I think it is wrong and I will be pointing it out to the President, and to the man who sweeps out the gutter if I get him to listen.

Mr. MACOMBER. Mr. Chairman, the point is that you cannot deal with this many projects a year in advance and come out to the dollar on what the expenditure will be.

Mr. PASSMAN. I don't expect you to do that but I don't want you to be allocating double and triple the amount you requested. Because you ask for more money than you need, which is standard downtown, you do not have to use it all. I think it is part of the game, to get these things so fouled up nobody knows what we are talking about.

If you ask for more funds for a project than you need, I don't know why you couldn't let them lapse. I don't know why you have to start new projects and double up on other projects to use up the excess funds.

Mr. MACOMBER. We did not. In this case we did not spend as much as we requested.

Mr. PASSMAN. It is because you overestimated the cost to start with.

As I indicated earlier, witnesses this year stated there is about 10 percent contingency built into all projects.

Mr. MACOMBER. We have just been through a series of projects where we have shown we actually underestimated the cost.

Mr. PASSMAN. One other question on Nepal. In all probability other questions on Nepal would give the same answers?

Mr. MACOMBER. I would think so.

Mr. PASSMAN. We shall dispense with other questions on Nepal.

Mr. MACOMBER. That is correct.

CLIMATE OF U.S. RELATIONS WITH PAKISTAN

Now Pakistan. Do they love us as much today as they did yesterday?

Mr. MACOMBER. I have not checked in the last 24 hours, Mr. Chairman. I assume their friendship to the United States continues.

Mr. PASSMAN. I hope it does not get any harsher. We still have diplomatic relations with Pakistan?

Mr. MACOMBER. That is right.

Mr. PASSMAN. Fine. They also have the same relations with China?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. And with Russia?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Is this not the country where the President came here 2 or 3 years ago——

Mr. MACOMBER. This is also true of Great Britain, one of our closest allies.

Mr. PASSMAN. They recognize Jordan, too, no doubt.

Mr. MACOMBER. Jordan has diplomatic relations with Red China.

Mr. PASSMAN. I refer to our arch enemies. We do not recognize China.

Mr. MACOMBER. We do not.

Mr. PASSMAN. I hope we never do.

Is this not the country where the present President took over the government without being elected several years ago in a friendly coup?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Is this not the same country where the President came here about 3 years ago and addressed a joint session of Congress?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. He looked down his nose and said "You will have to do this."

I will leave this in the record because I speak of myself now.

I said "The first time we do one thing, even if it is right, that this guy does not like, he will run out on us."

Some of the members laughed at me.

I said "Wait, I will laugh last."

When Red China was invading a section of India supposedly we then went in with some military assistance to India.

That greatly displeased the President of Pakistan, and he began to flirt with Red China and Soviet Russia. Then we read where he extended flyover privileges to Red China. We thought that was terrible until we found out that he was looking a little too favorably in that direction. Subsequently there was an agreement between Red China and Pakistan for Pakistani planes to land in Red China, Red China's commercial planes to land in Pakistan.

PURCHASE OF TRACTORS FROM THE U.S.S.R.

Subsequently they entered into a trade agreement with Red China. Then we noticed in the press a day or two ago an article on the purchase of tractors: "Pakistan Buys Soviet Tractors."

This is datelined Rawalpindi. I doubt if you have had time to get any information from Pakistan since this came out from Pakistan.

SOVIET LOAN FOR TRACTORS

MAY 2 (UPI).—Pakistan announced it is negotiating for the purchase of $12 million worth of tractors from the Soviet Union.

We brought that up the other day. Have you any more information on that deal?

Mr. MACOMBER. Yes, sir. When it came up the other day, we had information from our Embassy which indicated that this was a loan to build a plant to make tractors in Pakistan. Subsequently we went back out to the Embassy. We said this had come up in the hearings before this committee and we wanted to be sure we gave the right answer, and they came back and confirmed that they had checked with a high official in the Government and that there was no present plan and no plan contemplated to purchase tractors from the Soviet Union. However, yesterday we received an urgent message which said that despite the earlier categorical statement of the Government of Pakistan officials, the Embassy now had authoritative information that there was a Soviet loan offer now under active consideration by the Government of Pakistan for the purchase of tractors.

Mr. PASSMAN. Mr. Ambassador, you are very fair about that, and you did just what we wanted you to do, to run it down. I insisted that

this thing had every earmark of being correct the other day, and I am glad to have it confirmed, even though it is extremely disappointing.

TOTAL FOREIGN AID

What has been the total amount of aid by the overburdened U.S. taxpayer to Pakistan?

Mr. MACOMBER. ———.

Mr. PASSMAN. Is that all spigots?

Mr. MACOMBER. Yes, sir.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do you have in the pipeline to the credit of Pakistan?

Mr. MACOMBER. $555,792,000.

Mr. PASSMAN. Do you propose any type of a program for Pakistan in fiscal year 1965? If so, how much?

Mr. MACOMBER. ———.

Mr. PASSMAN. Is that a typographical error?

Mr. MACOMBER. That is correct, Mr. Chairman.

Mr. PASSMAN. That is unbelievable.

Mr. MACOMBER. Mr. Chairman, going back to this tractor transaction, I think I should point out for the record that the imports that Pakistan gets from the Soviet Union come to a half of 1 percent of their total imports in the course of a year.

Mr. PASSMAN. From little acorns big trees grow. We are just getting started. With all the money we have given those people for next year, you certainly wouldn't expect the type of treatment we have gotten from those people.

I don't think I have the heart to ask too many more questions about Pakistan. I hope you will be able to bring those people around to their senses, or this request may be greatly reduced by the Congress.

This is one of the biggest aid programs we have on the face of the earth, isn't it?

Mr. MACOMBER. It is one of the larger ones.

Mr. PASSMAN. We had hoped to spend 2 weeks on this one country, but there is not enough time to go into all these projects.

TEACHER TRAINING INSTITUTES PROJECT

Did you request any funds last year for the teacher training institutes project at page 239?

Mr. MACOMBER. Yes, sir; last year we requested $950,000, for the educational materials and training project.

Mr. PASSMAN. Would you identify the page number for the same project last year?

Mr. MACOMBER. Page 235.

Mr. PASSMAN. We find a project last year entitled "Education materials and training." We don't find any teacher training institutes.

Mr. MACOMBER. It is the same project that has been put under a different project title.

Mr. PASSMAN. That is bound to be a mistake, because the one you referred to was supposed to terminate in 1965. The one we are ques-

tioning, where you allocated funds, shows it is supposed to terminate in 1968.

Mr. MACOMBER. Mr. Chairman, in the intervening year we have decided to extend the period of our assistance to these educational institutes.

Mr. PASSMAN. Had you had a line item operation, you couldn't have done that, could you?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. If you will just help us, we will get it on that basis.

INVESTMENT ADVISORY CENTER PROJECT

Last year the project book indicated you had obligated through June 30, 1963, $603,000 for the investment advisory center project at page 233. Is that correct?

Mr. MACOMBER. You will have to say that again, Mr. Chairman.

Mr. PASSMAN. Last year the project book indicated that you had obligated through June 30, 1963, $603,000 for the investment advisory center project on page 233.

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Now, the project statement continued with the following:

No fiscal year 1965 funding is contemplated.

Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. It further stated:

Funds previously committed are sufficient to finance this project for 2 years.

Is that correct?

Mr. MACOMBER. Yes, sir; that was——

Mr. PASSMAN. I believe the project data sheet further indicated project funding was to terminate in 1963. Am I reading it correct?

Mr. MACOMBER. I am sorry, sir, I didn't get that.

Mr. PASSMAN. The project data sheet further indicated that funding was to terminate in fiscal year 1963, is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Well, I want to congratulate you. That is one project where you lived up to your commitment—or did you? Let's look at the sheet.

Mr. MACOMBER. No, that is a project we decided to continue.

Mr. PASSMAN. Congratulations were not in order, then.

Mr. MACOMBER. They were premature, Mr. Chairman.

Mr. PASSMAN. Then you did allocate some funds to the project?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much?

Mr. MACOMBER. $40,000 for participants.

Mr. PASSMAN. My apologies for commending you. I should have known better. When I talk about "you" I mean the giveaway agency, and not you, personally.

Mr. MACOMBER. It is now estimated that the total cost at completion will be $1,560,000.

Mr. PASSMAN. I want to remind you again, sir—I am not trifling with your feelings or insulting your intelligence, but there is no law against terminating one of these things.

Mr. MACOMBER. I understand.

Mr. PASSMAN. Your predecessor knew this, and that is why he said he would, but it looks as if somebody must have satisfactorily scared him and led him to believe he would be prosecuted if he stopped one of these projects. Don't let them tell you that. There is no law that says you can't stop one of them. If they argue with you, you call me, and I will come running.

Mr. MACOMBER. Thank you, Mr. Chairman.

POSTGRADUATE MEDICAL CENTER PROJECT

Mr. PASSMAN. Did you by chance request any funds last year for the postgraduate medical center project on page 238?

Mr. MACOMBER. We did not.

WEST PAKISTAN AGRICULTURE UNIVERSITY PROJECT

Mr. PASSMAN. Did you request any funds last year for the West Pakistan Agricultural University project at page 241?

Mr. MACOMBER. Yes, sir, $819,000.

Mr. PASSMAN. Where do we find that?

Mr. MACOMBER. Page 217 in last year's book, Mr. Chairman.

Mr. PASSMAN. If you will go to your book last year, page 217, the food and agriculture project, which I believe you referred me to, you will find this project was under Agriculture University, West Pakistan, and it gives the number, and it was begun in 1953.

The project I am asking you about is found on page 241 of this year's hearings, and has to do with the intercollege exchange and began in 1961.

Mr. MACOMBER. There appears to be an inaccurate reference, Mr. Chairman.

Mr. PASSMAN. Do you mean I made an inaccurate reference?

Mr. MACOMBER. No, the sheets are inaccurate.

Mr. PASSMAN. Now, which one is right, if either?

Mr. MACOMBER. I would want to check before I give you an answer, Mr. Chairman.

EAST PAKISTAN UNIVERSITY PROJECT

Mr. PASSMAN. Did you request funds last year for the East Pakistan University project, at page 243?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Where do we find that?

Mr. MACOMBER. Page 221 of last year's book.

Mr. PASSMAN. We find last year that you had food and agriculture at page 221. The project began in 1953. The project we are talking about, activity is education, and the project began in 1954 and it was the intercollege exchange.

Mr. MACOMBER. It would appear that one or the other of these initial obligation dates is in error. I will have that checked.

Mr. PASSMAN. I know, but the activity is different. The amount is different. The date the project started is different. The termination date is different. Everything is different about it, other than it is printed on the same color paper.

Mr. MACOMBER. No, sir. The description of the project is basically the same and the——

Mr. PASSMAN. A cow and a man are basically the same, as far as flesh is concerned, but there is a lot of difference.

Page 221, "Activity: Food and Agriculture." A project begun in 1953 and scheduled to be completed in 1966, and the title and number were "East Pakistan University, 391–AA–11-AB–5, and the amount was $400,000.

Now, let's go to page 243. The activity is "Education," not "Food and Agriculture."

The project title and number are "East Pakistan University," which is the same, but the number is different.

The reference then goes to intercollege exchange, and the date it began was 1954, not 1953. This one is scheduled to be brought to completion in 1968 and not 1966.

So it appears everything about the project is different with the exception of the prior reference.

Mr. MACOMBER. The project objective and description is the same, Mr. Chairman, and additionally the activity is the same——

Mr. PASSMAN. I am sorry. It is not the same. It is "Food and Agriculture" in one instance. It is "Education" in the other.

Mr. MACOMBER. The project has been shifted to a different activity. It is an educational project in the food and agricultural field. Last year it was carried under the food and agriculture activity. This year it is carried under the education activity.

Mr. PASSMAN. Can we get off of dead center?

Mr. MACOMBER. Yes, but the project is the same. We asked for $400,000 and obligated $402,000.

Mr. PASSMAN. How can it be the same?

Let the record show that you say this is the same project.

Page 221 last year: "Activity: Food and Agriculture." The 1965 justification at page 243, the activity now is known as education.

The project last year, the estimate was $400,000. You say you obligated $402,000 this year.

The book last year said the project began in 1953. Page 243 this year says it was begun in 1954.

The book last year says the completion is scheduled to end 1966. This year's book says it will end in 1968.

The number of the project last year was 391–AA–11–AB–5. The project number this year is 391–12–66–009.

Prior reference, none. Prior reference this year, "Inter-College Exchange."

Now, the only way we can identify the project as being the same would be the project title: "East Pakistan University." That is the same this year.

Now, if a man had a law degree from every law school in America, he couldn't identify them as being the same project unless you told him so.

Mr. MACOMBER. It is the same contractor, the description of the project is the same——

Mr. PASSMAN. What is the name of the contractor?

Mr. MACOMBER. Texas A. & M.

Mr. PASSMAN. Do you know of anything that I have misrepresented in reading these projects into the record just previously?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. Thank you. If you understand them, congratulations.

Mr. MACOMBER. The point is it is the same project. I agree there has been a change in the activity——

Mr. PASSMAN. And the date of completion?

Mr. MACOMBER. The date of completion.

Mr. PASSMAN. The date the project started?

Mr. MACOMBER. That's right.

Mr. PASSMAN. And the amount?

Mr. MACOMBER. The amount is a very minor change.

Mr. PASSMAN. It is different. It is up. I realize you people had to get rid of that money. Even if you throw it in just a little at a time, you can finally get it all allocated.

ASSISTANCE TO PESHAWAR UNIVERSITY PROJECT

Did you request any funds last year for the assistance to Peshawar University project at page 244?

Mr. MACOMBER. We did not request any funds.

Mr. PASSMAN. Did you allocate any funds to it?

Mr. MACOMBER. We allocated $177,000.

Mr. PASSMAN. How much will it cost to bring the project to completion?

Mr. MACOMBER. $131,000 more, Mr. Chairman.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. I notice that you have allocated $1,687,000 to the public safety project on page 245.

Last year it was testified to on page 1489 of the hearings, even though the printed record has been censored, the testimony was that this project would require $1,200,000 in fiscal year 1964. Is that correct?

Mr. MACOMBER. I believe that is correct, sir.

Mr. PASSMAN. How much did you allocate?

Mr. MACOMBER. $1,687,000.

Mr. PASSMAN. Last year's justification indicated this project would terminate in 1966. This year at page 245 it is indicated the project is now scheduled for termination in 1967, is that correct?

Mr. MACOMBER. That is correct.

INSTITUTE OF BUSINESS ADMINISTRATION PROJECT

Mr. PASSMAN. How much money did you request last year for the Institute of Business Administration project at page 248?

Mr. MACOMBER. Zero.

Mr. PASSMAN. Did you allocate any funds to the project?
Mr. MACOMBER. $96,000.

PUBLIC ADMINISTRATION TRAINING PROJECT

Mr. PASSMAN. Did you request any funds last year for the public administration project at page 249?
Mr. MACOMBER. We did not.
Mr. PASSMAN. Did you allocate any money?
Mr. MACOMBER. $327,000.
Mr. PASSMAN. Last year's project book stated:

No additional funds are required to complete this.

Am I reading that correctly?
Mr. MACOMBER. That is correct.
Mr. PASSMAN. Let me put one more project in Pakistan in the record. Prior witnesses before the committee have been completely fair about stating that they have a contingency item in every one of these development credits of approximately 10 percent.

KARACHI ELECTRIC SUPPLY CORP., LTD., LOAN

You have had a development credit—sometimes referred to as a "loan" by people who haven't read Secretary Dillon's testimony—with Pakistan. It indicated that the project loan to the Karachi Electric Supply Corp., Ltd., at page 268 would be $26 million, is that correct?

A prior witness, Mr. Bell, I believe, said there was a long and intensive review of all development credits. Is that the criteria?
Mr. MACOMBER. Yes, sir.

DEOBLIGATIONS ANTICIPATED

Mr. PASSMAN. I believe now this project will be completed for $18,600,000, is that correct?
Mr. MACOMBER. That is correct.
Mr. PASSMAN. So that is $7,400,000. That will be deobligated, will it not?
Mr. MACOMBER. Yes, sir.
Mr. PASSMAN. Do you think you will get that deobligation worked through before June 30, 1964?
Mr. MACOMBER. Yes, sir.
Mr. PASSMAN. I wonder if we could not operate for a year without any more appropriations in this field until we had an opportunity to spend the 10 percent built-in contingency plus all these overestimates.

Do you know of any other instances in your area where the overestimate is this high?
Mr. MACOMBER. No, sir.
Mr. PASSMAN. But if we take the several projects I discussed with you, Mr. Ambassador, since you have been before the committee, there is going to be millions of dollars available. I believe it was General Palmer who created this new terminology of a squeezeout of funds. What if you put the squeezeout on these projects in your area? I believe you would be doing everybody a favor if you would put a man

on it, and for one time give the taxpayers the benefit of the doubt and just use that Palmer "squeezeout" process and find out what it will amount to.

Mr. MACOMBER. We have people following these loans, and we keep a careful eye on them.

Mr. PASSMAN. The 10-percent contingency may be all right, but when you are this far off on an estimate, it looks like a hasty allocation, and a hasty authorization.

Do the best you can, Mr. Ambassador. I know I can take you at your word that you intend to tighten this program up where you can. I believe you are going to do just that.

SYRIA

TOTAL FOREIGN AID

What have we given to Syria since the inception of this program?

Mr. MACOMBER. $87 million.

Mr. PASSMAN. I believe this is one of the 14 nations that we were in with an aid program for several years and were told to "get out, we do not want any more of your aid." We pulled out of Syria. We did not even have a technical aid program going there.

Several years ago I happened to be over there and the consul general said that if we just handle this thing right, they will let us come back in with an aid program. I said, "Why don't you go home?" That is what I hope will happen around the world—all AID people ought to go home.

This table picks up back in 1946 and if you run this across, you can see how little activity there is in Syria. Then you can see when we got back into Syria, how the total of this program is now stepping up.

FISCAL YEAR 1964 PROGRAM LEVEL

What did you request for Syria in all spigots for fiscal 1964?

Mr. MACOMBER. $3.5 million was allocated, including Public Law 480.

Mr. PASSMAN. I think the record will show we were out, we got in, they kicked us out, we went back in again. What did you request?

Mr. MACOMBER. We requested $600,000 in technical assistance.

Mr. PASSMAN. Total?

Mr. MACOMBER. That was the total, Mr. Chairman.

Mr. PASSMAN. $600,000. What did you allocate?

Mr. MACOMBER. $500,000.

Mr. PASSMAN. All types of aid for Syria?

Mr. MACOMBER. There was also a Public Law 480, title IV program.

Mr. PASSMAN. Put it all together.

Mr. MACOMBER. There is a title IV of Public Law 480 which, of course, you know is repaid in dollars.

Mr. PASSMAN. I am talking about the aid program. What is the amount of the aid program as such, not something we got cash for the following day.

Mr. MACOMBER. This is a title IV loan which is repayable in dollars.

Mr. PASSMAN. What terms?

Mr. MACOMBER. Ten years, three-quarters percent.

Mr. PASSMAN. Then it is one of those crazy development credit things I discussed with Mr. Dillon, three-quarters of 1 percent, and they pay back in 10 years?

Mr. MACOMBER. Yes, sir; they pay it back in dollars over a 10-year period; title IV is, of course, the only title that you get repayment in dollars.

Mr. PASSMAN. I always think of it as being a disguised loan when you say no interest because ordinary loans bear interest.

REQUEST FOR 1965

What are you asking for Syria for fiscal 1965? Is it the same amount, $600,000?

Mr. MACOMBER. No, sir.

UNLIQUIDATED BALANCE

Mr. PASSMAN. Congratulations. Do you have anything unliquidated to the credit of Syria?

Mr. MACOMBER. $18,607,000.

Mr. PASSMAN. What categories?

Mr. MACOMBER. $15 million of that is in loans.

Mr. PASSMAN. The three-quarters of 1 percent development credit I always refer to, is it?

Mr. MACOMBER. That is what you call credits.

Mr. PASSMAN. It is what Secretary Dillon calls credits, and he is the man running the Treasury Department.

Mr. MACOMBER. Yes; what we call loans, what the act calls loans.

Mr. PASSMAN. Did you ever read what Secretary Dillon said?

Mr. MACOMBER. I never read it, sir, but you have quoted it to me.

Mr. PASSMAN. Will this $18.6 million remain on hand to be disbursed in subsequent years or is it suspended?

Mr. MACOMBER. No; it remains on hand.

STATUS OF UNLIQUIDATED CREDIT

Mr. PASSMAN. Do you think there is a chance we can talk them out of accepting it?

Mr. MACOMBER. We have no plans to talk them out of taking the loan.

Mr. PASSMAN. The development credit has not been disbursed yet. What is it for?

Mr. MACOMBER. To finance the foreign exchange costs of engineering and constructing a national system of grain storage facilities in Syria.

Mr. PASSMAN. It would appear that this credit was approved 2 years ago, is that right, in calendar 1962?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. That is almost 2 years ago.

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. This is one of those 40-year credits with no interest. How much has been disbursed?

Mr. MACOMBER. Nothing has been disbursed to date.

Mr. PASSMAN. What is the status of this credit at this time?

Mr. MACOMBER. No letter of commitment has been issued and no disbursements have been made under the loan. The borrower has fulfilled the conditions precedent to financing of the engineering contract but not the conditions precedent to financing other than engineering services.

Mr. PASSMAN. How long will you keep this thing status quo?

Mr. MACOMBER. I cannot give you an exact time period. If we get to the point where we think the loan is not going to go through, we will deobligate it.

Mr. PASSMAN. Two years, and not a ripple on the water yet.

Mr. MACOMBER. It is my understanding that this loan is about to move.

Mr. PASSMAN. Did they not tell us the same thing last year?

Mr. MACOMBER. I do not know what the witness said last year, but it is my understanding that it is about to move.

Mr. PASSMAN. What kind of information do you have that causes you to think it is about to move?

Mr. MACOMBER. The AID mission director mentioned that to me when he was back here recently.

Mr. PASSMAN. You have an aid mission director in that country?

Mr. MACOMBER. We have an aid mission.

Mr. PASSMAN. Is he home now?

Mr. MACOMBER. He is back there.

Mr. PASSMAN. What is he doing there?

Mr. MACOMBER. Working on the program. He is also economic counselor.

FUTURE AID TO SYRIA

Mr. PASSMAN. So you are going to have an aid program in Syria in subsequent years?

Mr. MACOMBER. ———.

Mr. PASSMAN. You are going to have an aid program as long as you are drawing these checks every month. You have $18 million in unliquidated obligations.

Mr. MACOMBER. The commitments we have made will be run out. They will be eligible for Public Law 480, for Eximbank loans, and for World Bank loans.

Mr. PASSMAN. They ought to be eligible for trade. Has that country progressed to the point where they do not need aid?

Mr. MACOMBER. Where they do not need the kind of AID soft term loans or technical assistance programs?

Mr. PASSMAN. We were told it was one of the poorest countries in the Middle East when we were over there.

Mr. MACOMBER. No, sir. That is not my understanding.

Mr. PASSMAN. You have had four or five governments in recent years; is that right?

Mr. MACOMBER. That is a different problem.

Mr. PASSMAN. They told us it was a very poor country which needed our help. They always protected this little gold reserve when governments are switching.

Mr. MACOMBER. It is an underdeveloped country and needs to move ahead, but it has basically good resources and is in a much better posi-

tion than some of its neighbors, infinitely better than Jordan as far as the economic situation is concerned.

Mr. PASSMAN. How about the other $18 million?

Mr. MACOMBER. We are not planning——

Mr. PASSMAN. She is still underdeveloped; is that right?

Mr. MACOMBER. She still has a long way to go, but she has assets.

(Discussion off the record:)

Mr. PASSMAN. There have been changes made overnight, though.

Mr. MACOMBER. Yes.

Mr. PASSMAN. You just never know what people will do. What other aid do you have in the pipeline?

TYPES OF AID IN PIPELINE

Mr. MACOMBER. We have $875,000 in grants.

Mr. PASSMAN. That is economic aid?

Mr. MACOMBER. Yes, and $1,900,000 in title IV, and $450,000 in title II. That is the total.

AID MISSION PERSONNEL

Mr. PASSMAN. What is the number of your aid mission personnel in this country?

Mr. MACOMBER. It has been very small. I think it is seven.

DEFINITION OF DEVELOPMENT CREDITS

Mr. PASSMAN. I want to get this into the record at this point. This was the testimony when Secretary Dillon appeared before our committee. This hearing is entitled "Foreign Operations Appropriations, 1962." On page 140, part I, "Overall general statements," I asked Secretary Dillon this question:

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

Secretary DILLON. No.

The last sentence in his comment, a complete new sentence:

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

I just thought we had better get that direct quote in the record again because he is still trying to raise money that we are giving away.

Mr. MACOMBER. Mr. Chairman, the dictionary definition of a credit is a loan.

Mr. PASSMAN. You argue that with Secretary Dillon. He is a banker and a lawyer and they tell me he has saved up at least $600 to $700.

TURKEY

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total amount of our aid to Turkey?

Mr. MACOMBER. $4,463,600,000.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What do you have in the pipeline unliquidated for Turkey?

Mr. MACOMBER. $438,446,000.

Mr. PASSMAN. About a 2-year pipeline, is it not?

Mr. MACOMBER. I would think it would be a bit less than that, Mr. Chairman.

Mr. PASSMAN. A little bit?

Mr. MACOMBER. No, a lot.

REQUEST FOR 1965

Mr. PASSMAN. What was the asking price for Turkey in fiscal 1964?

Mr. MACOMBER. $134,700,000.

Mr. PASSMAN. What did you allocate?

Mr. MACOMBER. $110,170,000.

Mr. PASSMAN. Do you think you have a reasonably satisfactory program in Turkey overall?

Mr. MACOMBER. I think in Turkey we were hurt by not having somewhat more in the loan category, Mr. Chairman.

Mr. PASSMAN. The wounds were superficial and not bone deep?

DEVELOPMENT CREDIT ALLOCATIONS

You allocated $100 million to Turkey for development credits last year?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Your estimate was $95 million for fiscal 1964; is that correct?

Mr. MACOMBER. We showed a range of $95 million to $125 million.

Mr. PASSMAN. That was the range, but the dollar estimate was $95 million. You are certainly above the low estimate, are you not?

Mr. MACOMBER. Yes, sir, and $25 million below the high.

Mr. PASSMAN. You cannot be badly hurt.

Mr. MACOMBER. In supporting assistance we asked for $35 million and we were able to allocate only $6 million.

CREDITS DEFINED

Mr. PASSMAN. "Loan" as described by Webster is:

A loan is money lent at interest, something lent for the borrower's temporary use.

There is no use reading anything else.

Mr. MACOMBER. What does it say about credit?

Mr. PASSMAN. We have the definition of a loan. Let us see how temporary your "loans" are. You certainly could not call 40 years at no interest a loan. It is not defined that way. "Capable of being believed" is part of the definition of a "credit."

"Pleasureable."

"Capable of being believed, pleasureable."

Mr. MACOMBER. Is that the entire definition?

Mr. PASSMAN. No. It takes about as much space in Webster's to define credit as it does for you to justify this foreign aid program.

At least we have part of it in there. The other is very much to the point.

Mr. MACOMBER. It is also called a loan, I believe, Mr. Chairman.

Mr. PASSMAN. They say it is pleasureable.

Mr. MACOMBER. The record shows, Mr. Chairman, you had the dictionary.

Mr. PASSMAN. Let the record show that the gentleman can take the dictionary home with him if he wants to but what I read into the record about "credits" and "loans" I did read out of Webster's definition of "loans" and "credits."

Mr. MACOMBER. There is suspicion on this side of the table you did not read all it said about credits.

Mr. PASSMAN. It would take too long. The definition for "credits" covered more than a fifth of a column.

Mr. MACOMBER. It could have mentioned that a credit is a loan.

Mr. PASSMAN. The definition of "loan" shows that it is the temporary use of money with interest. That is why Secretary Dillon did not get caught in that trap.

It was not temporary and there is no interest.

I note your statement on page 29 of the presentation book that Turkey hopes to eliminate foreign aid by 1973.

Mr. MACOMBER. We certainly hope they succeed, Mr. Chairman.

Mr. PASSMAN. They are sure taking a lot of time. That prediction is far enough in the future that we will take it up for several years in a row if we are not completely bankrupt by then.

EREGLI STEEL MILL PROJECT LOAN

I note you have issued letters of commitment in the amount of $123,904,000 for the Eregli steel mill project on page 336. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. Disbursements amounted to $107,716,000. Is that correct?

Mr. MACOMBER. There is a later figure, Mr. Chairman.

Mr. PASSMAN. I refer to the figure in the books.

Mr. MACOMBER. That is correct in the book.

Mr. PASSMAN. What is the later figure?

Mr. MACOMBER. It has gone up to $111,859,000, as of February 29, 1964.

Mr. PASSMAN. Has the project been brought to completion?

Mr. MACOMBER. No, sir; it is still being constructed.

Mr. PASSMAN. There has been no interest collected on this credit up to December 31, 1963; is that correct?

Mr. MACOMBER. That is correct, the interest payments were capitalized.

DIESEL LOCOMOTIVES PROJECT LOAN

Mr. PASSMAN. What is the current status of the diesel locomotives credit of $10 million which was approved February 9, 1962? According to page 338 no action has taken place on this credit.

Mr. MACOMBER. The status of that loan is that no funds have been disbursed under this contract as yet but we would think this would start very soon, Mr. Chairman.

Mr. PASSMAN. Of course, this loan is 2 years and 3 months old; is it not?

Mr. MACOMBER. This loan was slowed down because of a controversy which developed over the issuance of the bids. One or more of the unsuccessful U.S. bidders raised questions about the bidding procedure which had to be investigated. That is what had held it up.

Mr. PASSMAN. They were all American bidders?

Mr. MACOMBER. There were three American bidders. I think all bidders were American companies, Mr. Chairman.

Mr. PASSMAN. Now as per other countries, this is one of the larger aid countries and doubtless one where the aid program will continue if we abide by their criteria, and that is that they think it will have to go to 1973.

With the hundreds of questions we have to ask about Turkey, they would be the same questions and the same answers we have had with regard to other countries in your area?

Mr. MACOMBER. Perhaps so.

(Discussion off the record.)

EGYPT

Mr. PASSMAN. Next is the United Arab Republic (Egypt).

Is Nasser the President of this country?

Mr. MACOMBER. He is the President of this country, yes, Mr. Chairman.

Mr. PASSMAN. Known as a troublemaker in many areas, and ambitious in many ways?

(Discussion off the record.)

Mr. PASSMAN. Any witness or other members of the committee are privileged to comment on my statement at this time if they desire.

Mr. MACOMBER. Mr. Chairman, President Nasser follows a neutralist policy and very often does things which do not meet with our approval.

Mr. PASSMAN. You don't let that keep him from getting aid, though, do you?

Mr. MACOMBER. He, is however, an important figure in the Arab world; in all probability the most important figure in the Arab world. He presides over an extremely influential country in the Arab world; his country's population represents half of the total population of the Eastern Arab world.

Mr. PASSMAN. A neutralist? That would qualify him as a double dipper, then. They take aid and gifts from the United States, loans from—we think of it in terms of being factual—our enemy Russia, enemy insofar as philosophy is concerned. He is a double dipper as we think of double dippers—taking aid from both sides.

Mr. MACOMBER. He receives aid from both sides; that is correct.

SUSPENSION OF AID TO EGYPT

Mr. PASSMAN. Is this not a country where we had an aid program and his actions became so obnoxious toward us that we had to suspend the aid program?

Mr. MACOMBER. The aid program was suspended on one occasion in the past.

Mr. PASSMAN. Suspended during Nasser's tenure of office?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How many years did the aid program remain suspended?

Mr. MACOMBER. I would have to submit that. It was a relatively brief period.

(The information supplied follows:)

NUMBER OF YEARS AID PROGRAM TO THE UNITED ARAB REPUBLIC WAS SUSPENDED UNDER PRESIDENT NASSER

Aid was suspended from November 1956 to April 1958.

Mr. PASSMAN. During the time we suspended aid we did not deobligate the funds but just left them available to be liquidated at some subsequent date; is that correct?

Mr. MACOMBER. Yes, sir.

TOTAL FOREIGN AID TO EGYPT

Mr. PASSMAN. What has been the total amount of aid to this so-called neutralist country?

Mr. MACOMBER. $946,700,000.

Mr. PASSMAN. I am sorry that I asked the question.

UNLIQUIDATED BALANCES

How much do you have in the pipeline undistributed?

Mr. MACOMBER. $93,999,000.

REQUEST FOR 1964

Mr. PASSMAN. What did you ask for this country for fiscal 1964?

Mr. MACOMBER. $17,200,000.

Mr. PASSMAN. What did you allocate to them?

Mr. MACOMBER. What we asked for last year, what we stated last year, was a range of $17 million——

Mr. PASSMAN. Let us get the low figure. That is the budget estimate. Let us get that clear so there is no getting off on the wrong foot.

Is that your understanding, Mr. Walsh, that the low figure is the dollar estimate?

Mr. WALSH. Yes, sir.

Mr. PASSMAN. What was the dollar estimate?

Mr. MACOMBER. $17,200,000.

ALLOCATION FOR 1964

Mr. PASSMAN. What did you allocate?

Mr. MACOMBER. I have to use a range because I am not certain how much we will allocate——

Mr. PASSMAN. You don't have to use the range as long as we take the low figure. Tell us what you have allocated to date.

Mr. MACOMBER. $1,700,000 to date allocated.

ESTIMATED FUNDS UNOBLIGATED FOR FISCAL YEAR 1964

Mr. PASSMAN. What do you anticipate you will have obligated on June 30?

Mr. MACOMBER. We may have allocated by that date $21,700,000.

Mr. PASSMAN. You use the word "may."

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. But you may not have obligated the other $20 million.

Mr. MACOMBER. That is correct.

Mr. PASSMAN. If you were working on a line item bill and you had the 20-percent limitation on obligations applicable to each region in the last 60 days, this would remain in the unobligated status, would it not? All of this money is in the development credit category?

Mr. MACOMBER. That is right.

Mr. PASSMAN. When will we know whether or not you will allocate this other $20 million?

Mr. MACOMBER. I would expect we would reach a decision on that in the next few weeks.

Mr. PASSMAN. Where do we find the project in the book?

PROPOSED BUDGETARY SUPPORT LOAN TO EGYPT

Mr. MACOMBER. This is a proposed loan.

Mr. PASSMAN. You don't even know what it is for? What is it for?

Mr. MACOMBER. This would be a program loan.

Mr. PASSMAN. For what?

Mr. MACOMBER. Nonproject loan, a commodity loan.

Mr. PASSMAN. Budgetary support, in other words?

Mr. MACOMBER. A commodity loan which would be used to finance the foreign exchange cost of commodities.

Mr. PASSMAN. Is that not what we refer to, Mr. Controller, as budgetary support?

Mr. TENNANT. The term "budgetary support" has been——

Mr. PASSMAN. Or cash transaction?

Mr. TENNANT. We tend to use the term——

Mr. PASSMAN. Forget the terms. I am trying to relate it to testimony in previous years.

Mr. TENNANT. We referred to this type of transaction as "balance of payments."

Mr. PASSMAN. That is in the very recent past that you refer to.

Mr. TENNANT. No.

Mr. PASSMAN. For how long?

Mr. TENNANT. Didn't we use it in the insert we provided last year?

Mr. PASSMAN. Wouldn't that be the immediate past?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Four years ago it was referred to as budgetary support, was it not?

Mr. TENNANT. I am not sure we have used that term.

Mr. PASSMAN. You are not sure you didn't use it, either, are you? Is that right?

Mr. TENNANT. That is true.

Mr. PASSMAN. I know what you called it, and that is what it is. It is not for a project but a commodity loan and it could be defined as

budgetary support, cash transaction, or anything else. You are not dealing with specifics. No project is mentioned.

How far committed on this are we?

Mr. MACOMBER. At this point and time we are not committed to making the loan.

Mr. PASSMAN. That is wonderful. Is it all right with you if I stop there and ask about two more concluding questions on it?

Is it in such a status that under a tight 1964 program, since we are not committed, it could carry over until fiscal 1965?

Mr. MACOMBER. We would be using no-year money for this loan.

Mr. PASSMAN. I know; you could not foresee any great harm if you did not have a commitment presently. It is under consideration only. If this carries over into 1965 you would not anticipate trouble, would you?

Mr. MACOMBER. Yes, I can——

Mr. PASSMAN. In 46 days?

Mr. MACOMBER. I can foresee certain circumstances which would make it in the national interest to make this loan in the relatively near future.

Mr. PASSMAN. But you have no commitment presently to make the loan. Is that correct?

Mr. MACOMBER. We have no commitment as of this present moment to make the loan.

Mr. PASSMAN. If we get into serious trouble, which I do not anticipate, in South Vietnam, where the President needed to obligate funds immediately out of this category, that would be more important than it would be to rush this credit through for Egypt, would it not?

Mr. MACOMBER. It would depend on the circumstances and what the President thought about it.

Mr. PASSMAN. That is exactly what I meant. You are doing everything within your power, according to my evaluation of the situation, to get all the money available obligated.

At the proper time I will show memorandums in my possession which causes me to make such a forthright statement. This is one of them where it would appear to me that since you have only 46 days to the end of the fiscal year, you have no commitment for this $20 million; it would appear to me this could be carried over as unobligated funds.

Mr. MACOMBER. We have no commitment in the technical sense of that word. However, we are engaged in discussions with the Egyptions. Under certain circumstances I believe it would be necessary to commit ourselves to make this loan.

Mr. PASSMAN. And under certain circumstances, you may not make this development credit commitment this year?

Mr. MACOMBER. That, too, is correct.

Mr. PASSMAN. How are we going to go about evaluating this thing? Unless I miss my guess, you are going to have a tight program next year; regardless of how much you get in there, we are going to look at what comes out of that pipeline as well as what goes in that pipeline.

Here we are, 46 days before the end of this fiscal year, talking about giving $20 million to Egypt, where we presently have no commitment. Khrushchev is over there at this time, you understand, with his bosom pal, Mr. Nasser. It might make sense to you to try to rush this credit through but it really doesn't make sense to me.

What would be the special circumstances in our national interest that would bring about any plan to expedite the allocation of this money?

Mr. MACOMBER. First of all, with regard to our commitment, with regard to your comment about "rushing this thing through," we certainly have not been rushing this through. This has been under discussion for most of the year.

Mr. PASSMAN. I am talking about rushing one loan through.

Mr. MACOMBER. This loan has been under discussion for most of the year, and we are certainly not rushing it through.

Mr. PASSMAN. Is the status of it about the same as when you started discussing it?

Mr. MACOMBER. It is closer to being made, but it is not to the point where you——

Mr. PASSMAN. Would it make a point if I would say we are closer to the grave than we were yesterday? Sure it is closer, either being approved or not, but I am talking about so far as the actual records that you have in your possession are concerned; is this thing in about the same status, let's say, as it was back in February?

Mr. MACOMBER. No; I would say the discussions have moved forward and that there has been progress on a number of the problems with which we have been concerned. There has been progress on those problems, but I can't yet say whether adequate progress has been made to the point where we will feel we should go ahead with the loan.

Mr. PASSMAN. What kind of progress? If you would just let the committee in on it. So far you haven't said a thing in the world that would indicate that you have any assurance whatsoever that you are going to go through with it. You are using words very loosely: "We might," or "we might not," or "certain circumstances would prompt us to do this——"

Mr. MACOMBER. I am giving you, Mr. Chairman, an absolutely accurate answer. The fact is that I don't know, and no one at this present moment knows whether this loan is going to go through. There are a number of conditions precedent, some of which have been met, but we are looking at some of the others, and I don't know whether we are going ahead with this loan.

Mr. PASSMAN. If I could read your mind, and I am going to do a good job of guessing, you don't think this loan is going through, unless there is just a little arm twisting.

Mr. MACOMBER. It is not a question of arm twisting, Mr. Chairman. It is a question of a good, hard look to see whether making this loan will be in the national interests of our country.

Mr. PASSMAN. You have given every indication that as far as you are concerned, there is serious doubt as to whether we will go through with this loan.

Mr. MACOMBER. I don't know whether we will go through with it, but I think——

Mr. PASSMAN. Didn't you use stronger terms?

Mr. MACOMBER. No, sir; I don't think so. I said I didn't know, and I don't know. I think we might go through with it, but it is not a certainty, either way.

Mr. PASSMAN. The world wouldn't come to an end if you didn't give those people $20 million in the next 46 days, would it?

Mr. MACOMBER. That is correct, the world would not come to an end, but it could affect one way or the other our national interest, and we have to consider very carefully what we do.

Mr. PASSMAN. How would it affect our national interest? If we would tell this man we don't like the way he is playing the game, and we are going to give our wealth to people who appear to be a little friendlier?

Sukarno told us to go to hell, and we are just about begging him to take our aid. Suppose we told somebody to go to hell. We are the largest, most powerful nation on the face of the earth. Why should these people push us around like that? I wish you would give us some indication as to what circumstances would have to transpire for this country to have to go through with this loan in the next 46 days.

"National interest" is a stock phrase that is pulled out at any time you get in a hot spot. It is standard with all witnesses before just about all committees.

Are we going to run over there after Khrushchev leaves and ask them to take it? Is it to offset the effect of Khrushchev's visit to Egypt?

Mr. MACOMBER. I don't want to interfere with your guessing, but I don't think that is a very warm guess, Mr. Chairman.

Mr. PASSMAN. Can you tell us what it is, then? I don't want to offend any witness in trying to get information, but you haven't told us anything, other than you may not give them the $20 million, again you may, and it might be in our national interest to do it.

What we are trying to find out is, what would have to happen for it to be in our national interest to give Nasser $20 million out of the development credit category in the next 46 days?

I am willing to go off the record, and I won't quote you, if you want to go off the record. I don't want to interfere with policy. Would you like to go off the record, Mr. Macomber?

Mr. MACOMBER. No, I think——

Mr. PASSMAN. I am a little sensitive about Sukarno, and I am a little sensitive about Nasser, and I am a little sensitive about the President of Pakistan.

Mr. MACOMBER. Mr. Chairman, as I said at the outset, Mr. Nasser does things that are irritating to us.

Mr. PASSMAN. He surely does.

Mr. MACOMBER. And he causes us great concern. He is also quite capable of doing and has done, things that have been equally irritating to the Soviets. Whether we like Mr. Nasser or not, he exists.

Mr. PASSMAN. Yes; he surely does.

Mr. MACOMBER. And the important thing in dealing with the situation there is to deal in a way that is best calculated to further our national interests.

This loan we are discussing is just one of many facets of this problem, and we will have to assess whether it is in our national interest to go ahead with the loan. It is not only a national-interest problem, but that is at the root of everything we do.

Mr. PASSMAN. Well, what are the circumstances? Could you let us in on your secret?

Mr. MACOMBER. There are economic conditions important to this loan. We are not going to give this loan unless certain economic conditions are met.

POSSIBILITY OF REDUCED FISCAL YEAR 1965 REQUEST

Mr. PASSMAN. What are they? I think that you people could very easily have $400 million unobligated under a tight program, on June 30. When there is some indication, you understand, in the previous testimony of top echelon witnesses, that there is a possibility that the President's request could be reduced by several hundred million dollars—that is in the record. I believe Mr. Bell made the statement that if we got up to June 30 and had several hundred million dollars in unobligated funds, then we could reduce the request for 1965 by that amount. Am I stating that correctly, Mr. Tennant?

Mr. TENNANT. Yes, Mr. Bell did indicate that he would——

Mr. PASSMAN. Did other witnesses also indicate that?

Mr. TENNANT. Yes.

Mr. PASSMAN. I am trying to protect at least $300 million of completely loose, unencumbered, unobligated, and unauthorized money.

Mr. TENNANT. There is one point I would like to make, Mr. Chairman. I don't think Mr. Bell gave you any firm statement of the amount he expected to be unobligated.

Mr. PASSMAN. No, he indicated there could be more.

Mr. TENNANT. He indicated there might be some more, and he indicated he would tell you at a later date.

Mr. PASSMAN. If he hadn't indicated it, there wouldn't be any reason to suggest they would reduce the request if he didn't feel there may be some more. We would never have asked him the question about it if he hadn't so indicated.

Mr. TENNANT. I wasn't questioning that, Mr. Chairman, but——

Mr. PASSMAN. Some of these program figures are very loose, and if we are going to take testimony as uncertain as this and base it on national security—you could give it all away for national interest—but there is a serious question mark as to whether it is needed or should be obligated? We are going to have to borrow this money. We are going to close this year with a deficit of from $7 to $9 billion.

QUESTION AS TO VALIDITY OF JUSTIFICATION FOR EGYPT LOAN

LOAN

If there is some information that you can give to this committee in subsequent days as to why this $20 million should be tied up in the next 46 days, other than just a blanket statement, "in the national interest," at least, we would be grateful.

Mr. MACOMBER. We have been talking for 8 months about this loan with United Arab Republic officials. There is enough chance at this point that we would go ahead with this loan to keep money programed for the loan. To do otherwise would be an unwise course.

Mr. PASSMAN. Don't you get new money on July 1, 46 days from now, or don't you expect to?

Mr. MACOMBER. That is correct, but this loan may move before that time.

Mr. PASSMAN. But it may not, is that correct?

Mr. MACOMBER. It may not, that is correct.

Mr. PASSMAN. You have been bargaining on this thing for 6 months. I wouldn't feel very good, representing 195 million Americans to see

you push this thing through in the last 46 days, when you say you have been negotiating with them for 6 months.

If it is in the national interest, now, it would have been in the national interest 6 months ago.

Mr. MACOMBER. That doesn't necessarily follow, Mr. Chairman.

Mr. PASSMAN. According to your interpretation it doesn't. According to mine, it does. We will hear the same thing from you next year, if you are here testifying, that these things will be in the national interest. That is a stock phrase that has been used to justify this program ever since I have been chairman of the committee.

I hope we let Khrushchev get out of the country before we rush in.

How long is he over there, 15 days?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. Try to get him to stay 46 days more, will you? Maybe we won't rush in while he is there. However, I am not too sure.

TELECOMMUNICATIONS TRAINING CENTER PROJECT

Last year, in connection with the telecommunications training project at page 352, Mr. Gaud stated he did not need the $42,000 he was requesting for 1964 for the project. Is that correct?

Mr. WHITE. That was for contract services.

Mr. PASSMAN. Last year, in connection with the telecommunications training project at page 352, Mr. Gaud stated he did not need the $42,000 that he was requesting for the 1964 project. Is that what he said?

Mr. WHITE. That is correct.

Mr. PASSMAN. However, page 352 indicates that despite Mr. Gaud's testimony—this man now who has been moved up to second place in this giveaway agency, that you have allocated $46,000 to the project in 1964; is that correct?

Mr. WHITE. That is correct.

Mr. MACOMBER. The question was whether we needed the money for the contract service——

Mr. PASSMAN. If you couldn't use it for that, you could use it for something else; is that right?

Mr. MACOMBER. Or use it for participants; that is correct.

Mr. PASSMAN. If this was a line item bill, you couldn't have; could you?

Mr. MACOMBER. No, sir.

Mr. PASSMAN. Thank you.

You not only had to use the $42,000 that he said he wouldn't use, you had to add $4,000 to it. Am I reading the record correctly?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. That is running about true to form.

POSSIBILITY OF UNLIQUIDATED FUNDS FOR THE ENGINEERING EDUCATION PROJECT

Page 353 indicates that as of June 30, 1964, you anticipate you will have $329,000 unliquidated for the engineering education project, and that the university consortium will begin work in September 1964, is that correct, sir?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. In view of the fact that prior-year funds were obligated for contract services, and the consortium will not begin its work until September 1964, it would appear to me at least that you have on hand enough funds to carry the university contract through September 1966. Do you see it the way I do?

Mr. MACOMBER. Well, I see it enough——

Mr. PASSMAN. Just cold mathematics ought to do it.

Mr. MACOMBER. I see it enough like you see it to want to look into it, Mr. Chairman.

Mr. PASSMAN. Is there a possibility that $310,000 in this item may not be required?

Mr. MACOMBER. That is possible; yes, sir.

PUBLIC SAFETY TRAINING PROJECT

Mr. PASSMAN. How much did you testify for last year for the public safety training project?

Mr. MACOMBER. That project was not presented last year.

Mr. PASSMAN. How much did you allocate to this project that you didn't even justify on an illustrative basis?

Mr. MACOMBER. $85,000.

NATIONAL ECONOMIC PLANNING PROJECT

Mr. PASSMAN. Last year you requested $140,000 for the national economic planning project at page 357, is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How much did you allocate to that project in fiscal year 1964?

Mr. MACOMBER. $246,000.

Mr. PASSMAN. It is the committee's fault, not yours, that you had all that money.

Have you signed a contract yet for the team of technicians to advise on development formulation, for which you have allocated $223,000 for fiscal year 1964?

Mr. MACOMBER. No.

Mr. PASSMAN. I wish you would have a look at that one, too, sir.

INDUSTRIAL DEVELOPMENT BANK LOAN

In connection with the Industrial Development Bank credit of $2.5 million, has there been any repayments of interest on this credit?

Mr. MACOMBER. No.

CAIRO-WEST POWER PROJECT LOAN

Mr. PASSMAN. Have there been any interest payments on the Cairo-West Power project described on page 365?

Mr. MACOMBER. No payment of interest, as yet.

Mr. PASSMAN. Mr. Macomber, we have many other questions dealing with projects in Egypt, pertinent to the matter under consideration. In the interests of time, I shall conclude the examination on Egypt and ask you one other question:

The same type of questions would get about the same answers in general, would they not, on other projects?

Mr. MACOMBER. I suspect that would be the case.

Mr. PASSMAN. Thank you.

Do the other members have any questions they would like to ask the witnesses before we move out of Egypt?

YEMEN

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total aid to Yemen since the inception of this program?

Mr. MACOMBER. $38,400,000.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do you have in the pipeline unliquidated to the credit of Yemen?

Mr. MACOMBER. $6,279,000.

Mr. PASSMAN. I believe at one time you had a government known as the Royalist government?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. We even were supporting that Government with our aid program?

Mr. MACOMBER. Yes.

Mr. PASSMAN. When did it cease to be Royalist?

Mr. MACOMBER. 1962.

Mr. PASSMAN. Do we recognize the present regime? Are we supporting them financially?

Mr. MACOMBER. We have an aid program which is——

Mr. PASSMAN. When I say "helping," I mean, do we have a giveaway program or an aid program for Yemen?

Mr. MACOMBER. Our aid program is helping the people of Yemen, helping to develop the country of Yemen, and to that extent is also supporting, as you say, the Government.

Mr. PASSMAN. That is my question. We are supporting this Government financially, the same as we did the Royalist government that this present Government overthrew.

Mr. MACOMBER. That is correct.

ATTITUDES OF OTHER GOVERNMENTS TOWARD YEMEN POWER STRUGGLE

Mr. PASSMAN. Was Nasser friendly with the Royalist government?

Mr. MACOMBER. Yes, he had friendly relations with them.

Mr. PASSMAN. Is he friendly with the present Government?

Mr. MACOMBER. He is.

Mr. PASSMAN. He is causing no trouble in Yemen?

Mr. MACOMBER. He is supporting the present Government in Yemen.

Mr. PASSMAN. Against what other forces?

Mr. MACOMBER. Against forces that are still loyal to the new Imam.

Mr. PASSMAN. Who was thrown out of office?

Mr. MACOMBER. Yes, and in this area there are always tribal problems, and whatever the government, it has difficulties. The present Government has difficulties, a large portion coming from the group around the new Imam, but some of the difficulties are just springing from the tribal pattern.

Mr. PASSMAN. You have a civil war there?

Mr. MACOMBER. You have civil war there, that is correct.

Mr. PASSMAN. Nasser is supporting one side of that civil war?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. What nation or nations are supporting the Royalist side of this civil war?

Mr. MACOMBER. In the past, the Government of Jordan has been sympathetic to the Royalist side, the Saudi Government has been sympathetic.

Mr. PASSMAN. Do we have aid programs in both of those nations?

Mr. MACOMBER. Not in Saudi——

Mr. PASSMAN. You have unliquidated funds?

Mr. MACOMBER. We have a program in Jordan.

Mr. PASSMAN. That is the country we have been examining on today. They are sympathetic to the Royalist government?

Mr. MACOMBER. They were.

Mr. PASSMAN. When did they change their minds about it?

Mr. MACOMBER. In the past year, the Government of Jordan has seemed to become less concerned with the situation, less preoccupied with it and is not playing an active role for or against either party down there now.

Mr. PASSMAN. What do we have to gain when there is a civil war going on and we have an aid program in countries in sympathy with both sides, and in addition we are also giving aid to the country which is undergoing civil war?

Mr. MACOMBER. What we have to gain in the Yemen situation is to maintain an influence there.

Mr. PASSMAN. Why do we?

Mr. MACOMBER. This is an important corner of the world. It abuts on some very important countries in the Arabian Peninsula. Both the Russian and Chinese Communists have made a serious effort to gain a position of dominant influence.

Mr. PASSMAN. Why not encourage it? Let them spend some of their wealth there.

Mr. MACOMBER. If they do get a dominant influence, this could become a serious strategic setback.

Mr. PASSMAN. Is that not going to happen when we finally run out of money to give these people, when our generosity gets our prices so high that we cannot compete in the world market? Is this program not going to have to be brought to a conclusion some day?

Mr. MACOMBER. It will be a disaster if we go broke, but we are not going broke.

Mr. PASSMAN. Look at the purchasing power of the dollar and look at the public debt. I say we are going broke. You have had famines, depressions, recessions. If we keep up this program too long, we are going to get into another economic dislocation.

When did we start this aid program in Yemen?

Mr. MACOMBER. We are going to get in a very bad spell, if the Soviets and Chinese Communists develop positions of strength in what is now the free world. That is what the struggle in Yemen is about.

Mr. PASSMAN. According to what you people say, the entire world is the free world. We have an aid program going in Communist countries. We have an aid program in Yugoslavia, which is just as communistic as Russia. We have an aid program in Poland. You have an aid program going in Sukarno's country. You do not have to be non-Communist to get our money. You have this program going in a hundred nations.

Mr. MACOMBER. We should make a distinction. I do not consider Yugoslavia nor Poland as part of the free world——

Mr. PASSMAN. How about Indonesia?

PRESERVATION OF THE FREE WORLD NATIONS

Mr. MACOMBER. What we are trying to do, and what I believe this program plays a major and an essential role in, is to preserve those nations that are now in the free world to maintain them in the free world. We are also interested in seeing Communist countries that are under the influence of Moscow-directed Communist movement, break away from Moscow.

Mr. PASSMAN. Is Yugoslavia going in that direction?

Mr. MACOMBER. Yugoslavia is a good deal more independent from Moscow than many Communist countries.

Mr. PASSMAN. Is not Yugoslavia an outright Communist country?

Mr. MACOMBER. It is, but it is not blindly taking orders from Moscow.

Mr. PASSMAN. Is not Red China breaking away from Russia?

Mr. MACOMBER. It appears at the present time to be breaking away from Russia.

Mr. PASSMAN. How about Indonesia? Is that a pro-American country?

Mr. MACOMBER. One reason there can be a great deal of friction between Russia and China is because they are strong powers, with independent strengths of their own. They can afford to stand up to each other. We are very much interested in seeing the smaller Communist countries get out of the direct control of Moscow or Peiping. But they do not have the same independent resources as China. It is important to let these smaller countries feel there is support for them in quarters other than Moscow or Peiping.

Mr. PASSMAN. I make my observation worldwide. Every nation on the face of the earth but 12 has this program. I say you are scraping the bottom of the barrel.

I think Lenin knew what he was talking about. He said, just give us time, we would spend ourselves into bankruptcy. I do not want to see his word made good. That is why I am trying to put some sense into this program.

Mr. MACOMBER. I believe we have to think of something else.

Mr. PASSMAN. Don't think I don't think of something else. I did not live these 64 years shooting marbles. I have tried to serve my country well. I have created jobs and met payrolls. I know something about our economy, and I know what we are doing to our world

markets. This program will bring the heavens crumbling down on us if we do not stop giving our wealth away.

If you go to the record, the hearings are here, you have had people testify that it was unthinkable that you would have an aid program going in Yemen. It was laughable. Two years later there was an aid program. When did you start your aid program in Yemen?

Mr. MACOMBER. 1959. But before leaving this general point, let me say that the thing that I think is important to remember always is that the greatest military power in Europe is a Communist power; the greatest military power in Asia is a Communist power; the most serious predatory threat to Latin America is a Communist threat. This is the world we live in. These are predatory forces. If we just go home and leave these countries of less strength to stand up against these predatory forces all by themselves, they are going to go down and we are going to stand alone in this world. And if we ever stand alone, we are in very deep trouble.

Mr. PASSMAN. You have great minds who disagree with every word you have said.

Mr. MACOMBER. This program is designed to prevent our standing alone.

Mr. PASSMAN. You have some great minds not only in the Congress, that take a completely opposite view. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Just review the record and observe the comments from the table when I suggested an aid program for Yemen. I think they started it either a year or two after they laughed at me for even suggesting Yemen.

PROGRAM FOR 1965

What do you plan to allocate to Yemen in fiscal 1965?

Mr. MACOMBER. $4,400,000.

Mr. PASSMAN. What is the population of that country?

Mr. MACOMBER. About 4 million.

WATER SUPPLY AND ENVIRONMENTAL SANITATION PROJECT

Mr. PASSMAN. Last year you requested $1,550,000 to meet the final cost of the Taiz water system and engineering. Fiscal 1964 was the final year of the project; is that correct?

Mr. MACOMBER. Yes.

Mr. PASSMAN. However, I note you are requesting $700,000 in fiscal 1965, and that you are also anticipating an additional $200,000 in fiscal 1966 to complete the project. Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. There is nothing personal about this, but if you people get your foreign policy as badly mixed up as you have this program, it must be in a sorry mess.

ROAD CONSTRUCTION AND TRAINING PROJECT

How much of the fiscal 1965 estimate of $2,650,000 for the road construction training project on page 369 is for the possible construc-

tion of a 34-mile spur south from Taiz to connect to a road in the British-controlled South Arabian Federation?

Mr. MACOMBER. $700,000.

Mr. PASSMAN. How firm is it?

Mr. MACOMBER. It is not firm. We have made no final decision on whether to go ahead with that.

Mr. PASSMAN. Is Russia in Yemen with an aid program?

Mr. MACOMBER. It is.

Mr. PASSMAN. When will you make the decision as to whether you will go through with this road project?

Mr. MACOMBER. I would say that we would make that decision fairly soon.

Mr. PASSMAN. Would it not have been better to have waited for a more favorable time to make the request?

Mr. MACOMBER. The working conditions in the Yemen are extremely difficult, probably as difficult as anywhere in the world. We are building the main road.

Mr. PASSMAN. You are speaking about a political situation holding this up?

Mr. MACOMBER. I am trying to explain why we have gotten involved in this as we have. We are building a road north from Taiz. The security situation as we move that road north has on a number of occasions been such that we have not felt it wise to send our people into the area to work on the road. Rather than have these people sitting and doing nothing, we have had them looking at this spur road and analyzing whether that kind of a road would make sense. From an economic point of view, it makes a good deal of sense, but whether from a political point of view and whether from the cost point of view it makes sense, we are not sure.

Mr. PASSMAN. Why do you not bring them home? Why do you keep those people out there looking for some other place to spend money?

Mr. MACOMBER. No; the road is going forward slowly. We are committed to finishing it. If we took them home and sent them back a month later, it would cost more.

Mr. PASSMAN. Why not wait 25 years? You have the men out there, it looks like we are chomping at the bit to spend more money. For security reasons you do not send them out where we plan to build a road, but since they are there, you have them look at some other road that may be feasible.

Mr. MACOMBER. It seems to be the wise course.

Mr. PASSMAN. It seems wise to you, but to me, trying to represent 195 million Americans, it looks as silly to me as it does wise to you. Why do we not wait until conditions simmer down?

Mr. MACOMBER. The conditions are simmering down. This road we are building now will be completed, but there have been periods when we have not felt that it was wise to send our people out to work on it. They have not been periods of long duration, but there have been a few days here or a week or so there, where we have not thought it wise to send men forward to work on it.

Mr. PASSMAN. On account of the danger?

Mr. MACOMBER. Getting hurt, which does not make much sense.

Mr. PASSMAN. We should not expose our people to such conditions.

Mr. MACOMBER. Our people are exposed to a lot of very serious conditions around the world. They are serious in Yemen, but it has made sense to go forward with this road. We think that conditions will be such that the road will be finished. But there have been these interruptions from time to time, and when they have come, rather than have our people sit in Yemen and do nothing, or sending them home or sending them to Beirut or somewhere else to sit for a couple of weeks, we asked them to look at this spur road. This seems to be a sensible use of talent that you are going to pay a salary to anyway.

Mr. PASSMAN. We suspended a program in Honduras and we suspended a program in the Dominican Republic. But we are out here trying to get ourselves into more trouble. You have such conditions that if we expose our civilians, who are trying to earn an honest dollar with the company that contracted for their time——

Mr. MACOMBER. These are Bureau of Public Roads people.

Mr. PASSMAN. All the same. You send them out to do one project and on account of the danger involved they are to go off and find some other project to work on. You will wind up with two projects going. That is about what is going to happen, is it not?

Mr. MACOMBER. I do not know.

Mr. PASSMAN. You have already said you thought the main road project would go forward.

Mr. MACOMBER. I think so.

Mr. PASSMAN. Now they are looking for another road, are they not?

Mr. MACOMBER. Yes, we are looking at a spur road.

Mr. PASSMAN. We will wind up with two projects going.

Mr. MACOMBER. I do not know if we will or not.

Mr. PASSMAN. I hope not, but it appears that way from the testimony.

Mr. MACOMBER. It will depend on whether the spur road makes sense.

Mr. PASSMAN. I do not know of anything that would not make sense. I think you are going to tighten up this program. You said you would. To me, this program is the silliest thing ever conceived by the mind of man. I would like to borrow your imagination. We are borrowing this money we are giving away.

Have you heard anybody talk about paying anything on the public debt in the past 2 or 3 years? I do not think they even talk about it any more. It used to be that we worried about the public debt. It is just how much are we going to increase it next year?

Mr. MACOMBER. Rather than being one of the silliest things ever conceived by the mind of man——

Mr. PASSMAN. That is my opinion, and you could not change my mind if you took the difference between your age and my age and spend all that time trying.

Mr. MACOMBER. I have a suspicion I am not going to change your views.

Mr. PASSMAN. Don't be suspicious. I give you positive assurance you are not going to.

Mr. MACOMBER. I accept that positive assurance. I suspect that history will one day judge this program as a program that was one of the——

Mr. PASSMAN. Biggest flops?

Mr. MACOMBER (continuing). Finer things conceived by the mind of a nation, not only because it served that nation's own self-interest but because it brought inestimable good and progress in the world which is, after all, one of the fundamental purposes of that nation.

CENTO PROGRAM

REGIONAL CIVIL AIRWAYS SYSTEM

Mr. PASSMAN. Last year the agency requested $1,200,000 for the CENTO regional airways system project. Your justifications stated:

$1,200,000 is needed in fiscal 1964 out of the supporting assistance grant funds as the final contribution for the project.

Is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How long had that project been going on?

Mr. MACOMBER. Since 1961.

Mr. PASSMAN. Page 376 indicates that you allocated $1,200,000 in fiscal 1964; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. That completes that project, does it? Have I finally found one?

Mr. MACOMBER. No, it will go on 1 more year.

Mr. PASSMAN. How much more?

Mr. MACOMBER. $400,000.

MULTILATERAL TECHNICAL COOPERATION PROJECT

Mr. PASSMAN. Under CENTO, I note you have allocated $91,000 to the multilateral technical cooperation project on page 378; is that correct?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. How much did you testify for his project last year?

Mr. MACOMBER. $50,000.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Let me apologize to you again for the committee giving you more money than you needed.

You allocated $193,000 to the technical support project; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How much did you testify for this project last year?

Mr. MACOMBER. $150,000.

Mr. PASSMAN. How much did you allocate?

Mr. MACOMBER. $193,000.

Mr. PASSMAN. I will dispense with any further questions on CENTO. Do any of the other members of the committee desire to ask questions on CENTO?

NEAR EAST AND SOUTH ASIA REGIONAL PROGRAM

The next program is the Near East and south Asia regional program for which you are requesting $2,400,000; is that correct?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. How does this compare with your 1964 program?
Mr. MACOMBER. $2,200,000.

LEBANON

UNLIQUIDATED BALANCES

Mr. PASSMAN. Is Lebanon in your area?
Mr. MACOMBER. It is.
Mr. PASSMAN. Do you have any unliquidated funds to the credit of Lebanon?
Mr. MACOMBER. $498,000.
Mr. PASSMAN. In what spigot?
Mr. MACOMBER. $395,000 for technical cooperation——
Mr. PASSMAN. Are those new projects?
Mr. MACOMBER. No, sir.
Mr. PASSMAN. What are the others?
Mr. MACOMBER. $103,000 for military. That is all.

TOTAL AID TO LEBANON

Mr. PASSMAN. What has been the total amount of aid to Lebanon?
Mr. MACOMBER. $87,700,000.
Mr. PASSMAN. When do you anticipate you will dry up this branch of the pipeline?
Mr. MACOMBER. We will carry a small balance into fiscal 1966.
Mr. PASSMAN. You did not have a technical aid program in Lebanon last year?
Mr. MACOMBER. That is right; we did not.
Mr. PASSMAN. You must have started a technical aid program from 1964 funds.
Mr. MACOMBER. No.
Mr. PASSMAN. Let us go to last year's book.
You did not request money.
Mr. MACOMBER. That is correct.
Mr. PASSMAN. In 1963 you had only $150,000 unliquidated. How did that get up to the figure you just gave us?
If the unliquidated went from $150,000 to $393,000 without additional allocations I have been wrong about this program all along. If it could just grow without additional money I am for it.
Mr. TENNANT. We were talking unliquidated obligations.
Mr. PASSMAN. If you had $150,000 unliquidated——
(Discussion held off the record.)
Mr. PASSMAN. You did put new money in in 1963?
Mr. TENNANT. Yes, sir; this unliquidated figure refers to that money and some prior money.

TERMINATION OF PROGRAM IN LEBANON

Mr. PASSMAN. Then what will be the final year, 1966?
Mr. MACOMBER. I think so.
Mr. PASSMAN. How many people out there at present?
Mr. MACOMBER. None.

Mr. PASSMAN. Will this liquidate itself, which I guess would be good, or is there a possibility this will be deobligated?

Mr. MACOMBER. So far as I know the answer is "No" to your latter question.

Mr. PASSMAN. It will never be finished?

Mr. MACOMBER. It will be finished; all right.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

AMERICAN UNIVERSITY AT BEIRUT

Mr. PASSMAN. Are you familiar with the American University at Beirut?

Mr. MACOMBER. I am.

Mr. PASSMAN. Is that in your category?

Mr. MACOMBER. Yes.

Mr. PASSMAN. Under your jurisdiction?

Mr. MACOMBER. We send participants to AUB.

Mr. PASSMAN. It is a project itself and it is in your region?

Mr. MACOMBER. As a project in itself it is not in my area of responsibility. It is geographically located in Lebanon but it is not under my jurisdiction.

Mr. PASSMAN. That comes under Dr. Baumgartner?

Mr. MACOMBER. That is right.

Mr. PASSMAN. That is a new appropriation, is it not, within the agency? It is about 2 years old?

Mr. MACOMBER. That is right.

Mr. PASSMAN. Are you familiar with the American University?

Mr. MACOMBER. I am, Mr. Chairman.

Mr. PASSMAN. What are your evaluations of this university?

Mr. MACOMBER. I think it is an outstanding institution and I think it has played a major and constructive role so far as deepening American influence in that part of the world is concerned. It has strengthened the educational process in that part of the world. I think it is a very great asset to that part of the world and a very great credit to the United States.

Mr. PASSMAN. It is my understanding that to be able to speak English is one of the prerequisites before they can enter the school.

Mr. MACOMBER. That is right.

Mr. PASSMAN. It is my understanding they have students from some 47 nations of the world attending the university.

Mr. MACOMBER. That sounds about right.

Mr. PASSMAN. It is my understanding it is under a very strict and able management team, or board of directors.

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. And it is my further understanding that the statement that this university has been supported by oil interests is completely erroneous.

Mr. MACOMBER. It has been supported by——

Mr. PASSMAN. Supported by personal, selfish, or oil companies?

Mr. MACOMBER. No, sir; I would say it is support which has come from a number of quarters.

Mr. PASSMAN. Different foundations, such as Rockefeller, Ford, and organizations of that type?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. And where the charge arose that this university was being supported by the big oil companies, for their benefit, I would like to know. There are some people laboring under that impression. I see that you have some knowledge of it.

Would you say that charge is completely erroneous?

Mr. MACOMBER. Yes, sir.

Mr. PASSMAN. You feel that way, Mr. Walsh?

Mr. WALSH. Yes, sir.

Mr. PASSMAN. I am glad that is in the record. It is also my understanding that the board of directors is a diversified board; that is, nonsectarian.

(Discussion held off the record.)

Mr. PASSMAN. It is nonsectarian?

Mr. MACOMBER. That is correct.

PRESIDENT KENNEDY'S EFFORT IN BEHALF OF UNIVERSITY

Mr. PASSMAN. Are you familiar with the fact that the late President Kennedy was so impressed with this university's standing that he sent his brother to Beirut for a day on the campus, later his wife's brother, and even later that he addressed himself to His Majesty, the King of Saudi Arabia, soliciting his financial aid to complete this medical center?

Mr. MACOMBER. I had heard that, Mr. Chairman.

Mr. PASSMAN. Have you since confirmed that President Kennedy had an interest and he went so far as to address himself to the King of Saudi Arabia asking his financial support in the development of this teaching hospital in Lebanon?

Mr. MACOMBER. Yes, sir. I have just now seen an actual copy of that letter.

Mr. PASSMAN. A photostatic copy of the original?

Mr. MACOMBER. That is correct.

Mr. PASSMAN. I want to say that President Kennedy must have had very deep feelings about this because he transferred out of the contingency fund $5 million to fund the research center portion of the teaching hospital. Are you familiar with that?

Mr. MACOMBER. I did not know that, sir.

Mr. PASSMAN. Are you familiar with that?

Mr. WALSH. I had heard that, sir.

Mr. PASSMAN. Would you look at the record and tell me whether that is correct?

Mr. Controller, have you the figures?

Mr. TENNANT. That is correct.

Mr. PASSMAN. I believe that AID finally has approved the second part of the medical center, the teaching hospital section; is that correct?

Mr. MACOMBER. I don't know, Mr. Chairman. It is not in my jurisdiction.

Mr. PASSMAN. You would consider this a good project?

Mr. MACOMBER. I certainly would, sir.

Mr. PASSMAN. To have a teaching hospital where they can train doctors in that part of the world. Do you know of any investment which could enhance the prestige and understanding of America's techniques such as having that kind of institution?

Mr. MACOMBER. It is difficult for me to think of one which would be any more important than that.

Mr. PASSMAN. And it would be important, too, because many of the students in that part of the world who want to be doctors, because of the tremendous expense involved their ambition could not be achieved on account of expense, and with this teaching hospital would you not think that that in itself would prove a tremendous investment not only for America but that part of the world, having a hospital of that type where they can teach and train doctors and nurses?

Mr. MACOMBER. I would.

Mr. PASSMAN. Let me say again for the record I am tremendously interested in this project. When you start talking about humanitarianism, children's hospitals, I am for it.

I want the record to show my support is not just for the university at Beirut but also for the children's hospital in Poland, which is in Communist Poland. I faced up to my responsibility for the children's hospital and recommended every dime they asked for with respect to local currency, and subsequently all the dollars required to equip that hospital.

I have no apology to offer to any individual for the part I played in helping get funds for the children's hospital in Poland and for this teaching hospital in Beirut, Lebanon.

I am very pleased to have you, Mr. Ambassador, and you, Mr. Secretary, verify that so far as you know it is absolutely a completely false and erroneous statement with regard to these rumors that oil companies had anything to do with financing this institution.

I hope you will repeat that statement and put that fire out every time it comes ablaze. It is not so.

(Discussion held off the record.)

ADHERENCE TO LEGISLATIVE SCHEDULE

Mr. PASSMAN. I do not think it would be fair to the people who are putting up this money to carry on this worldwide giveaway program not to indicate we have abbreviated the hearings on your region. I think we spent 2 weeks one time on one country in Africa. We had actually planned 3 weeks with you. I think we have consumed only 3 days.

Is that about right?

Mr. MACOMBER. That is correct, Mr. Chairman.

Mr. PASSMAN. It is impossible to ask questions on all these projects in 3 days, and more so if you get into detail. You have voluminous information on every page. All of it is pertinent to the subject matter—technicians, commodities, kinds of commodities, what you are paying for them. We just don't have the time.

In my candid opinion that is one reason why we have a public debt of well over $1 trillion.

(Discussion held off the record.)

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

We will be fairer to you next year and give you longer hearings. To abbreviate this way, may give you ideas. I suggest you fight these ideas very hard—that is, the idea we have become lax. We are merely trying to get through with these money bills inasmuch as a commitment has been made.

If you do not think we have gone far enough into it, or if you want to come back Monday we will pick up and go again.

Mr. MACOMBER. I think we would like to cooperate with you in getting along with your schedule, Mr. Chairman.

Mr. PASSMAN. Good luck to you in your work.

Mr. MACOMBER. Thank you, Mr. Chairman.

MONDAY, MAY 18, 1964.

LATIN AMERICA

WITNESSES

HON. THOMAS C. MANN, ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE
WILLIAM C. ROGERS, DEPUTY COORDINATOR FOR ALLIANCE FOR PROGRESS, AID
REUBEN STERNFELD, DEPUTY ASSISTANT ADMINISTRATOR, OFFICE OF DEVELOPMENT, PLANNING, AND PROGRAM, AID
BARRY PASSETT, SPECIAL ASSISTANT FOR CONGRESSIONAL PRESENTATION, OFFICE OF DEVELOPMENT PLANNING, AID
DR. MAURICE J. MOUNTAIN, DEPUTY DIRECTOR, WESTERN HEMISPHERE REGION, OASD (ISA)
HARRY ACKERMAN, CONGRESSIONAL LIAISON STAFF, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
DAVID BRITT, STAFF COORDINATOR, AID
PAUL RESNIK, STAFF COORDINATOR, AID
EDWARD F. TENNANT, CONTROLLER, AID

Mr. PASSMAN. The committee will come to order.

The committee worked Friday night until, I believe, a little past 8 trying to meet a most difficult schedule and target date.

STUDENT TRAINING PROGRAM

Mr. Controller, I believe you gave us a report a few days ago in response to a question that we had a program going with universities and colleges and trade schools in 46 of the 50 States?

Mr. TENNANT. It is either 46 or 48. It is 46, I believe.

Mr. PASSMAN. If it is 46 I know you are going to get into the other 4, but if it went up another 2, will you please check it when you get back to your desk?

Mr. TENNANT. I will check it. I think it is 46.

Mr. PASSMAN. I made a statement with respect to these entanglements, that it was a subsidy to these colleges, universities, trade schools

and employment agencies, and some throats cleared when I made the observation. This item was in the New York Times under date of May 17, 1964. I will quote two of the paragraphs:

AID STUDY REBUKES UNITED STATES AND COLLEGES

(By Fred M. Hechinger)

Conflict between American universities and the Government has impaired the effectiveness of the Nation's technical aid program abroad, a high-level report charged yesterday.

The report, prepared by John W. Gardner, president of the Carnegie Corp. of New York, proposed immediate, far-reaching legislation to correct the "inexcusably casual and aimless" handling of technical assistance and development * * *.

These two paragraphs certainly agree with what I have said in the past.

This statement is out of another part of the article, and inasmuch as it makes the same charges that I have made in the past I thought it would be good to have it in the record also. It says:

RESENTMENT TO "EGGHEADS"

* * * It charged that "universities have often acted irresponsibly—sending third-rate personnel overseas, neglecting the needs of the host country * * * engaging in aggressive tactics to get contracts, taking on tasks they are not equipped to do well, failing to put the full weight and resources of the university behind a contract."

Some AID officials, interviewed by the committee, said that no American university had ever willingly terminated a contract program, no matter how valid were the reasons for doing so. * * *

I shall insert the entire statement in the record but these are the things that I have said for many years. I had the experience, gentlemen, of trying to prevail upon the Agency to give some consideration to terminating the Oregon State College contract in Thailand. It was like pulling out a tooth without novocain. I will put the entire article in the record with the comment that not all the articles the New York Times carries are biased. I think they carry some pretty good articles.

Mr. ROGERS. Mr. Chairman——

Mr. PASSMAN. I have not asked any questions about this.

Mr. ROGERS. I was going to state this was a joint report.

Mr. PASSMAN. Yes. I stated that in the caption. They took the same position I did and I want to commend the people for recognizing the facts of life about this program.

(The article referred to follows:)

[From the New York Times, May 17, 1964]

AID STUDY REBUKES UNITED STATES AND COLLEGES

(By Fred M. Hechinger)

Conflict between American universities and the Government has impaired the effectiveness of the Nation's technical aid program abroad, a high-level report charged yesterday.

The report, prepared by John W. Gardner, president of the Carnegie Corp. of New York, proposed immediate, far-reaching legislation to correct the "inexcusably casual and aimless" handling of technical assistance and development.

It warned that "haphazard" selection of university personnel for service abroad, rigidity of Government contracts, and failure to understand the need

for long-term commitments had plagued the aid program, which it said was vital to American foreign policy and world peace.

But in contrast to the recommendations of some other recent critics of foreign aid operations, the report urged that the Agency for International Development, which administers the program, be given greater power, better-qualified personnel, and more independence.

Recently there was talk of abolishing the Agency among critics in the administration as well as Congress.

ASKS CAREER AID SERVICE

The report, written after 7 months of study, called for immediate legislation to establish a small, highly skilled career service and a larger reserve force for use overseas.

It also urged the establishment of an additional semiautonomous Government institute to handle the long-range aspects of technical assistance, which, it maintains, are now undermined by vacillating policies and lack of budgetary continuity.

The 51-page study, entitled "AID and the Universities," was made in the form of a "report to the Administrator of the Agency for International Development."

The committee responsible for the survey, headed by Mr. Gardner, included William W. Marvel, president of Education and World Affairs, several leaders of higher education and high-ranking Government officials.

In a foreword, David E. Bell, Administrator of the aid Agency, called the reporrt "forthright, lucid, and provocative" and stated that specific plans of action based on the report were already in preparation.

The document pointed out that, as of the beginning of 1964, a total of 72 universities were performing technical assistance tasks under 129 separate Agency contracts worth $158 million.

Mr. Gardner said that 7 universities had a total of 37 of these contracts, indicating that the base of university support was too narrow.

"CONTRACTS PILE UP"

Lacking a proper framework for its decisions, the Agency has "tended to let contracts pile up in the most obvious institutions" after selection procedures that are often "haphazard and based on chance encounters," Mr. Gardner said.

The report acknowledged that there had been a record of "solid accomplishments that reflects great credit on both side of the partnership" between Government and universities. But, it said, the purpose of the report and the desire of the universities and the Agency is "to know how they can improve their performance."

Mr. Gardner stressed, therefore, that the good of the study was not to offer a balanced view of accomplishments and failures but to focus deliberately on "the problems in what has been an extremely fruitful relationship."

One of the most serious problems was found to be pressure, increasing in recent years, to end aid programs prematurely.

"Some people have come to regard 3 years as normal duration for a technical assistance project, and 7 years as just about the upper limit," Mr. Gardner said.

He warned that many tasks of technical aid, especially those entrusted to universities, "are not only impaired but rendered meaningless by such a shortened time perspective."

In studying conflict and misunderstanding between Government and higher education, the report found that the universities believed the aid Agency was lagging far behind such agencies as the National Science Foundation and the Office of Naval Research in an understanding of the academic world.

The universities charged that as a result contracts were often so rigidly written and administered that they "frustrate the purposes they are designed to further."

"They say that AID doesn't grasp the nature and purposes of universities, doesn't know how to use them wisely, doesn't allow them to make the distinctive contribution that only they can make," Mr. Gardner reported.

The aid Agency, for its part, complained that the universities lacked sympathy for a Government agency's need to justify its actions to Congress and be accountable to the taxpayer.

RESENTMENT TO "EGGHEADS"

It charged that "universities have often acted irresponsibly—sending third-rate personnel overseas, neglecting the needs of the host country * * * engaging in aggressive tactics to get contracts, taking on tasks they are not equipped to do well, failing to put the full weight and resources of the university behind a contract."

Some AID officials, interviewed by the committee, said that no American university had ever willingly terminated a contract program, no matter how valid were the reasons for doing so.

While Mr. Gardner saw much justification for the complaints on both sides, he concluded that "some AID officials know little or nothing about the nature of the modern university."

A few of these officials were even found to harbor "a thoroughly anachronistic resentment over the intrusion of 'eggheads' into practical affairs."

Mr. Gardner rejected the excuse that these difficulties arise from inevitable tension between Government and the academic world. He stressed that other Government agencies, particularly those concerned with science and technology, had "forged an extremely fruitful alliance with the universities."

In assessing the blame of the universities for past failures in oversea work, the report pointed out that lack of support by the home institution often left the American faculty member abroad "functioning virtually as an independent operator."

Mr. Gardner said bluntly: "If the university treasures its integrity then it has two choices: Get out of oversea activity entirely or recognize such activity as an integral part of university life and work." He called it untenable for the university merely to act as an "employment broker."

LONG-RANGE PLANS URGED

By the same token, it was urged that the Government consider the development of university resources beyond the immediate contract as part of its function in technical assistance planning.

"If the medical profession had insisted that every dollar spent in strengthening modern medical education, technology, and science was a dollar unjustly diverted from the care of patients, we would still be treating fevers with leeches," Mr. Gardner said.

He also warned that despite more than 15 years of activity in foreign aid, the Government still lacked any adequate personnel system in the field. The problem has been intensified by "extreme organizational instability and fierce congressional criticism to which the Agency has been subjected in recent years," he added.

He was referring to the frequent reorganizations undertaken during the agency's existence of less than 3 years. Earlier this year, some efforts were made to have the State Department take over the aid agency, but there has been widespread opposition to such a move on the ground that it would curtail the independence of aid programs, especially in the academic field.

The Gardner report strongly supported the importance of independent, though improved, international development operations. It would give the agency greater power.

LEGISLATION OUTLINED

Mr. Gardner called it "a grave mistake" to pretend that the agency could write contracts intelligently unless it has a small permanent staff "at the same professional level as the best university people."

He therefore urged the following legislative action:

Creation of "a small, permanent professional service" in the field of technical aid, promising a lifetime career in social, economic, and political development. This service would be "compatible" in all respects and interchangeable, when necessary, with the Foreign Service.

Creation of a larger, more heterogeneous reserve force of university professors, experts in business and the nonprofit organizations, and even members of other Government agencies. Members of the reserve would be committed to service abroad, possibly for 2 of every 8 years. Their home institutions, in return, would assure "job reentry without prejudice," full credit toward advancement in their regular careers, and other benefits.

Creation of a semiautonomous Government institute, the National Institute for Educational and Technical Cooperation, not to compete with the aid agency but to assure attention to the long-range aspects of foreign technical aid.

Such an agency, while subject to congressional review, would have a separate budget and its own board of trustees, composed of Government officials, university leaders, and distinguished laymen.

Among the functions of the proposed agency would be basic and applied research in foreign development aid and programs to strengthen the universities' capacity for foreign assistance, keep track of the talent pool in these fields, and follow up "terminated" aid projects.

Eventually, the State Department's Bureau of Educational and Cultural Affairs might be merged with the Institute, Mr. Gardner suggested, making it "the chief instrument for our educational and cultural relations with the rest of the world."

REQUEST FOR INCREASE IN FISCAL YEAR 1965 BUDGET

Mr. PASSMAN. May I say to the members of the committee that as far as I am personally concerned I will support our President as far as I can, based on facts and adequate justifications. He has asked the authorizing committee to make a small increase in the previous budget estimate. There will be an increase of $55 million in military. This letter is from the President.

The letter is addressed to the Speaker of the House of Representatives and is dated May 18, 1964. It reads:

SIR: I have the honor to transmit herewith for the consideration of the Congress amendments to the appropriation requests made in my 1965 budget for mutual defense and development programs, increasing the request from $1 billion to $1,055 million, and supporting assistance from $335 million to $405 million. Both of these increases are covered by the budget's allowance for contingencies, so that neither affects overall budget totals.

These amendments reflect requirements for increased military and economic assistance for Vietnam not foreseen at the time I submitted the budget to the Congress. A request for the necessary increase in appropriation authorization, an explanation of the need for the additional assistance, and the reasons for transmission of these requests at this time are contained in the special message I have forwarded to the Congress today.

Respectfully,

(Signed) LYNDON B. JOHNSON.

I want to state again that any request the President sends down will have the consideration of this committee, but if we can find three times as much money in previously appropriated funds that will be available, I know we will please the President very much, because it is my understanding he is trying to operate this program with a tight budget.

We have before us today many distinguished representatives of the State Department and I believe maybe one or more from the AID Agency. We have the Controller. We have Mr. Thomas C. Mann, Assistant Secretary of State for Inter-American Affairs and Coordinator for Alliance for Progress; also Mr. William C. Rogers, Deputy Coordinator for Alliance for Progress.

RESPONSIBILITY FOR COORDINATION OF PROGRAM

May I ask this question, gentleman, so that we will know how to proceed after we have heard your statements. We have heard of you, Mr. Rogers, and the great record you have. Of course, Mr. Mann, naturally we have heard of you also. We are very happy to have you

before the committee, but we see in the press you actually will do the dancing and the playing of the music, and therefore we wanted to know if we should direct most of the questions to you in subsequent days or direct them to Mr. Rogers? According to press releases you not only will be the Assistant Secretary of State for Inter-American Affairs, but you actually will do the administering of programs, making the allotments, and so forth.

Will you comment on that before we proceed?

Mr. MANN. Yes, I will be happy to. One of my jobs is Assistant Secretary of State for Inter-American Affairs. Our principal job there relates to political and economic relations between the United States and Latin America. The Coordinator's job in essence delegates to me from Mr. Bell the responsibilities which Mr. Moscoso formerly exercised in this field. I will testify on some of the general policy questions that the committee may want to put. I do not spend full time on AID projects, as I am sure you understand.

Mr. PASSMAN. No, I did not understand. That was the purpose of asking the question, to get a clear understanding whether your relationship to Mr. Rogers was the same as the other Assistant Secretaries' relationships to Mr. Rogers' counterparts in other areas.

Mr. MANN. As I recall, the responsibility was delegated by the Congress to the President who in turn delegated it to Mr. Bell, and Mr. Bell has delegated to me a good deal of the responsibilities he had. Mr. Rogers is my Deputy for AID activities. You know Mr. Bell quite well.

Mr. PASSMAN. Yes, I know him very well.

Mr. MANN. So that should give you an idea.

Mr. PASSMAN. It gives me a very good idea. But I do not think I am getting through to you. You have four Assistant Secretaries of State with four Deputy U.S. Coordinators. I believe three of them carry the title of Assistant Administrator in AID. I am trying to find out if the relationship between yourself and Mr. Rogers would be the same as, we will say, between Assistant Secretary Williams and Mr. Hutchinson. We want to find out whom we should question. We want to know if we are talking to the man who will have authority to say, "This program starts; this program stops." Would that be you or Mr. Rogers?

Mr. MANN. I have more responsibilities than the other Assistant Secretaries. There is a memorandum which I can insert in the record, I do not know if we have it here or not, which defines precisely the additional authorities I have that other Assistant Secretaries do not have. In general I am responsible for the administration of the program subject to certain general exceptions that are set forth in this paper which I will insert in the record.

(The memorandum supplied follows:)

AGREEMENT BETWEEN MR. BELL AND MR. MANN APPROVED BY THE SECRETARY, FEBRUARY 14, 1964

We have considered how best to carry out the President's desire to give Mr. Mann effective policy control over all aspects of U.S. policy in Latin America, so far as that relates to foreign assistance activities. If you concur, we propose to proceed along the following lines:

1. We are agreed that it will be best to make the least disturbance of existing organizations and authorities.

2. Mr. Mann will need and will have—

(*a*) Control over the selection and assignment of all personnel, in the field and Washington, for the Latin American Bureau of AID, subject to Mr. Bell's concurrence on top-level jobs (mission directors and deputies in the field, supergrade positions in Washington).

(*b*) Firm and clear delegations of authority with respect to all loans, grants, and extended-risk guarantees to be made in Latin America, subject to appropriate, time-limited consultation with central AID staff offices and to Mr. Bell's concurrence in cases of exceptional magnitude or involving significant departures from general AID policies.

(*c*) Advisory and supporting services from AID staff offices, including those related to food for peace; procurement, supply and shipping; private enterprise activities; accounting and auditing; personnel, etc., it being clearly understood that these are services in support of the Alliance for Progress operations, to be supplied rapidly and flexibly with the intent of giving maximum assistance to the Alliance.

(*d*) Priority attention to Latin American programs, second only to Vietnam, from all staffs and offices in AID which provide support and assistance to the operating bureaus.

3. To achieve these objectives the following steps will be taken—

(*a*) Mr. Mann, as coordinator of the Alliance for Progress, will be given the powers of an Assistant Administrator of AID, plus any additional powers growing out of the review undertaken in response to paragraph 3b below. Mr. Rogers will be Mr. Mann's deputy for AID matters. Mr. Mann intends to reorganize the present State and AID area offices into new geographic groupings, each to be under a single senior chief (as in the case of the existing Joint Office of Brazil Affairs), retaining as AID staff units the present offices for capital development, institutional development, programing, and legal advice. Study will be given by Mr. Mann and Mr. Rogers to the possible advantages of operational combination of all or parts of the present parallel AID/State public relations and administrative staffs. The joint geographic offices will report to Mr. Mann through Mr. Rogers on AID matters, and the AID personnel in the offices will have direct communications with Mr. Rogers as necessary. AID field missions in Latin American countries will remain unchanged for the present. Any subsequent major reorganizations will be agreed to by Mr. Bell and Mr. Mann.

(*b*) Mr. Rogers and Mr. Hall will jointly review in detail the existing formal delegations of authority and other documents establishing relationships between the Latin American Bureau and the rest of AID, and will propose any changes necessary to effectuate the agreements outlined in this memorandum.

(*c*) Mr. Bell will issue appropriate instructions and otherwise act to insure that all AID personnel give maximum support and priority attention to the Alliance for Progress, as outlined above.

DAVID E. BELL.
THOMAS C. MANN.

Mr. PASSMAN. You will be able to stay with us until we complete the hearings on Latin America?

Mr. MANN. I will stay with you as long as you think I should, Mr. Chairman.

Mr. PASSMAN. Then you are the one to whom the questions should be directed?

Mr. MANN. The general policy questions I think should be directed to me. Questions as to particular projects, particular country situations, I think Mr. Rogers should answer.

Mr. PASSMAN. Then Mr. Rogers, you have the same authority to approve or disapprove projects in your region as your counterparts in the other three regions, is that correct?

Mr. ROGERS. That is correct, under Mr. Mann's general policy direction and delegation.

Mr. PASSMAN. I thought policy was made by the Secretary of State, but you have the same authority as your counterparts in the other three regions of the world?

Mr. ROGERS. Yes.

Mr. PASSMAN. Who will present his statement first?

Mr. MANN. I have a statement.

BIOGRAPHICAL DATA

Mr. PASSMAN. Mr. Secretary, I believe this is your first time before the committee in your present official status. Do you have a short biographical sketch?

Mr. MANN. I do not have one with me. I can insert it or dictate it, as you prefer.

Mr. PASSMAN. If you have one prepared, that will suffice.

Do you have one, Mr. Rogers?

Mr. ROGERS. I can submit it, Mr. Chairman.

Mr. PASSMAN. If you will bring it tomorrow that will be all right.

(The biographical data supplied follows:)

BIOGRAPHICAL DATA—THOMAS C. MANN

Thomas Clifton Mann of Laredo, Tex., was sworn in January 3, 1963, as Assistant Secretary of State for Inter-American Affairs.

By designation of President Johnson, Mr. Mann also is Special Assistant to the President with the task of coordinating U.S. policies in Latin America, and U.S. Coordinator of the Alliance for Progress.

Mr. Mann, a career Foreign Service officer, has served since May 1961, to December 1963, as Ambassador to Mexico. This is the second time Mr. Mann has served as Assistant Secretary of State for Inter-American Affairs, a post he previously held from September 1, 1960, to March 30, 1961, when the late President Kennedy announced his intention to appoint Mr. Mann as Ambassador to Mexico.

From September 1957, to September 1960, Mr. Mann was Assistant Secretary of State for Economic Affairs. In this capacity he was active in numerous aspects of U.S. relations with Latin America.

Mr. Mann was born in Laredo, Tex., on November 11, 1912. He graduated from Baylor University in Waco, Tex., in 1934, receiving both bachelor of arts and bachelor of laws degrees. He practiced law in Laredo from 1934 until 1942.

In 1942 when he joined the Foreign Service, Mr. Mann was first assigned as Special Assistant to the U.S. Ambassador in Montevideo, Uruguay. He returned to the Department in 1943 as Assistant Chief of an economic division. Later he was assigned as Chief of the Division of River Plate Affairs in the Department and as Special Assistant to the Assistant Secretary of State for American Republics Affairs. In 1947 Mr. Mann was assigned to the U.S. Embassy in Caracas, Venezuela, in charge of political and petroleum affairs.

In January of 1950 he returned to the Department of State as Director of the Office of Middle American Affairs, and in November of that year he was named Deputy Assistant Secretary in the Bureau of Inter-American Affairs. In August of 1953 Mr. Mann was again assigned abroad, going to Athens as counselor of Embassy. In October 1954, he was named counselor of Embassy in Guatemala City. He was appointed Ambassador to El Salvador in October 1955, and he continued in that capacity until September 1957.

Mr. Mann is married to the former Nancy Milling Aynesworth of Waco, Tex., and they have a son, Clifton Aynesworth Mann.

BIOGRAPHICAL DATA—WILLIAM D. ROGERS

William D. Rogers, 37, Deputy U.S. Coordinator of the Alliance for Progress, is a native of Wilmington, Del. He is a 1948 graduate of Princeton University, and obtained his LL.B. degree from Yale University in 1951.

After graduation, he was clerk for Judge Charles E. Clark of the Federal court of appeals and then for U.S. Supreme Court Justice Stanley Reed.

In 1953, he joined the Washington law firm of Arnold, Fortas & Porter, and became a partner in 1960. During this time, he served as a legal adviser to the Commonwealth of Puerto Rico, and was a special deputy attorney general for the State of Hawaii.

Mr. Rogers joined the Agency for International Development in February 1962 as special counsel to Teodoro Moscoso, then U.S. Coordinator. He became Deputy U.S. Coordinator in August 1963.

In his capacities with AID, he has served as a U.S. delegate to international conferences and meetings connected with the Alliance for Progress, including the First Annual Review Meeting in Mexico City in October 1962, and the Second Annual Review Meeting in São Paulo, in November 1963.

He also has participated actively in the negotiation of major loans and agreements under the Alliance for Progress and has assisted in the preparation of U.S. draft legislation affecting the program.

Mr. Rogers is married to the former Suzanne Rochford of Yorktown Heights, N.Y. They have two children, William D., Jr., and Daniel. Their home is in Alexandria, Va.

Mr. PASSMAN. Mr. Mann, we shall be glad to hear from you at this time.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. MANN. It is a significant part of my duty to discuss with this committee our recommendations for continued U.S. participation in the Alliance for Progress.

ALLIANCE FOR PROGRESS

The program deserves your support. Here are some of the principal reasons why:

(1) The program serves the security interests of the United States by supplementing the efforts of American republics to build viable and expanding economies that are better able: to provide the jobs, food, education, and other necessities required for their fast-growing population; to promote the growth of democratic institutions; to support the desires of their peoples for political and economic freedom, free from foreign domination and intervention; to resist the efforts of communism to destroy freedom throughout the hemisphere by deceit, subversion, and violence.

(2) Our participation in the Alliance for Progress is consistent with the noblest American tradition—to have concern for the dignity of man and compassion for the less privileged. This is why the Alliance speaks of social reform and social justice as well as the need for achieving a high, sustained rate of economic progress. The key is equal opportunity.

(3) The Alliance can only succeed through basic reforms and a continual application of self-help. The United States can supply missing components in situations otherwise favorable for progress, but it can not by itself create favorable situations in another conutry. Reforms are needed to open the way for social and economic progress. The Charter of Punta del Este calls for a number of specific steps each developing country must take to create conditions propitious for economic, social, and political progress.

The AID program can supply missing technical or capital components required by Latin America for this progress. It is essential

that we be in a position to make our contributions to favorable situations wherever they develop in the hemisphere and to be able to act promptly.

The obstacles in the way of achievement of Alliance goals are not going to be removed by quick and easy measures. The population in Latin America is doubling itself every 20 years. Never before in history have economies been called upon to grow so much in such a short period of time in order to provide jobs, food, schools, hospitals, and all the other facilities which civilized man today requires. This would be a formidable task, even if all the other conditions favorable to economic and social progress existed.

Despite problems, and despite the criticisms of both the fainthearted and the impatient, an examination of what has been accomplished thus far in the Alliance justifies optimism.

There is the forward movement of improved administration in the tax field. There is greater political and public acceptance of the need for reform. Even more important, in many countries substantial revenue-increasing changes have already been made. If tax reform is taken as a benchmark of responsible adherence tothe self-help commitments of the Alliance, the facts clearly demonstrate the new dedication of Latin American leaders. In almost the same time it took this country to reduce its taxes last year, at least four Latin American countries substantially increased theirs. AID's technical help has provided invaluable assistance in the modernization of public administration and tax administration services throughout Latin America.

In these and other programs, ranging from teacher training to home-building to agricultural development, AID's efforts—coupled with effective self-help—are contributing to the realization of the goals to which this hemisphere has committed itself.

Refinement in the organization of the U.S. Government for participation in the Alliance over the past 3 years also indicates the seriousness of our efforts. It has been an incredibly complex task to develop the analytical tools, the staff, and the techniques for participating in this unprecedented venture. Working together, we are meeting this challenge and mounting an effective program. As we continue to learn, our ways of doing things will adapt and improve.

As we face up to the obstacles of development which exist in some other countries and to our own shortcomings, let us also have the courage to move forward. You must give us the tools to respond quickly when changing circumstances present new opportunities.

I am not sure, for example, that the amount which we are recommending to be appropriated for Latin America will be adequate. We prepared our program prior to the recent events in Brazil. These events indicate how the opportunities for progress can emerge suddenly and how our own resource requirements may change considerably.

ALLIANCE APPROPRIATION REQUEST FOR FISCAL YEAR 1965

The Alliance appropriation request before you is the result of careful planning and reflects a tight and realistic estimate of our requirements for Latin America. The $550 million requested for fiscal year 1965 is not based on optimistic projections; it represents our minimum needs.

With your continued help, we can promote the security interests of this hemisphere by building expanding and viable economies with social justice and the benefits of modern society for all of its citizens.

Mr. Rogers has a supplementary statement which goes somewhat more into detail, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Secretary.

Mr. Rogers, we shall be very happy to hear from you at this time.

STATEMENT OF DEPUTY COORDINATOR FOR ALLIANCE FOR PROGRESS

Mr. ROGERS. Mr. Chairman and members of the committee, I am pleased to appear before you to discuss the importance of our support of the Alliance for Progress.

APPROPRIATION REQUEST FOR 1965

AID's request for its fiscal year 1965 participation in the Alliance for Progress totals $550 million. Eighty-five percent of this amount is proposed for development lending and the remainder—$85 million—for technical cooperation.

Let me reemphasize that which you have heard before—that is to say, this request is a realistic one. It was prepared some 10 weeks ago on the basis of a careful analysis and estimate of real, tangible requirements, and of the willingness of the Latin Americans to pursue reforms, self-help, and development. It is a more concentrated program than before. And, as you know, it was prepared prior to the recent Brazil changeover, and may be insufficient for responding to developing circumstances there.

BUDGETARY IMPACT OF THE BRAZILIAN COUP

Last year, we proposed a program of $707 million. With funds appropriated and reappropriated, we had $550 million available for programing in fiscal year 1964. Our objectives of support for Latin American development efforts under the Alliance were not thwarted. This was due primarily to the situation which developed in Brazil. The Alliance had a difficult year in Brazil. We were unable to use the substantial funds we had programed for Brazil because, as it turned out, the National Government of Brazil failed to adopt the stabilization and development measures to which it had committed itself. This year's estimate was based on the pessimistic assumption that a Goulart central government would continue a basically irresponsible national policy with respect to the problems of development and hence that our opportunities for wise investment of U.S. development assistance would be strictly limited. Our assumptions are already obsolete. This time, in direct contrast to last year, we will have erred, if anything, on the pessimistic side.

Nonetheless, in Brazil and elsewhere, we will continue a policy of frugality. We have not, and will not, obligate funds unless we are satisfied that we are supporting a sound development effort.

Assistance will be provided, as in the past, to encourage and support self-help and reform action by the Latin Americans themselves.

SELF-HELP EFFORTS

Major reform progress toward achieving Alliance targets has been impressive during the past 3 years and continues to register gains.

TAX REFORM

As Secretary Mann has pointed out, one important index of the commitment of the Latin American governments to the development goals of the Alliance is their progress in tax reform. Against the pre-Alliance background of neglect and indifference to tax reform, some eight countries have already legislated major reforms. These are Colombia, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Ecuador, and Mexico. All of the Alliance countries have improved their tax administration capacities. In a number of these—such as Chile, Colombia, Ecuador, Peru, Argentina, El Salvador, Mexico, and Bolivia—these administrative changes are, or promise to be, sweeping. Despite these impressive gains, there is a need for greater mobilization of internal resources. U.S. Internal Revenue Service teams have been assisting tax reform efforts in 10 countries and will soon be helping in 4 others.

NATIONAL DEVELOPMENT PLANS

In the planning field, national development plans (long range, short range, or sectoral) have been submitted by the following eight Latin American countries to the OAS Committee of Nine: Bolivia, Chile, Colombia, Ecuador, Honduras, Mexico, Panama, and Venezuela. Peru is expected to submit a plan in the near future and several others are expected to do so by the end of the calendar year 1964. Nearly every country has undertaken some form of planning and execution of these plans at the sectoral level.

AGRARIAN REFORM

Progress in basic agrarian reform has been slow, but there has been some encouraging movement. Cooperatives and credit unions are growing. For example, rural electric cooperative activity has begun in a dozen countries. Colonization and land settlement programs are active in half a dozen countries. Progress continues in the introduction of new legislation and in issuing regulations for the administration of existing laws. Twelve countries have already introduced agrarian reform legislation. The agrarian reform institutes or land reform agencies in these 12 countries have greatly strengthened their technical resources and show encouraging progress in conducting basic surveys and project development. AID is assisting in this rural development effort through the cooperation of the land-grant colleges.

HOUSING PROGRAMS

Fifteen countries have self-help housing programs. Savings and loan legislation has been adopted by nine countries: Chile, Dominican Republic, Ecuador, Peru, Venezuela, Argentina, El Salvador, Guatemala, and Panama. The first 5 of these countries now have operating systems—a total of nearly 70 savings and loan associations with

100,000 depositors who have accumulated deposits equivalent to more than $35 million. These associations provide savings badly needed for productive investment; they lend at longer terms and lower interest rates than do the more traditional institutions.

ESTABLISHMENT OF DEVELOPMENT BANKS

The building of new institutions to channel savings into investment is clearly seen in the establishment of development banks or other intermediate credit institutions in most of the Latin American countries. Since the inception of the Alliance, private or public development banks have been set up or are in the process of creation in eight countries: Bolivia, Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Panama. In addition, the Central American Bank for Economic Integration (CABEI) has been established and is promoting private sector development in member countries.

As further measurements of progress achieved thus far under the Alliance, we can point to specific physical accomplishments directly attributable to U.S. assistance. By the end of fiscal year 1964, more than 200,000 houses will have been constructed throughout Latin America and another 100,000 are scheduled for completion during fiscal year 1965. In addition, by the end of this June we expect nearly 3,000 miles of roads to have been constructed; over 22,000 teachers trained; 900 credit unions established; over 23,000 classrooms built; 6,700,000 books produced; over 20 million people fed under Public Law 480 title II and III programs; and 24 million people benefited from water and sewage systems constructed.

STATUS OF U.S. ADMINISTRATION

We are constantly seeking more effective means for implementing the U.S. role in the Alliance for Progress. The recent reorganization of the Latin American Bureau has streamlined the lines of authority and is enabling much closer coordination of the AID and State Department functions. In addition, more authority has gone out to the field missions for the processing of project proposals.

INCREASED UTILIZATION OF CONTRACTORS

Along with the streamlining of our Bureau here in Washington, we are continuing in the trend toward reduction of direct-hire technicians and increasing the utilization of contractors. Universities, private organizations and foundations, other U.S. Goverment agencies, and individuals—all important resources for transferring vital American skills and know-how abroad—are being used more extensively than ever before.

The American Institute for Free Labor Development (AIFLD), under contract to AID, is providing a major portion of the services required in labor union training and leadership programs. American businessmen in Venezuela have joined with their Venezuelan counterparts in pledging 2 to 5 percent of their net annual corporate earnings for social welfare programs. The National Farmers' Union, the Cooperative League of America, private savings and loan associations, and many others are working with AID in projects in Latin America.

STATUS OF U.S. FUNDS

I would like to touch briefly on some statistics of the year to date. In fiscal year 1964, through May 11, $231 million had been authorized for AID loans to Latin America. Many of these loans will directly benefit the private sector—through direct lending to private industry and through intermediate credit institutions. Others benefit this sector in different ways—by helping to create a climate more favorable to private investment through the provision of roads, powerplants, and other basic requirements of economic stability and development.

On the technical cooperation side, $62 million had been obligated as of April 30.

It is still too early to predict a precise figure for loan authorizations and technical cooperation obligations at the end of this fiscal year. We have projects in excess of our availabilities well along in process. If our sole concern were numbers, we could authorize without regard to the soundness of these projects, or the self-help efforts of the borrowers. But this is not our policy. As Mr. Bell stated, we estimated a few weeks ago that we would have some $50 million of development loan funds uncommitted at the end of the year.

And now if I may make an interpolation.

We now have a clearer picture. Our judgment is that development loan funds uncommitted on June 30 will be substantially less than $50 million, largely as a result of the fact we can now move forward with several loans which we have had under consideration for a number of months but which for various reasons we had not thought we would want to authorize this fiscal year. We now believe that our present development lending availabilities will be practically exhausted by or shortly after the end of the fiscal year. At the same time we have under active consideration major development loans which we are scheduling for final authorization in the first few months of fiscal year 1965.

In fiscal year 1964, through March 31, 1964, $1.7 million of prior year Alliance grant obligations have been deobligated and are available for reuse in accordance with the authority and conditions set out by the Congress. Current reprograming plans include the reobligation of these funds.

You have AID's latest estimates of obligations, expenditures, and unexpended funds ("pipeline"). The increase in pipeline over previous years for the Latin American program results from the continuation of a high level of program activity in these first few years of a new lending program.

PROGRAM FOR 1965

You have before you, in considerable detail, the program we are proposing for fiscal year 1965. I should like to comment here on some of the highlights.

It is a concentrated program. Ninety percent of the development lending proposed is for six countries and the Central American economic community. Several other countries have only very limited programs. We have terminated aid in British Honduras and Surinam, and closed out our mission in Trinidad.

The proposed fiscal year 1965 lending program will continue to emphasize the provision of basic facilities for economic and social progress.. AID's loan funds will help build such new institutions as development banks and will help provide the infrastructure and public facilities demanded by the growing population and a modern industrialized economy. Almost immediate results will be felt by the small private entrepreneur, the school age child seeking education, the farmer seeking to make his newly acquired land productive and his products marketable.

TECHNICAL COOPERATION PROGRAM

Our technical cooperation program has made a significant contribution to changing Latin America. In fiscal year 1965, we will continue to participate in those activities which can contribute most effectively to developing the know-how essential to development. Where the situation permits, we have begun to include technical assistance in our loan projects. In many other cases, however, basic assistance is needed before the country is in a position to have the institutions essential for carrying out loan projects.

The technical cooperation program proposed for fiscal year 1965 can be summarized as follows:

The $7.5 million programed for public administration activities will help to insure the continuity of the development process by training the planners and administrators and assisting in the establishment or reorganization of Government institutions. This is very closely related to the degree to which the Latin American governments are willing to undertake reforms in public administration, budget, and fiscal areas. The U.S. Internal Revenue Service is providing invaluable expertise for changes now being undertaken in the tax systems of a number of countries.

Of the total technical cooperation proposal, $17 million is for education. A comprehensive program of educational development—complementing the significant self-help efforts of the Latin Americans—is being supported through assistance in the modernization of education and training facilities, including universities, vocational, and other schools. The majority of these programs are being carried out for AID by U.S. universities.

Agrarian reform and other agricultural programs, and the development of institutions which make such programs meaningful will be supported by a $14 million technical cooperation program in fiscal year 1965. U.S. experts are helping to establish agricultural demonstration centers, extension services, and rural cooperatives—activities aimed at meeting the Alliance challenge for increased agricultural productivity.

The level of the technical cooperation funding request is about the same as last year's. But the numerous activities have been tightened up to result in a more compact and more manageable program. The total number of projects proposed this year is 251, as compared to 341 proposed last year. Of these, 10 are new, and the total cost to complete these new projects will be $4.4 million.

MAJOR PROGRAMS

Let me discuss briefly our plans for several of the countries for which major programs are proposed.

(1) In Chile, a country which has instituted major self-help programs and has developed a 10-year development plan, AID assistance is designed to vitalize the private sector and increase project planning and execution. Technical cooperation is aimed to maximize loan assistance with emphasis on developing management techniques and human resources. AID's contract with the State of California will provide Chile with specialists to assist in the preparation and coordination of development plans in education, agriculture, and planning.

(2) The major U.S. assistance objective in Colombia is the achievement of an accelerated rate of economic and social progress. Technical cooperation will concentrate on tax administration and collection and in improving the land appraisal system. AID will also help to improve the country's planning capacity, identify specific opportunities for diversification, and stimulate rural participation in the national economy. AID loans will be used to help finance the private investment fund, which is concentrating its relending on industries producing goods for export or for import substitution. The World Bank and Dutch Government also lend to the PIF. Other development lending may go to projects within the framework of the national development plan.

(3) Peru's new constitutional government is publicly committed to the Alliance for Progress and presents an opportunity for unprecedented economic and social development there. The main thrust of the AID program in Peru for fiscal year 1965 is to support the Government's efforts to raise the living standards of 5 million people living in the Andean region. Through contracts with Iowa State and North Carolina State Universities, AID will assist in such vital activities as agrarian reform, agricultural education, and extension services. Loan assistance is expected to be concentrated on agricultural credit, resettlement, and road construction. AID will continue to provide advisers from Columbia University to the Ministry of Education and advisory services for economic planning and tax and customs collections.

(4) The Central American Economic Community is pursuing a significant program of economic integration. In addition to supporting the Economic Community, AID will supplement the efforts of the individual member countries by supplying both loan and technical assistance. Such assistance will be directed toward agricultural diversification and resettlement, stimulation of private sector industrial development, and training in education and tax administration.

CONCLUSION

"In the last 3 years," President Johnson recently said of the Alliance for Progress, "we have built a structure of common effort designed to endure for many years. In those years much has been accomplished * * *. We are proud of these achievements. But as we take pride in what has thus far been done, our minds turn to the great unfinished business. Only by facing these shortcomings, only by fighting to overcome them, can we make our Alliance succeed in the years ahead."

Those of us directly involved in the Alliance for Progress—in the United States and in Latin America—are not letting up in our efforts to improve upon our past record. With your cooperation and support, the coming year will be one of even further gains for the Alliance.

Mr. PASSMAN. Gentlemen, let me assure you nothing that may transpire, as far as I am concerned, with respect to questions on Latin America, will fall in the category of being personal. We represent 195 million Americans on this side of the table and for my vote you do not get a dime unless you justify it. You people are career people. You have the judge, the jury, the evidence, and time on your side of the table. So it is only natural we would follow up in the most forceful manner we know how on those points where we think we have an advantage.

LACK OF NECESSITY FOR EXPEDITIOUS CLEARANCE AND OBLIGATION OF PROJECTS

If you were preparing to appear before this committee, do you know of any reason why a group of projects in your area should be rushed through and obligated prior to your appearance before this committee? Would there be any reason for such action?

Mr. MANN. I think I can answer that, Mr. Chairman. I came into my present position in January of this year. There was some time lost in reorganizing the two bureaus, getting started, getting acquainted. Our sole aim is to do a good job, to approve good projects—after we have completed our studies and after we have talked to the foreign countries about them—just as quickly as we can without any regard to any particular deadline. I think we have followed that this year.

Mr. PASSMAN. Thank you very much. Now if I can ask the question again, and get an answer to it:

If you had a list of projects that you were considering and you were scheduled to appear before this committee on Tuesday, May 19, would there be any reason why you should rush those obligations through prior to coming before the committee? That is my question.

Mr. MANN. There is every reason to pass as expeditiously as we can on all projects. To that extent this date is unimportant. All dates, by the same token, are important——

Mr. PASSMAN. Specifically, then, you would know of no reason why you should order certain projects rushed through and obligated before appearing before this committee, just for that reason?

Mr. MANN. I do not think I ever requested anybody to rush through a project in order to meet a fiscal year deadline.

Mr. PASSMAN. I will let the record speak for itself. Thank you very much.

TOTAL U.S. AID TO LATIN AMERICA

Before proceeding into questions on the statement, I would like to ask the Controller to furnish for the record at this time the total amount of aid, all spigots, that we have given to Latin America since the inception of the program. Do you have the total?

Mr. TENNANT. Yes, sir.

Mr. ROGERS. This includes Export-Import Bank?

Mr. PASSMAN. We never include Export-Import Bank.

Mr. TENNANT. Including Public Law 480, economic, military, and the Alliance program, $4.5 billion in round numbers, sir.

Mr. PASSMAN. Since the inception of this program?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Does that include Public Law 480?

Mr. TENNANT. Yes, sir; through fiscal year 1963.

Mr. PASSMAN. I would suggest you have another look at those figures at your convenience.

Mr. TENNANT. The figure excludes the export-import program.

AVAILABILITY OF FUNDS FOR LATIN AMERICA

Mr. PASSMAN. Could you tell us the estimated unliquidated funds as of June 30?

Mr. TENNANT. The estimate, including economic, military, and Public Law 480, is about $1.6 billion.

Mr. PASSMAN. Last year you gave us a figure of approximately $2 billion. How much have you disbursed out of your pipeline in Latin America in fiscal year 1964, the estimate?

Mr. TENNANT. The estimate for disbursements during 1964, I have it only for economic, sir, $394 million.

Mr. PASSMAN. How much did you put into the pipeline in fiscal 1964? You had better include everything this year as you did last year. So let us go back, if we may, and I will ask you this: What is the total amount unliquidated, (1) economic?

Mr. TENNANT. The estimate of unliquidated is $1.3 billion in round numbers.

Mr. PASSMAN. Give us economic items first so that it will be comparable to the data you gave us last year.

Mr. TENNANT. Development loans, $786,639,000.

Mr. PASSMAN. That is what Secretary Dillon calls development credits.

Mr. TENNANT. Supporting assistance, $21,834,000.

Mr. PASSMAN. Total economic assistance is $1.3 billion?

Mr. TENNANT. That is correct.

Mr. PASSMAN. Completely round figures?

Mr. TENNANT. $1.333 billion.

Mr. PASSMAN. Now the military.

Mr. TENNANT. $88.229 million.

Mr. PASSMAN. Now Public Law 480.

Mr. TENNANT. $197.516 million.

Mr. PASSMAN. Now, the total for Inter-American Development Bank. You have two operations. Break it down if you have it. If you do not, give us the total. You estimated it last year.

Mr. TENNANT. The March figure——

Mr. PASSMAN. I do not want the March figure. I want your estimate of June 30.

Mr. TENNANT. $358.2 million.

Mr. PASSMAN. Now IDA?

Mr. TENNANT. $55.1 million.

Mr. PASSMAN. Now the unliquidated of the Export-Import Bank.

Mr. TENNANT. $405.7 million.

Adding these international agencies to the economic, military, and Public Law 480, I come to $2.438 billion.

Mr. PASSMAN. That is the same item you gave us last year which gave us a total of $2.063 billion. Is that correct, sir?

Mr. TENNANT. Yes, $2.063 billion.

INCREASE IN UNEXPENDED FUNDS

Mr. PASSMAN. So, the unexpended funds to the credit of Latin America is up a little over half a billion dollars in 12 months, is that correct?

Mr. ROGERS. Less than $400 million.

Mr. PASSMAN. Let us get it exactly. It will take but a minute. Did you not first say $2.5 billion?

Mr. ROGERS. $2.438 billion.

Mr. PASSMAN. An increase of approximately $375 to $400 million?

Mr. TENNANT. Yes. That would be correct.

Mr. PASSMAN. Have you any other spigots that have been added to foreign aid since last year where you may have credits to Latin America, or does this cover it? How about the social progress trust fund?

Mr. STERNFELD. This does not include the World Bank.

Mr. PASSMAN. We did not put the World Bank in last year.

Mr. STERNFELD. We did not put it in last year. The figures this year do not include the World Bank.

Mr. PASSMAN. I said new spigots. We are completely familiar with IDA. It is just another spigot of foreign aid.

Just a few policy questions and then we will get into the examination by country after other members have examined on policy.

POPULATION INCREASE IN LATIN AMERICA

On page 2, Mr. Secretary, you stated:

> The population in Latin America is doubling itself every 20 years.

What is the population of Latin America at this time?

Mr. MANN. The figures are not as accurate and up to date as ours, but we estimate that they have passed us. You said a minute ago we were at 195 million.

Mr. PASSMAN. I used that as a round figure.

Mr. MANN. My round figure for Latin America is over 200 million.

Mr. PASSMAN. Twenty years ago they had approximately 100 million; is that correct?

Mr. MANN. They are going from 69 million in 1900, if my memory is correct, to, according to the demographic experts, something like 600 million by the end of this century we are living in.

Mr. PASSMAN. Let us forget about this century. I am trying to clarify what you said in your statement. You said the population is doubling itself every 20 years, did you not?

Mr. MANN. That is right.

Mr. PASSMAN. Does that mean the past 20 years they have just about doubled their population?

Mr. MANN. This is geometric. I think it would have been close to that, Mr. Chairman; but, as you know, this population growth is geometric.

ECONOMIC GROWTH AND POPULATION TRENDS IN LATIN AMERICA

Mr. PASSMAN. I am just trying to make a point which will help you and help us in deciding the way in which we are traveling. What has been the economic growth during that same period? Are they holding their own?

Mr. MANN. I would say in some countries they are more than holding their own at this time, speaking always about this time, and the other countries are not yet keeping pace with their population.

Mr. PASSMAN. I ask that for this reason, Mr. Secretary. I think we have given India a little over $6 billion, if we include IDA, and we find that now the trend is going back in the other direction. A comparison of the population growth and economic growth is extremely discouraging.

Mr. MANN. If I may take an illustration, Brazil, for example, is half the population and half the land mass of the continent of South America. Their growth rate, GNP-wise, has been for a decade in real terms around 5 percent. Largely because of runaway inflation in the Goulart administration, it did drop very considerably. In the case of Mexico, they averaged over 6 percent for a decade. They dropped to 3.5 percent 3 years ago, and are back up over 5 percent, which puts them ahead. This is a phenomenon which varies country by country and time period by time period.

Mr. PASSMAN. All we are trying to do is to establish for the record whether they are going forward or backwards.

Mr. MANN. On balance, they are going forward.

Mr. PASSMAN. You have to consider Latin America more or less as a whole, do you not?

Mr. MANN. I have not made this calculation, but I would say as a whole, ignoring particular countries, the region is growing faster than its population is growing.

Mr. PASSMAN. It should, with this substantial aid program. Will you update for the record the per capita gross national product in constant prices as per the chart you gave us before? You have to tie that in with population. In Latin America it would appear, if we take the very last figure, 1962—you have this chart, I am sure—your per capita gross national product in constant prices is 3.52, and your per capita GNP growth rate percent is 4 percent.

Mr. ROGERS. That is true with respect to Argentina, Mr. Chairman.

Mr. PASSMAN. Gentlemen, we figure in some parts of the world with even billions of dollars going in, the people have become somewhat complacent, figure we owe them a living, and they have slowed down a bit. We want to use your statistics to determine whether this program is actually on the plus or minus side.

There is some serious doubt whether we are on the plus side. I will take your figures.

Mr. MANN. We have, as you know, country by country——

Mr. PASSMAN. That is exactly what we want. You may insert it in the record at this point.

Mr. STERNFELD. We can do that.

(The information follows:)

Latin America: Growth in per capita gross national product, 1957–63

Country	Per capita gross national product in constant 1962 prices (U.S. dollar equivalents)							Growth rate 1963 over 1962
	1957	1958	1959	1960	1961	1962	Estimate 1963	
								Percent
Argentina	$476	$481	$450	$462	$480	$451	$415	−6.3
Bolivia	116	116	117	117	118	120	124	3.3
Brazil	166	170	175	178	186	187	185	−1.1
Chile	430	423	411	424	433	445	458	2.9
Colombia	251	249	261	268	265	274	277	1.1
Costa Rica	366	369	370	374	362	371	375	1.1
Ecuador	179	179	181	186	185	187	190	1.6
El Salvador	(1)	215	201	200	203	214	222	3.7
Guatemala	164	168	175	178	176	176	177	.6
Honduras	212	209	211	212	210	215	222	3.3
Mexico	299	303	308	315	316	319	329	3.2
Nicaragua	236	231	223	218	229	246	248	.8
Panama	397	386	389	390	417	431	439	1.9
Peru	210	209	194	204	209	216	223	3.2
Venezuela	713	736	752	732	710	726	744	2.4

[1] Not available.

NOTE.—In many cases 1962 figures are still considered preliminary. 1963 figures are estimates which are subject to frequent revision.

Source: AID Statistics and Reports Division.

Mr. PASSMAN. Mr. Secretary, let me say at this point that I live near the Latins. They are great people and I like them. We must make this program work. It is tremendously important to our country for this program to succeed. I understand that as well as you people do.

But defending something that is not working, to say something is white when it is really black, is not going to make this program succeed. I think we will have to work together and recognize this program is still on the ground.

I want to work with you. If we make claims that cannot be substantiated by actual facts, it can get us all in trouble.

STATUS OF TAX LAWS IN LATIN AMERICA

I notice on page 3, Mr. Secretary:

> There is a forward movement in improved administration in the tax field. There is greater political and public acceptance of the need for reform. Even more important, in many countries substantial revenue-increasing changes have already been made.

So far, that is a good statement. But we get reports that these nations are no longer reluctant to pass legislation calling for an increase in their taxes, but that they are extremely reluctant to push those measures through to final conclusion with respect to collecting those increased taxes. They figure if they do not pass this tax legislation it would be difficult to get our aid, but by showing a readiness to pass legislation, that is sufficient to get our aid.

NEED FOR MORE EMPHASIS ON IMPLEMENTATION OF REFORM MEASURES

I do not know whether we are in a position to disprove those rumors or not, but at least it might be good for those people to know that

passing laws alone is not sufficient. Do you concur in the thinking, Mr. Rogers, that they need to do more than just pass laws?

Mr. ROGERS. There is no question, Mr. Chairman, but that the mere enactment of a tax law is inadequate, and we and a number of Latin American countries have put great emphasis in the last years on improved tax administration and collection. In fact, for example, in Bolivia we had the case of a tax revenue increase of 30 percent since 1961, which was in itself owing largely to improvement in tax administration. We have made a very careful analysis of the administrative effort and results in that country as well as others. Chile also gained substantial improvements in tax administration last year. There were six criminal indictments for tax evasion in 1963 and 1964 as one part of an overall effort with respect to improvements in tax administration.

Mr. PASSMAN. Were those six exiled politicians or people unfavorable to the party? Let us pin it down.

Mr. ROGERS. These were tax fraud cases against businessmen who, for the first time in Chile's history, were indicted for filing fraudulent tax returns. You can imagine the staggering effect this had on the Chilean business community.

Mr. PASSMAN. We hope you can get some improvement, because as far as I am concerned, I would bet they just passed the legislation so as to make this look good to us. Until they see the white of your eye, they are not going to do too much.

Mr. ROGERS. We have had a major program seeking improvements in administration of the internal revenue services. The Peruvian case is a very good example of that.

Mr. PASSMAN. I enlarged upon a statement in your justifications where you state, and I quote:

> Too often laws are passed but not implemented. Plans are developed but not followed.

That is your own statement.

Mr. ROGERS. That is correct, and that is why we are putting major emphasis on this.

Mr. PASSMAN. I was only enlarging upon what you said in your most recent justifications and you must have had it verified or you would not have put such a statement in the book. My point is, let us work with you to let these people know that the American taxpayer is getting fed up with their reluctance to implement the laws with enforcement.

TAX PENALTY AMNESTIES

How many countries have passed tax laws and subsequently the legislature meets and passes additional legislation forgiving them and starting all over again?

Mr. MANN. How many countries——

Mr. PASSMAN. How many countries in Latin America in the past have improved their tax laws and subsequently some legislation was introduced which would forgive, in effect, the taxpayer and say "We will take a new start."

Mr. MANN. No, sir; I am not familiar with——

Mr. PASSMAN. Would you do some research on it? It was verified last year.

Mr. MANN. Yes, sir. I would like to say, Mr. Chairman, tax reforms as such consists of two separate parts. One is reform in tax policy, which means changing the tax rates, abolishing old taxes, obsolete, antieconomic taxes, and the other is just plain tax administration and collection.

Mr. PASSMAN. Right.

Mr. MANN. We do not confuse these at all. We are talking about increased tax revenues as a result of improved tax administration. The record is heartening in the last 2 or 3 years.

Of course, this is a slow process, but the overall average increase is good, and in some countries it has been spectacular.

Mr. PASSMAN. Gentlemen, I want to commend whoever prepares these books. The chances are that some of this information, which is verified, would not get in these books if some of you higher echelon officials had looked it over.

Mr. MANN. We do not disagree with what you said, Mr. Chairman, or what is said there.

Mr. PASSMAN. This is what the book says. I want to quote it again:

> Too often laws are passed but not implemented. Plans are developed but not followed.

Then we followed through with a question asking how many countries did just what this indicates, and what we know they are doing. Then if enforcement got a little too hot, introduce legislation that would forgive the tax liability of these individuals and they could make a new start. If you do not know of any instances, you might look at last year's record. At least, there was one nation that was so indicated.

Mr. STERNFELD. Yes.

Mr. PASSMAN. I am trying to help you, Mr. Secretary. I will work with you to try to make this program work. Let us not try to make black into white.

(Discussion off the record.)

Mr. ROGERS. We will undertake to get that information.

Mr. PASSMAN. See if you have a longer list than last year of nations that did improve their tax laws and then introduce legislation forgiving the taxpayer. I hope it is back to zero now.

Mr. STERNFELD. Mr. Chairman, there is a technique which is followed in order to institute these new laws. We did indicate in the record last year and we shall bring that particular statement up to date.

(The information follows:)

TAX PENALTY AMNESTIES

We have reviewed the tax legislation of Latin America during the past few years, and no cases were uncovered in which any country has provided forgiveness to delinquent taxpayers of past taxes due. However, tax penalty amnesties are common, and on occasion, as in Costa Rica last year, discounts are provided for the advance payment of taxes. Ordinarily, the amnesty legislation provides that if delinquent taxpayers identify themselves and declare their past taxes within a specified period of time, penalties or interest charges for late payment or failure to file will be wholly or partially waived. Ordinarily, these penalties are substantially increased for those taxpayers who fail to voluntarily come forward during the amnesty period. As a general proposition, we do not look

upon tax penalty amnesties with favor although recent amnesties in several countries, such as Argentina, have been reasonably successful.

If resorted to with any frequency, they tend to undermine the credibility of the penalty system and over the long run discourage timely compliance. If delinquents are not prosecuted after the amnesty period has elapsed, the government's overall tax administrative capabilities would be discredited, and enforcement would be more difficult. AID policy and practices in most countries—such as Colombia, Chile, Costa Rica, Peru, and Guatemala, where active tax administration programs are underway—has been to strengthen capabilities for current and timely collections, so as to obviate the need for these questionable amnesty practices. Given strong tax administration, the need for penalty amnesties would not arise.

Mr. PASSMAN. Mr. Gary, questions on the Secretary's statement?

U.S. INTERNAL REVENUE PROGRAM IN LATIN AMERICA

Mr. GARY. Mr. Mann, how many people do the Internal Revenue have working in South America?

Mr. MANN. Around 30 people at this time, Mr. Gary.

Mr. GARY. They are technicians?

Mr. MANN. Yes, sir; some of them go and come and advise on tax policy and tax administration, reforms of various kinds, changes that ought to be made. Some of them stay and help on 2-year tours and help treasuries in these countries organize their tax administration.

Mr. GARY. I am tremendously interested in what is being accomplished in tax reform in Latin America because I know their tax systems have been very inequitable. Being a former tax man myself, I remember that in 1925 a certain economist was being considered for an assignment to conduct a tax study for the National Committee on Inheritance Taxation, but he had accepted a position to advise the Government of Peru—I am quite certain it was Peru—on reforming their tax system, and I was given the job by the National Committee on Inheritance Taxation. Therefore, I know they were studying the tax laws down there as far back as 1925.

Their difficulties have been the lack of adequate tax laws in the first place and, in the second place, the lack of adequate enforcement and discrimination in enforcement of the laws they have.

Mr. MANN. Yes, sir.

Mr. GARY. What is being done insofar as the enforcement angle is concerned?

Mr. MANN. A number of things, Mr. Congressman. A number of countries have gotten electronic brains similar to the kind we use here in the United States. Mexico, where I was posted until a few months ago, has one. Everybody is assigned a number, just as they are here, in the States. Then every nickel of income attributable to this number is fed into this machine; so, over a period of 3 or 4 years they can begin to have a fairly accurate check on the real income of the taxpayer.

In other cases it has been just a case of accepting fewer excuses, making sure that the set of books turned over to the Government for tax purposes is correct, that no fraud is involved or, as Mr. Rogers pointed out, in the case of Chile actually indicting these people. This is a program which is just getting started in the last 2 or 3 years.

Mexico increased its tax take the last year I was there 12 percent in real terms, and Nicaragua had a substantial increase. This is

spotty, as all performance is in a very complex continent like this. The general movement is forward.

The most encouraging thing is that people are more and more accepting idea that they should pay taxes.

Mr. GARY. That is an innovation if that is the case. That is what I want to know. My situation is this: I think the economic conditions of South America must be improved. You have there largely the very rich and the very poor. Instead of contributing to those activities which would help the poor and relieve some of the poverty, disease, and other blights which confront the countries, a great many of the very rich, we are told, are sending their money to Switzerland for deposit in Swiss banks, and probably some of it in American banks, instead of contributing fairly and equitably to this program of economic development.

I favor participation of the United States in the Alliance for Progress program as long as it is an alliance and they carry out their part of the agreement, but I am not willing to take the taxpayers' dollars in America and send them to Latin America or any other part of the world unless the people in that part of the world are going to contribute their efforts, also. I do not think we ought to contribute American dollars to improve conditions in Latin America if the rich people of Latin America are going to shirk their responsibility and send their money to Switzerland for deposit in Swiss banks.

I am very anxious to know just what is being accomplished in a tangible way in Latin America in that respect.

ALLIANCE DEPENDENCE ON LOCAL COOPERATION

Mr. MANN. I think the progress is forward, Mr. Congressman. All governments which signed the Punta del Este Charter—and all American Republics except Cuba did sign it—acknowledge these undertakings. Our aid program is not really just an aid program. It is a cooperative venture where they try to do their part, not only because of the equity which you mentioned, but because they must have large amounts of capital and there simply is not enough money in the capital-exporting nations of the world, including the United States, to finance this job alone. The domestic private sector must pay its taxes and invest its money. If the Alliance is to succeed, governments must create the conditions which make possible a high rate of private-sector investment. Governments have to build the infrastructure. We have to carry our share of the burden. The Alliance can succeed only if all of us do our part, and we understand this very well.

I think I said this in a speech last week very clearly.

Mr. GARY. I hope very much you are going to stick to it.

TAX ADMINISTRATION IN PERU

Mr. ROGERS. If it would help, Mr. Congressman, I could supplement what Mr. Mann just said with reference to several advances which have been made in the case of Peru within the last year. As we said before, Peru is one of the 10 countries where we have had Internal Revenue Service people working on the administrative side of the tax structure. As part of that cooperative enterprise, Peru has made several advances just in the last 12 months.

For example, the Peruvian Government absorbed what had been a private tax collecting corporation. They had the unusual practice of having a private corporation collect taxes on a commission basis. This has been wiped out and the Government has absorbed this activity, in part working with the U.S. Internal Revenue Service. They have established an office of organization methods and control in order to coordinate comprehensive tax administration and modernization programs. IRS has gone down and worked with them on that.

They also have a tax intelligence and fraud division for the first time in Peruvian history, to catch those people, as I mentioned they have done in Chile, who have been evading taxes, including the kinds of people you mentioned. Also, there have been legislative changes with respect to luxury and land taxes; but I am referring here just to the field Mr. Mann covered.

TERMINATION OF AID WHEN COUNTRIES ARE SELF-SUSTAINING

Mr. GARY. You say you have terminated your aid program in British Honduras and Surinam and have closed out your mission in Trinidad. Is that correct?

Mr. ROGERS. That is correct, sir.

Mr. GARY. Why was that done?

Mr. ROGERS. In the case of Trinidad, for example, this is a country which has been making substantial economic progress. Per capita income is higher than the average in Latin America. It has now substantial revenue for the country. It can attract capital from additional sources. We felt that Trinidad, in effect, was capable of providing for its own self-sustaining growth, and there was no justification for a large development aid program in view of the progress Trinidad has already made and the fact that it was moving forward pretty well.

Although we still have a commitment to the Trinidad Government in connection with base rights which provides for $5 million supporting assistance per annum through 1967, the operation of a major aid mission in Trinidad is not involved. We have closed out the mission this year.

Mr. GARY. You do stop the aid program, then, when in your opinion it is no longer needed?

Mr. ROGERS. That is correct. When a country is on the way to self-sustaining growth and they do not need an aid mission down there, we get them out as fast as we can.

Mr. MANN. If I could interpose here, I think it is a mistake, Mr. Congressman, to try to look too far ahead. Things can change even in Trinidad, where we do not have a mission, and we have not yet said that aid has terminated there. They still import too much of their food. It may well be that we would want to do a small program there. We are trying to cut expenses in terms of having a lot of AID personnel where the program can be handled without such a mission. We are thinking about merging the mission in Mexico with the Embassy, keeping on two or three AID people in an attempt to cut overhead expenses there. I think we should resist the idea that because a country is getting along pretty well at the moment, never at any time in the future will we ever have a program in that country. Conditions can change so fast.

When a country does not need aid, we would much rather quietly not give it any aid and pull out the mission, rather than tie ourselves to the future, which we cannot see very well.

Mr. ROGERS. Or help it arrange for other sources of financing.

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

Mr. PASSMAN. Thank you, Mr. Gary.

The State Department has always contended in the past that this is mainly a political program, and for many reasons they would make allocations and commitments based on political reasons and not necessarily on an economic justification. Are you familiar with that policy?

Mr. MANN. It is not a policy of my bureau. I have heard the suggestion.

Mr. PASSMAN. It is in the record a thousand times—and I do not think I am exaggerating—that this is a political program.

Would you hesitate for good and sufficient reasons to pull out of a country if they no longer needed the program, or if their position was such that we could no longer go along, you would not hesitate to pull your personnel out of the country?

Mr. MANN. No, sir. I would do it as quietly as I could; I would not waste money.

Mr. PASSMAN. The reason I asked that question is that your counterpart and your counterpart, too, Mr. Rogers, in another section of the world—and the ink is still wet on the transcript—said we could not pull our people out of Indonesia because it would create an incident. I mention that because you people ought to have an occasional meeting down there and coordinate your plans all over the world. We are afraid to pull our people out, afraid it would create an incident.

PERCENTAGE OF PEOPLE PAYING TAXES IN LATIN AMERICA

Gentlemen, what percentage of the people in Latin America pay taxes?

Mr. MANN. We can try to get this information.

Mr. PASSMAN. Just give us an educated guess. I understand it is 3 percent.

Mr. MANN. I would say it is much higher than that in most Latin America countries.

Mr. PASSMAN. You did not even have an idea, and I had 3 percent. What would you say it is?

Mr. ROGERS. Are you talking about real estate taxes?

Mr. PASSMAN. Income taxes.

Mr. ROGERS. Only income taxes?

Mr. PASSMAN. Yes.

Mr. MANN. That is a small percentage overall, counting the 200 million. One reason is that while 8 percent of our people still live on the farm, for example——

Mr. PASSMAN. Nine percent according to statistics, but I will not quarrel with you.

Mr. MANN. Eight or nine. This figure runs very high in Latin America. In Mexico, it is something like 52 percent.

Mr. PASSMAN. I want to know the average, if you could give it to us. If you cannot, let us use my figure until you give me something better; 3 percent of the population in Latin America pay an income tax.

Mr. MANN. I would think the average was much higher than that.

Mr. PASSMAN. All right. Give us the best figures you can. Those are the people who usually keep the politicians in power, are they not?

Mr. MANN. The people who pay most taxes, Mr. Chairman, are the corporations. They are relatively few in number. Nevertheless, all the income tax laws that I know anything about in Latin America apply also to the middle class, the professional man, the doctor, lawyer, merchant. I would think they would be more than 3 percent.

(The information follows:)

Percentage of population filing personal income tax declarations in selected Latin American countries

Country	Number of individuals filing personal income tax declarations			Percent of total population, 1963	Estimated percent of total population over 21 years of age [1]	Per capita GNP 1963 [2]
	1962	1963	1964			
Argentina	897,533	919,777	[3]	4.6	60.5	$443
Brazil	505,546	931,452	[4] 1,300,000	1.3	45.7	181
Bolivia					48.7	124
Chile	111,000	127,500	[5] 203,300	1.6	48.7	452
Colombia	1,162,090	1,281,519	[5] 1,275,000	8.2	45.3	276
Costa Rica	60,040	62,085	[3]	4.7	42.0	375
El Salvador	9,513	10,359	[3]	4.0	43.0	222
Guatemala [6]		5,200	[3]	.13	44.8	177
Honduras	36,929	36,644	[5] 36,146	2.0	42.5	222
Nicaragua	5,000	6,000	7,200	.5	43.2	248

[1] Estimates based on U.N. Demographic Yearbook, 1960 and 1962, and AID/INR/RES.
[2] 1962 constant prices.
[3] Not available.
[4] Estimate.
[5] Not complete.
[6] Personal income tax introduced in 1963.

TESTIMONY BEFORE THE JOINT ECONOMIC COMMITTEE ON FLIGHT OF CAPITAL FROM LATIN AMERICA

Mr. PASSMAN. I believe Senator Paul H. Douglas of Illinois, is chairman of the Joint Economic Committee, and Richard Bolling, of Missouri, is vice chairman. The committee met January 14, 15, and 16, 1964. The hearings have been off the press just a few weeks. Page 17, contains the start of the statement of Mr. Philip A. Ray, attorney, chairman, International Bond & Share Co.

Then if we go on over to a statement made on page 23 by the same gentleman. I shall quote verbatim:

In recent years there has been a huge flight of capital from Latin America. No one knows the amount. The figures are not easy to come by. A recent study concluded that there had been a net $1 billion flight of private capital from Brazil alone since the Alliance for Progress began.

I hope you are listening to this, gentlemen.

Mr. MANN. I am listening very closely, sir.

Mr. PASSMAN (reading):

Estimates have been made that there are $10 to $15 billion of Latin American private capital resting in bank accounts overseas, not to mention portfolio in-

vestments. In an 8-month test period in 1962, Vision magazine found that Latin American deposits in New York banks increased 70 to 80 percent while like deposits from the rest of the world increased only 18 percent.

That is why I insist that we go along cautiously on this program, lest we do more harm than good. I have no way of knowing the accuracy of any of the information but it is testimony before the Joint Economic Committee.

What has been our aid program to Brazil since the start of the Alliance for Progress?

Mr. ROGERS. Including everything?

Mr. PASSMAN. Yes. This is frightening information, Mr. Secretary.

Mr. MANN. While he is looking—I am very familiar with that, and I share your concern, Mr. Chairman. This is one of the problems we face in this hemisphere. I would think these figures are on the high side, but I can tell you from my experience if you pick a time in a country as large as Brazil or Mexico—I went through one of these in Mexico—large amounts of capital, I think smaller than those you mentioned, do flow out, but they also flow back. They flow out in times when there is a fear on the part of the private sector that they are about to be expropriated, a fear of devaluation of currency, perhaps, or something of this kind. They flow out and they flow back.

In Mexico, they lost 3 years ago an estimated $200 million, and we figure they got it all back within 2½ years when confidence returned, both in the political and economic policies of the Mexican Government. ——— I have no doubt that in the last year of the Goulart administration, capital did fly outside in very large quantities. But I am also very hopeful that it is going to come back home and invest itself in productive industry.

Mr. PASSMAN. May I say to you, Mr. Secretary, that I quoted a net figure. There has been a net flight of $1 billion.

Mr. MANN. If you take the last year of the Goulart administration, even the net figure could be very high. But what I am saying is that this flow can be reversed under Castello Branco, simply because the political and economic conditions are quite different.

Mr. PASSMAN. Let us hope it does. As I mentioned earlier, and I smiled when I said it, you people spend 365 days a year with this program, minus the holidays, and it is a full-time job. You have the jury, the witness, the judge, and the evidence on your side.

I think we should point out at this time, talking about the government in Brazil, which was just overthrown by a coup, that did not keep you people from asking for a fantastically high aid program——— the last year Goulart was there. You point out about a new government coming into power. It does not seem to make any difference to you people what type of government you have since your aid level is just about the same.

I want to be fair about this thing, but for this government which was just overthrown, by a coup you had a fantastically high aid program of ——— in 1964. If that was for a basically irresponsible national policy, those things worry me. You did not let this aid program level change at all despite the fact you had a government drifting toward communism. Those are things that make it so very hard.

Mr. ROGERS. We think Mr. Ray's figure is quite fantastic. The figure of $1 billion Mr. Ray was testifying to the committee.

The best data we have been able to come up with are largely taken from what we regard as the most reliable information with respect to capital movement and capital transactions, and that is the International Monetary Fund (IMF) data. With respect to Brazil, these data indicate the recorded private transactions in 1960, 1961, and 1962 are, respectively, 202, 250, and 181; and unrecorded transactions, which is probably a place where you find most of the flight capital, excluding overinvoicing and underinvoicing, was only minus 43, plus 2, and minus 68. Ray's figure of $1 billion, even given all the possible IMF figures——

Mr. PASSMAN. I would take Mr. Ray's figures as quickly as yours.

Mr. ROGERS. These are not my figures.

Mr. PASSMAN. I would take Ray's as quickly as I would take the IMF's because I have been working on this side of the table for 12 years, 10 as chairman. I want to be fair about it, but I do not want to discount all information that is unfavorable to the program. I hope it can be tightened up, sir.

Mr. ROGERS. There is another indication with respect to the importance of what happened in Brazil on the flight capital issue. If you noticed just before the change in government down there, the cruzeiro was way up about 1,700 to the dollar, and shortly after the change in government it went away down to just a little bit over 1,000, indicating a substantial movement back of capital, or at least a stopping of the discounting of the cruzeiro, on account of the change in government down there.

APPARENT CHANGE IN ANTICIPATED LEVEL OF UNOBLIGATED BALANCES

Mr. PASSMAN. Your statement, Mr. Rogers, on page 1, certainly confuses the committee:

> Let me reemphasize that which you have heard before—that is to say, this request is a realistic one.

What did you request for Latin America last year?

Mr. ROGERS. $707 million.

Mr. PASSMAN. What did you allocate?

Mr. ROGERS. If this is responsive to you question, Mr. Chairman, as of the 30th of June of this year, we expect to practically exhaust our availabilities. The availabilities were less than the $707 million originally requested.

Mr. PASSMAN. You requested of the Congress $707 million for fiscal 1964. How much did you allocate out of the final appropriation?

Mr. ROGERS. $550 million.

Mr. PASSMAN. It was indicated, I believe by Mr. Bell, that there would be a substantial unobligated balance, and I made the point in the record at that time that this was a parlor game you were playing downtown, because he testified there might be several hundred million dollars in unobligated funds worldwide, and if there were, they would reduce the President's request by several hundred million dollars. I said at the time that the program was to have a zero balance. I think today you said there would be a zero balance. Is that right?

Mr. ROGERS. I said practically exhausted.

Mr. PASSMAN. I wanted to be sure. I play games, too. I recognized what was happening 90 days ago.

MAINTENANCE OF ADEQUATE LATIN AMERICAN PROGRAM DESPITE REDUCED APPROPRIATIONS

Do you think you have a reasonably satisfactory program going on in Latin America?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Why did you request $707 million last year? You were with Mr. Moscoso when he requested it. When the President asked for $5 billion, you asked for $707 million for Latin America. Along the way the Congress cut it to $3 billion, and you got $550 million and you had a satisfactory program.

You were very positive last year that you had a completely tight program with $707 million, is that right, sir?

BUDGETARY IMPLICATIONS OF DEVELOPMENTS IN BRAZIL

Mr. ROGERS. Yes, sir. When the proposal was originally made, however, as I indicated in my statement, the fact that we had $550 million of availabilities and the fact that we are going to use those effectively did not thwart the Alliance for Progress. The primary reason was the change in the situation in Brazil. If you notice the comparison, our original requests with respect to Brazil were based on quite different circumstances from that which developed in the course of the year.

Mr. PASSMAN. You will have to carry this load because you succeeded Mr. Moscoso. Under the $5 billion request you wanted $707 million, and considered it a tight program. Of course, this same situation is worldwide, not just Latin America. You wound up with $550 million, and you had a satisfactory program. If you wouldn't be quite so hasty to get this money behind an obligation screen, you might have some left over.

The reason I say that, Mr. Rogers, you are here in your capacity as Administrator and the Secretary is here in his capacity as the new Secretary for this part of the world.

Mr. ROGERS. I would like to point out, Mr. Chairman, the $707 million included about ——— with respect to Brazil, and we will not——

Mr. PASSMAN. I am not talking only about Brazil. I am talking about your region, Latin America.

Mr. ROGERS. But that $707 million request was based on careful country-by-country analysis of what we thought we could effectively do. We will not by the 30th of June hit ——— million in Brazil.

BRAZIL FUNDS FOR 1964

Mr. PASSMAN. How much did you have for Brazil last year?

Mr. ROGERS. Our original program, including the $707 million, was based on assumptions with respect to Brazil——

Mr. PASSMAN. I do not care what you based it on. I just want the question answered: How much did you have in your original request for Brazil, since you want to make your entire case on Brazil? What did you request for Brazil in January of last year?

Mr. ROGERS. ———

Mr. PASSMAN. That estimate was for a government that you people defended then but now, since they are no longer there, you say:

a basically irresponsible national policy with respect to the problems of development and hence that our opportunities for wise investment of U.S. development assistance would be strictly limited.

What did you finally allocate?

Mr. ROGERS. Less than ———. The same is true with respect to Argentina.

Mr. PASSMAN. How much, sir? If it was less than ——— it could be down to $2.20.

Mr. STERNFELD. ——— is what the book shows, page 65.

Mr. PASSMAN. What about the other spigots when you add them?

Mr. STERNFELD. This is ——— compared with ——— which we asked for last year.

Mr. PASSMAN. We are establishing ——— for you with just a little cooperation. Let us get the other spigots for the total.

Mr. STERNFELD. Public Law 480——

Mr. PASSMAN. Give us the total. That is all that is necessary. The total for fiscal 1964.

Mr. STERNFELD. Our estimate for the entire year, fiscal 1964?

Mr. PASSMAN. Correct. Let me get one answer. I cannot listen to four people at one time. Unless you do not want those figures in there, if you don't mind, I would like to have them.

Mr. STERNFELD. The AID, loan and grant program——

Mr. PASSMAN. You say "loan." Is that what we refer to as development credits?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. What is the total?

Mr. STERNFELD. Public Law 480——

Mr. PASSMAN. What is the total?

Mr. STERNFELD. Total, ———.

Mr. PASSMAN. For fiscal 1964?

Mr. STERNFELD. Yes, sir. That includes $96 million of the food for peace, Public Law 480 program.

Mr. PASSMAN. What kind of peace?

Mr. STERNFELD. Food for peace.

Mr. PASSMAN. Go ahead.

Mr. STERNFELD. The total, sir, our estimate for fiscal year 1964, would be ———.

Mr. PASSMAN. That is for a government with a basically irresponsible national policy. You are only asking for ——— are you not, in fiscal 1965?

Mr. STERNFELD. This program was not for the National Government of Brazil.

FUNDS FOR BRAZIL FOR 1965

Mr. PASSMAN. How much are you requesting in fiscal 1965 for this new, wholly responsible government?

Mr. MANN. Mr. Chairman, we are requesting ———, but we think this is on the low side.

Mr. PASSMAN. I hope it is not, and I also expect you to think that way. ———.

Mr. MANN. That is what we are requesting, but, as I said in my statement, we think it is on the low side.

Mr. PASSMAN. You say that every year.

(Off the record.)

FUNDS FOR BRAZIL FOR 1964

Mr. MANN. I do not have any personal knowledge of what happened last year, but I do know, Mr. Chairman, we are talking about the 1964 figures that are part Goulart and part Castello Branco. A very substantial part of this will be aid to the Castello Branco administration. We gave no——

Mr. PASSMAN. When did they take office?

Mr. MANN. It must have been about 2 months ago, the first of April.

Mr. PASSMAN. Let us find out how much you allocated out of this fantastically high amount up to the first of April.

Mr. ROGERS. Development loans, $34 million; and grants, $5.8 million.

Mr. PASSMAN. Let us get the total, Public Law 480 and all.

Mr. ROGERS. Social progress trust fund, $2.5 million; Peace Corps, $1 million; and we will get the food for peace, Public Law 480 figure for you in a second.

Mr. ROGERS. Total figure, the final component part, Public Law 480 is $117 million; $117 for food for peace, added to what I gave you a minute ago.

Mr. PASSMAN. What is the total?

Mr. ROGERS. The total amount as of March 31 is $160.6 million.

Mr. PASSMAN. $160.6 million?

Mr. ROGERS. Yes.

Mr. PASSMAN. So actually you gave more aid to the irresponsible government than you have for the new, responsible government. Is that the way it adds up?

Mr. ROGERS. The numbers we originally gave you, Mr. Congressman, and perhaps we did go too fast on this, had to do solely with the AID request.

Mr. PASSMAN. Gentlemen, it is not my fault if you do not give it to me. I always ask you to give us the total aid out of all the 16 spigots.

Mr. STERNFELD. I gave you the comparable figure for the end of June, which was the figure of ———.

Mr. PASSMAN. What was the April 1 figure?

Mr. STERNFELD. $160.6 million.

Mr. PASSMAN. That is good enough.

Mr. STERNFELD. Sir, the largest element of the program here, the Public Law 480 program, is $117 million, committee primarily in wheat, food for the people of Brazil; it was not aimed at the Goulart government. The deliveries which will take place under this $117 million program will take place now, starting from the time this agreement was signed, which was in September, until it is delivered, probably a year later.

Mr. PASSMAN. It was signed during the Goulart administration?

Mr. STERNFELD. It was signed during the Goulart administration. These were programs aimed not at the Government but at the people of Brazil.

Mr. PASSMAN. In other words, if we get somebody to come in and help Americans, that wouldn't do President Johnson any good. When you help the Government, you are helping everybody, including the administration in power?

Mr. STERNFELD. What you need to do——

Mr. PASSMAN. If you are not, why pay attention to a friendly government?

Mr. MANN. May I explain our theory? You may disagree with it.

Mr. PASSMAN. I will try not to.

U.S. POLICY TOWARD LATIN AMERICAN POLITICAL SYSTEMS IN GOVERNMENT

Mr. MANN. I looked at it very carefully. We were aware in January by the time I got there—I do not know how much earlier—that the erosion toward communism in Brazil was very rapid. We had, even before I got here, devised policy to help certain state governments. We did not give any money in balance-of-payments support, budgetary support, things of that kind, which benefited directly the Central Government of Brazil. That was cut back under Goulart. In my opinion, sir, and I think this is the opinion of many people who are informed about Brazil, the fact that we did put our limited amount of aid in the last year of the Goulart administration into states which were headed by good governors we think strengthened democracy.

Mr. PASSMAN. Mr. Secretary, I am not quarreling with your position.

Mr. MANN. It is a federalized government. I simply wanted to explain it is not a highly centralized government like many other Latin American governments are. It is highly federalized and, as we have here in our political system, there are states which are not, say, favorable to certain policies of the Central Government.

Mr. PASSMAN. When I heard these people defending the Goulart government last year I wondered why we could not unite with Latin America and have one government with Goulart head of it.

(Discussion off the record.)

Mr. PASSMAN. The people who appeared before the committee last year, and of course you may even leave us in a few weeks.

U.S. POLICY TOWARD AID TO BRAZIL

I will read this statement on Brazil for the record. This was in the general statement of your predecessor last year.

In Brazil the Alliance focus in on continued growth within a stabilized economy—vital to solution of major economic and political problems. The bulk of our development loan assistance, and that of other U.S. and international agencies will be concentrated in fiscal year 1964 on development effort. AID strategy is to try to develop lending both on a program and project basis. In addition, the United States has joined the Government of Brazil in a series of special programs for the northeast where Castro Communists are concentrating their efforts. The United States will continue its assistance to improve the living conditions in seriously depressed communities, improve the human economic resource base, and help improve land use and increase the food supply. The trust fund is helping Brazil's major effort to provide water and sewerage facilities, particularly in its great urban centers.

(Discussion off the record.)

Mr. PASSMAN. Mr. Secretary, we have created an uncontrolled and uncontrollable program in my considered judgment. I think it is

getting more loose every day, not tighter, as we shall indicate for the record, days on top of days before we conclude, as we have done previously. We have had some very wonderful people, scholars, dedicated people, in this program around the world. We have never had a program submitted yet that is absolutely airtight, realistic, the minimum. We have listened to that type of testimony for a long time. Every person who made that statement, I am sure, was sincere. Last year the original estimate was $4,980 million, subsequently reduced to $4.4 billion, subsequently authorized at $3.6 billion, subsequently you got $3 billion. Every regional administrator has said he had a satisfactory program going. I wonder what you people would have done if we had given you that realistic program that you submitted last January in the amount of $4,980 million.

Off the record.

(Discussion off the record.)

CONGRESSIONAL ACTION ON FOREIGN AID REQUESTS

Mr. PASSMAN. You gentlemen ought to read this chart. I will make one available to each of you. This is the committee's work, not mine. The committee tells me what to do and I report the bill out. You will notice that in 8 fiscal years the overall net reduction has been 21 percent. Then we left the program overfinanced. We shall also insert one in the record.

(The information follows:)

Total economic and military assistance, 9 years

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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	2,275,000,000	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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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	2,800,000,000	−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

DIFFICULTIES SURROUNDING ADVANCE ASSESSMENT OF PROGRAM NEEDS

Mr. PASSMAN. That fact really concerns us. We consider an air-tight program and find out it is double the need. It almost drives us crazy trying to figure out how much money you need for the program.

Mr. MANN. Mr. Chairman, could I say something in general about the problem you are talking about, because it is a problem.

Mr. PASSMAN. I wish you would.

Mr. MANN. It is not an easy job to estimate what we are going to need in the next 18 months in Latin America.

Mr. PASSMAN. Mr. Secretary, for fear of any misunderstanding, I usually speak of this program worldwide.

Mr. MANN. Take a change in a country like Brazil. This is half the continent of South America. This can make a tremendous difference in calculations on figures, whether it is for the good or for the bad. Then, when it is changed for the good, as it has now, we still have to wait for self-help, to see whether they take the measures they ought to take because we are trying not to make the Alliance a real partnership, as indeed it is.

(Discussion off the record.)

Mr. MANN. We may run into situations where countries confiscate American property, and the Hickenlooper amendment applies. This will change the situation. All of these imponderables make it difficult. But I submit, sir, that if you look at what is happening in Latin America—the need to double the number of jobs in approximately 20 years, to double the food production and this sort of thing—we have a security stake here. We think this aid program is tight and probably on the inadequate side, especially if Brazil makes a real effort to put its house in order.

Mr. PASSMAN. You seem to forget the other countries in this area.

Mr. MANN. No, sir———.

(Discussion off the record.)

Mr. MANN. If Peru and Colombia do what they should, then the level of our aid ought to be higher. If they do not it ought to be lower. If you look around the hemisphere, I think we could convince anyone, sir, that this is a tight budget. We have put a great deal of money into Latin America but, by and large, they pay it back. We have a stake there.

Mr. PASSMAN. Have they paid any money back other than Export-Import Bank loans?

Mr. MANN. We were using overall figures. I think they have paid back to many of our institutions in this overall figure we have been using; Export-Import Bank——

Mr. PASSMAN. Don't get Export-Import Bank mixed up into it. Let's deal with the aid program. Did you say you had a hard time to estimate requirements 18 months in advance?

Mr. MANN. No, I say——

Mr. PASSMAN. Didn't you say you had a hard time estimating what your need would be 18 months in advance?

Mr. MANN. I said it is not easy to foretell 18 months in advance what is going to happen and what the magnitude of the effort will be. We have to make the best estimates we can. We think these are tight.

Mr. PASSMAN. I think you are being fair about that. That is exactly why I wanted to bring it out. Then you tell us, and let me reemphasize, which you have heard before, "This is to say this request is a realistic one." Do you understand why the committee has a hard time reconciling the two statements?

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

Mr. PASSMAN. Yes.

LOAN TERMS SET BY SAVINGS AND LOAN ASSOCIATIONS IN LATIN AMERICA

Mr. GARY. On page 4, talking about the savings and loan associations, you said:

> These associations provide savings badly needed for productive investment. They lend at longer terms and lower interest rates than do the more traditional institutions.

Can you tell us something about the comparison between those?

Mr. ROGERS. Yes. Actually the rates vary from country to country, Mr. Gary, but where we have made seed capital loans to get these things started, we have generally provided for a maximum interest rate so that——

Mr. GARY. What is that maximum?

Mr. ROGERS. It varies from country to country. In some countries 8 percent, some countries 10. This depends on what the inflation rate is in the country itself. We do not want the association to go bankrupt. If the inflation is too fast, the interest rate has to be a little higher—but, say, in the 8 to 10 percent range. This gets these poor people who have never had credit before, aside from the usurer who can charge 10 to 15 percent per month. By giving them access to more reasonable rate—8 to 10 percent in a year in some countries—in effect they are then stimulated to make their own savings, contributing into the funds and thus increasing the resources in the savings and loan association.

Mr. GARY. When you say 8 to 10 percent, does that mean that you start out with that or does that mean the final interest rate? For example, savings and loan associations in this country and some of the commercial banks make loans on a basis of 6 percent. You borrow $100 and you pay 6 percent interest of that $100 for 10 months. Let us say. You will repay that loan at $10 a month in the 10 months. Under that arrangement you are paying the interest on the entire loan

for 10 months, or it is usually on a yearly basis, I think, whereas you only keep one-tenth of it for that period. I think in a transaction where it is based on a 12-month period the estimate is that instead of actually paying 6 percent interest on the loan, it figures out in the neighborhood of 12 percent.

Mr. ROGERS. That is right.

Mr. GARY. Is that the way it is done down there or is this just an out and out 8 percent loan.

Mr. ROGERS. No, sir; it is a good question. I know the practice you are talking about. When we think about interest rates in this case, we talk about the interest on the outstanding balance and not on the original balance.

Mr. PASSMAN. Simple interest rather than straight interest.

Mr. ROGERS. Yes. When you pay interest at a fiixed sum on the loan, you end up with really quite a lot higher interest rate than you really think you start out with; that is not the case in the savings and loan associations.

Mr. GARY. This is a straight interest rate.

Mr. ROGERS. On the outstanding balance, what you pay back.

Mr. GARY. You pay 8 or 10 percent on the money as long as you have it?

Mr. ROGERS. Yes, sir. That is the answer.

(Discussion off the record.)

Mr. PASSMAN. Several years ago in conference on a foreign aid bill, we had an amendment that would limit the rate of interest to what we charged in the countries. In my opinion then, and now, you would break every building and loan and every loan company in every hamlet in Latin America if you changed the existing system because 90 percent of the accounts in all of the building and loan associations in Latin America are held by the small investor. They have to carry various accounts, $10, $5, $1, and sometimes the association has to pay as high as 10 percent interest to the investor, inasmuch as that is their system in Latin America. If you were to provide additional capital to the area and limit the interest rate on loans to maybe 4 or 6 percent, you would break every one of them, wouldn't you?

Mr. ROGERS. Yes.

Mr. PASSMAN. I do not want to defend high interest, but I remember the amendment, and I think you supported me, Mr. Gary, and we fought that thing out in conference.

Mr. GARY. I did, Mr. Chairman. What I was trying to point out, a lot of the commercial banks and savings and loan associations in this country, while they use 6 percent as the measure of interest, do in effect charge a higher rate of interest than that. I have seen estimates or calculations on the interest, based upon the transaction where you pay 6 percent for money for a year and then pay it back in installments each month. I think the calculations show that the interest runs about 12 percent.

Now, if the situation is similar to that in Latin America, then they are paying about the same that they pay in this country. I know there were some in the Senate who protested very vigorously the interest rates that were charged in South America, and they supported an amendment to limit the interest rate to be charged on funds pro-

vided by this bill. You and I opposed it. At that time we pointed out that while the interest rate sounded high, it was not, as a matter of fact, any greater than was being charged by similar institutions in the United States.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I am not trying to help you make a case for money you don't need, as our late chairman said, "appropriating money we do not have for things we do not need," but I point this statement on page 7: "This request is a realistic one." All of these estimates have been realistic requests in previous years. Yet there is over a 20-percent net reduction. You state on page 7:

It is still too early to predict a precise figure for loan authorization in technical operation obligations at the end of this fiscal year—

I noticed that you interpolated there and said:

Now there is some indication that the unobligated funds will all be obligated.

I predicted just what was going to happen. I put my finger on this thing when Mr. Bell made that statement. It just did not sound right when he said:

It may be more than that. Maybe hundreds of millions; if so, we will ask that the budget request be reduced.

Off the record.

(Discussion off the record.)

Mr. ROGERS. If you would like me to comment on that——

Mr. PASSMAN. You do not have to comment unless you want to.

FUNDS FOR INTERNAL REVENUE SERVICE

On page 9:

The U.S. Internal Revenue Service is providing invaluable expertise for changes now being undertaken in the tax system of a number of countries.

Could you tell us the total amount of money that you have paid out or will pay out for the years 1963 and 1964 to the Internal Revenue Service? Let's get 1963 and 1964, the amount that you have reimbursed the Internal Revenue Service for salaries, the amount that you have reimbursed them for related expenses. Can you do that? You would like to have that, wouldn't you, Mr. Gary?

Mr. GARY. Yes.

(The information supplied follows:)

IRS reimbursable expenses, fiscal year 1963 and fiscal year 1964 (to May 20)

Fiscal year 1963:[1] Salaries	$34,072
Fiscal year 1964:	
Latin American tax assistance reserve training	248,849
Salaries, per diem, travel, and administrative overhead	471,699
Total fiscal year 1963 and fiscal year 1964	655,620

[1] Does not include per diem and travel expenses of 21 short-term consultants on TDY to AID from the IRS. Also excludes salary, travel, per diem, and allowances of 6 long-term technicians on direct AID hire from the IRS. These long- and short-term technicians were engaged prior to the signing of the interagency agreement (May 1963) which provides procedures for reimbursable funding.

Mr. GARY. I would like to have one other thing. I wonder if we couldn't get someone from the Internal Revenue Service to come up and tell us what they have done down there and what the results are.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. It says, "Now being undertaken in the tax systems" of the number of countries, you understand.

Mr. GARY. Let's find out what is being undertaken and what the situation is.

Mr. PASSMAN. And how much money they are bringing in.

Mr. GARY. I want all the information we can get.

Off the record.

(Discussion off the record.)

TAX ADVISORY SERVICE PROJECT

Mr. PASSMAN. Could you also furnish for the record the amount of your allocation for Latin America for the tax advisory services project?

Mr. STERNFELD. Yes, sir. We could furnish that.

(The information supplied follows:)

Tax advisory services project—Obligations through fiscal year 1964

Fiscal year 1962	$25,000
Fiscal year 1963	35,000
Fiscal year 1964 (estimated)	305,000

CONSOLIDATION OF PROJECTS

Mr. PASSMAN. On page 10:

The total number of projects proposed this year is 251, as compared with 341 proposed last year.

Is it because of a consolidation of a lot of projects?

Mr. ROGERS. Yes, there has been consolidation, Mr. Chairman——

Mr. PASSMAN. That consolidation brought about the reduction in number?

Mr. ROGERS. Not solely.

Mr. PASSMAN. You answered in the affirmative earlier. I should have let a good statement stand.

Mr. ROGERS. I am sorry; 74 projects will be terminated in fiscal year 1964.

Mr. PASSMAN. Were they actually completed?

Mr. ROGERS. Yes.

Mr. PASSMAN. We have asked the Agency to deconsolidate projects. We found out that we had 2,309 prime projects, with an estimate of a little in excess of 4,000 when you take into consideration the subprojects.

Mr. Tennant, have you been able to increase the basic projects and subprojects over the 4,000 figure yet or are you still working on that?

Mr. TENNANT. My count was based on what you call prime projects.

Mr. PASSMAN. I know, but you have some 2,300 prime projects; is that right?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. We find out where there would be five projects created out of one project, in other instances three. That is why we got into the field of sub and subprojects, to actually find out how many projects we had going at one time in this, as I have often said, un-

controlled and uncontrollable program. We even get into arguments about that statement, but it has not been proven inaccurate yet, to the satisfaction of all the 195 million Americans.

Mr. Gary, do you have any further questions on the general statement of the gentleman?

INTEREST ON LOANS THROUGH LATIN AMERICAN SAVINGS AND LOAN ASSOCIATIONS

Mr. GARY. A few minutes ago I asked a question and I think he only answered half of it. We got into the discussion over interest. This says that the savings and loan associations lend at longer terms and lower interest rates. What are the usual terms of these? I mean average. I am sure they vary.

Mr. ROGERS. It varies a good deal from country to country. The loans that are being made out of the savings and loan associations that we are helping to get started, as I said, will run 6, 8, 10 percent on interest rate, maybe 10 to 20 years on terms. In a number of countries you just won't find any credit like that at all for housing, so that you are comparing really something with nothing, in a lot of cases. In some countries you can find housing money available like this, but it is usually much shorter terms and very much smaller percentage of the cost of the house and also higher interest rate.

Mr. GARY. You said 6, 8, to 10 percent was straight interest. That is on unexpended balances?

Mr. ROGERS Yes.

Mr. GARY. That constitutes the entire interest they pay over the term of the loan?

Mr. ROGERS. That is correct. That is also correct with respect to the investment guarantees on housing that we have been doing, too.

Mr. GARY. The loans run from 10 to 20 years?

Mr. ROGERS. That is right.

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

Mr. PASSMAN. Mr. Ford, we have been asking questions on the general statements of Mr. Mann and Mr. Rogers.

Do you have any questions on the general statement before we proceed to examine by country?

Mr. FORD. I have no questions on the general statements?

Mr. PASSMAN. I am advised that the testimony of May 4, 2 weeks ago, of Assistant Secretary Bundy and Assistant Administrator Poats has not yet been returned to the committee. That testimony should be returned by 10 o'clock tomorrow morning or the committee will be forced to print the carbon copy of the transcript, giving the Agency the right to sanitize the record for security purposes only.

TOTAL ESTIMATES FOR AID TO LATIN AMERICA

Your 1964 estimate for Latin America under the spigots handled by the AID for fiscal year 1965 is $587,700,000; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Then, to get the true picture, not of the 37 agencies who are disbursing aid in small or large amounts, but those that we understand and see in the press you would have to add to this to get

the grand total, would we not, such as Public Law 480 and the Inter-American Bank?

Could you give us about what the grand total would be when you add all the 16 spigots that we are familiar with? It is very important for people to know this may be the smaller part of the total. We do not know. Mr. Controller, do you have any information on this area?

Mr. TENNANT. I do not have it on the international organizations.

Mr. PASSMAN. Could you get that and insert it in the record?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. The 16 spigots this committee is familiar with, pick up under those spigots, give us a grand total and have it tomorrow morning?

Mr. STERNFELD. Yes, sir.

(The information supplied follows:)

Estimated commitments/obligations of United States and international agencies to Latin America, fiscal year 1965*

U.S. agencies:

	Thousands
Agency for International Development	$587,700
Public Law 480 (titles I through IV)	295,000
Other (Peace Corps)	39,200
Subtotal United States	1,041,900

International agencies:

United Nations[1]	32,000
Subtotal international agencies	317,000
Grand total	1,358,900

[1] Includes U.N. Special Fund, U.N. technical assistance program, and U.N. expanded program of technical assistance.

*Excluding International Bank for Reconstruction and Development.

Mr. STERNFELD. We have to get estimates of what other agencies might do.

Mr. PASSMAN. I will help you if you get in trouble.

Mr. STERNFELD. Just so you recognize there are some spigots which we have control over. They are the ones we are testifying on here. We have no control over Public Law 480.

UNOBLIGATED BALANCES

Mr. PASSMAN. Earlier, when the Administrator testified, there was some indication that the unobligated balance of this program could be from $50 to $300 million; is that correct? And if it exceeded the original estimate that they would supplement the present request by reducing the amount of the budget request; is that correct?

Mr. ROGERS. That is correct. I do not recall that he said 300, but I recall the 50 and I recall the fact he said they could reduce the request.

Mr. PASSMAN. He said, "If a larger amount" and I think I said "there is a possibility you would have this amount. If so, would

you come down with an amendment to the budget request and reduce the President's budget." Do you remember that conversation?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I believe he said they may request it be reduced; is that right?

Mr. ROGERS. Yes.

Mr. PASSMAN. Will you tell him we are going to try to help him to see that that is done. We are the most cooperative committee you will run into anywhere in that direction.

We have established earlier that of the spigots with which we are somewhat familiar, the total amount to the credit of the Latin American countries exceeds $2,400 million; is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. That is a lot of money, is it not?

Mr. ROGERS. Yes.

LATIN AMERICA EXPENDITURES, 1962–64

Mr. PASSMAN. That is in the pipeline. That can be disbursed in subsequent years. What are the average expenditures for Latin America for fiscal year 1962, 1963, and 1964, the withdrawal from the pipeline in the way of what we call expenditures. Give us your best estimate.

(Discussion off the record.)

Mr. ROGERS. We do not have the answer for all spigots, Congressman.

Mr. PASSMAN. You had the answer for all of them as to the amount we had given Latin America. I believe you gave us $4 billion since we started the program. When could you get that for us?

Mr. STERNFELD. We can get it tomorrow.

PIPELINE LEADTIME

Mr. PASSMAN. That is fine. The next question is, what is the leadtime?

Mr. STERNFELD. What do you mean by that, sir?

Mr. PASSMAN. Get some of your people over there to define it. All I can do is take care of my side of the table.

Mr. TENNANT. I assume you mean the amount of years expenditures in the pipeline.

Mr. PASSMAN. You actually know what it is, do you not? Do you have the answer on the leadtime, Mr. Controller?

Mr. TENNANT. Since you are asking for an average for all agencies, I think we would have to insert it.

Mr. PASSMAN. I didn't ask for an insert. Bring the information tomorrow. We will have this record so inserted it will take a wheelbarrow to carry the record.

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Can you give us the leadtime now, just for the part that you are familiar with, Mr. Rogers? What is the leadtime for AID?

Mr. STERNFELD. We have the figures there.

(Discussion off the record.)

Mr. PASSMAN. Can you give us a brief answer?

Mr. ROGERS. My best guess would be about a year or two.

Mr. PASSMAN. A year or two, you understand, that is the same as saying I am a year or two old. I do not know of anything that would be anything more uncertain than a year or two.

Mr. ROGERS. We will get you the best guess we can. One, you may divide total undisbursed outstanding balances.

Mr. PASSMAN. There is a formula used by the Agency. Off the record.

(Discussion off the record.)

Mr. STERNFELD. We can examine this and give it to you. You will find that the average in Latin America—because we are building up a program, we have not had a going program in terms of disbursements, as the program in Asia or the program in the Near East—that the leadtime will be quite different. It will be quite different because we do not have as wide an experience as the other regions.

Mr. PASSMAN. You mean you, personally, have not had as wide experience, or this region?

Mr. STERNFELD. The Latin America region has not.

Mr. PASSMAN. How long have you had an aid program in Latin America?

Mr. STERNFELD. We have had an aid program in Latin America since 1942.

Mr. PASSMAN. You have been before this committee long enough to know I am not going to let you get by with that statement. We think of this aid program as that aid we have given subsequent to World War II.

Mr. STERNFELD. We have been giving technical assistance to Latin America since then.

Mr. PASSMAN. I am speaking of the foreign aid program. You know exactly what I am talking about. We are not going to let you get the record fuzzy. When we talk about aid, we are always talking about the amount of money we have given away subsequent to World War II.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Since you can't give us the leadtime, and you have to get it later, can you give us the disbursements for Latin America for fiscal year 1962, Mr. Controller?

PIPELINE IN LATIN AMERICA

Mr. TENNANT. I do not have 1962.

Mr. PASSMAN. I will take 1963.

Mr. TENNANT. $369,445,000. This is just economic.

Mr. PASSMAN. That is economic. You have unliquidated funds of $1,300,000; is that right?

Mr. TENNANT. Beg pardon?

Mr. PASSMAN. You have unexpended funds of $1.6 million, do you not, in the economic side?

Mr. TENNANT. $1.6 million includes the Public Law 480; $1.333 million is for mutual security, economic, and military.

Mr. PASSMAN. In the same one in which you drew out $369 million last year?

Mr. TENNANT. That is for fiscal year 1963. Our estimates for fiscal year 1964 are higher.

Mr. PASSMAN. I cannot work as fast as you can with these figures. Let's pin this down. We will take 1964 if you have it.

Mr. TENNANT. The fiscal year 1964 expenditures are estimated to go up higher to $394 million.

Mr. PASSMAN. Let's say that is $400 million. Then that would give you a 3- or a 3½-year pipeline on that basis, using your high figure?

Mr. TENNANT. I think what they are trying to point out, Mr. Chairman, is that the expenditures are on an incline. They are going up.

Mr. PASSMAN. I don't know what they are trying to point out. I only know what I am trying to point out.

OBLIGATION OF FUNDS

Mr. TENNANT. Because the obligations were increased in late years. It is a new program. In future years they will go up.

Mr. PASSMAN. $394 million has been the highest figure, is that correct?

Mr. TENNANT. Of those two, yes, sir.

Mr. PASSMAN. That has been the highest. Do you know of any other year where it has been higher?

Mr. TENNANT. I think our estimates for fiscal year 1965 will be higher.

Mr. PASSMAN. I am not talking about estimates.

Mr. TENNANT. $394 million for fiscal year 1964.

Mr. PASSMAN. $394 million is your high figure?

Mr. TENNANT. That is correct.

Mr. PASSMAN. On that basis you would have a supply of money for 3½ to 4 years if you held it even and did not increase it?

Mr. TENNANT. But it definitely will increase.

Mr. PASSMAN. I do not know whether it will or not. It all depends on the action of this committee, the full committee, the House, and finally the Congress.

Mr. STERNFELD. Mr. Chairman, the reason why this figure has to increase is because of the obligations which were made of a higher level in the last 2 years than in the previous years. This is what I was trying to indicate earlier, that we are on an incline here as opposed to the other regions.

Mr. PASSMAN. What are your obligations then for fiscal years 1962, 1963, and 1964?

Mr. TENNANT. Obligations in 1963?

Mr. PASSMAN. 1962, 1963, 1964.

Mr. TENNANT. The last two I have available at the moment.

Mr. PASSMAN. You used to bring a lot of records down here. I pointed that out more than one time, that you now come down, minus a lot of records. It is all right, so long as the record shows you do not have them.

Mr. TENNANT. You are not asking as many questions this year, sir.

Mr. TENNANT. $541.8 million in 1963 and in 1964 $707.5 million.

Mr. PASSMAN. What does the $1.6 billion item include?

Mr. TENNANT. That was the $1.3 billion economic plus military and Public Law 480.

Mr. PASSMAN. What figure will you give us for 1964?

Mr. TENNANT. For pipeline?

Mr. PASSMAN. No obligations.

LATIN AMERICAN PIPELINE

Mr. STERNFELD. To make the figures comparable, again, the pipeline figure of $1,333 million includes the following components: The Alliance for Progress loans, the Alliance for Progress grants, Chile rehabilitation, IDB trust fund, supporting assistance money for Latin America, and the unexpended balance of old loans which were in the old Development Loan Fund. So that what you have here is the total from all of the programs which the AID Agency has some responsibility in administering.

To get the comparable obligation figure, which is $707 million, this includes, again, Alliance loans, Alliance grants, and the social progress trust fund plus supporting assistance and contingency fund uses in fiscal year 1964. That adds up to $707 million.

Mr. PASSMAN. You know you are mixing up title I and title II of this bill.

Mr. STERNFELD. I believe the Congress included the IDB trust fund in title I of the bill.

Mr. PASSMAN. I am using the same figure you used. In your original request you asked for $707 million. Subsequently you allocated what figure?

Mr. STERNFELD. Against that $707 million?

Mr. PASSMAN. Yes.

Mr. STERNFELD. That is the figure of $550 million.

Mr. PASSMAN. Now you are using the $707 million as the amount you put in. You had better go back and do the thing all over again because your $707 million includes the carryover and everything.

Mr. STERNFELD. The $707 million did not include the social progress trust fund nor did the $550 million. If you will remember, we asked for $200 million for the social progress trust fund and Congress appropriated $135 million.

Mr. PASSMAN. What did the $707 million cover?

Mr. STERNFELD. The $707 million covers development loans and grants.

Mr. PASSMAN. How much development credits? I will use Secretary Dillon's definition.

Mr. STERNFELD. $602 million is for loans and $105 million——

Mr. PASSMAN. Let us go off the record and straighten this thing out.

(Discussion off the record.)

OBLIGATIONS FOR 1964

Mr. PASSMAN. Out of the $550 million appropriation, how much did you obligate in fiscal 1964?

Mr. STERNFELD. We are estimating we will probably obligate all the funds, sir.

Mr. PASSMAN. But we had previous testimony that you might have $50 million left over and it could go higher?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Are you not putting on as much pressure to get it all obligated as when Mr. Bell was down here?

Mr. ROGERS. No, sir.

FISCAL DATA CHARTS FOR LATIN AMERICA PROGRAMS

Mr. FORD. Mr. Chairman, I believe it would be very helpful for me and perhaps for the committee if we could have for the past several years, in chart form, the budget request, the authorization, the appropriation, the obligations, the unobligated amounts, the annual expenditures, and the unexpended balances, by programs or by accounts. Perhaps there should be appropriate footnotes showing the carryovers.

Mr. STERNFELD. The Chairman asked for the unobligated. This would be the carryovers. We will use, as far as Latin America is concerned, three main accounts: Alliance for Progress loans, Alliance for Progress grants, plus the social progress trust fund. We will have difficulty going back beyond 1962 because, before that, it was worldwide and not Latin America separately. Do you want our whole Development Loan Fund?

Mr. FORD. Start from the time when it became an identifiable program.

Mr. STERNFELD. That would be 1962.

Mr. FORD. In addition, I believe the chairman has asked for information on the programs outside your own agency but where the programs also have an impact in Latin America.

Mr. STERNFELD. Yes, sir.

Mr. FORD. Perhaps you cannot furnish all the information in the categories I have indicated but where you can, please do so.

Mr. STERNFELD. We can show you obligations and expenditures for these other categories.

Mr. PASSMAN. What we want is to show that your largest year of expenditures was only $394 million. That has been established. We were trying then to relate the withdrawals to the obligations. I believe the point has already been made that you are building up a tremendous backlog because, when we pick up the other spigots, you have $2,435 million on hand.

(The information supplied follows:)

Total economic and military assistance to Latin America, including non-U.S. agencies [1]

FISCAL YEAR 1962

[In millions of dollars]

	Congressional request	Authorization	Appropriation	Reappropriation	Obligations	Unobligated	Expenditures	June 30, 1962, unliquidated obligations
AFP grants/DG/IAPSP	100.0	100.0	100.0		82.3	38.7	43.3	78.6
IAPSP/Chile reconstruction	100.0	100.0	100.0		100.0		51.2	48.8
AFP loans/DL					188.7		93.6	276.4
Supporting assistance and contingency					107.6		93.2	60.4
Subtotal					478.6	38.7	281.3	464.2
IAPSP/SPTF	394.0	394.0	394.0		394.0		10.0	384.0
Subtotal					872.6		291.3	848.2
IAPSP/OAS	6.0	6.0	6.0		5.0	1.0		5.0
Subtotal					877.6	39.7	291.3	853.2
MAP					71.9		45.3	74.3
Food for Peace					155.8		150.4	50.0
Other					10.7		11.0	6.0
Export-Import Bank					262.6		555.2	548.7
Subtotal					1,378.6		1,062.2	1,532.2
U.N. (UNSF, UNTA, and UNEPTA)					31.7		14.0	20.0
IDB (Ord and FSO)					153.9		19.2	204.5
IFC					10.7		7.4	13.0
IDA					31.0		3.0	56.0
Total					1,605.9		1,105.8	1,825.7

FISCAL YEAR 1963

AFP grants/DG/IAPSP	100.0	100.0	[2] 100.0		[3] 107.6	4.3	66.6	119.5
IAPSP/Chile reconstruction							31.0	17.8
AFP loans/DL	500.0	425.0	425.0		341.6	92.0	151.7	466.4
Supporting assistance	15.0				19.8		12.8	25.7
Contingency					72.9		58.3	56.2
Subtotal					541.9	96.3	320.4	685.6
IAPSP/SPTF							49.0	335.0
Subtotal					541.9	96.3	369.4	1,020.6
IAPSP/OAS					.9	.1	3.6	2.3
Subtotal					542.8	96.4	373.0	1,022.9
MAP					67.7		51.8	81.4
Food for Peace					182.9		181.8	127.5
Other					15.2		15.1	.1
Export and Import Bank					90.6		160.9	388.0
Subtotal					966.9	96.4	782.6	1,619.9
U.N. (UNSF and UNTA) (estimated)					33.1		20.6	33.5
IDB (ordinary and FSO)					191.7		45.3	339.2
IFC					7.1		9.1	10.3
IDA					11.4		6.6	60.8
Total					1,210.2	96.4	864.2	2,063.7

[1] Excluding International Bank for Reconstruction and Development.
[2] $10,000,000 transferred to SA, $12,600,000 to nonregional account.
[3] Includes IAPSP carryover of $31,200,000.

Estimated total economic and military assistance to Latin America, fiscal year 1964, including non-U.S. agencies [1]

[In millions of dollars]

	Congressional request	Authorization	Appropriation	Reappropriated	Obligation	Unobligated	Expenditures	June 30, 1964, estimated unexpended balance
AFP grants/DG/IAPSP	105.0	100.0	80.0	2.7	[2] 78.0		66.0	131.6
IAPSP/Chile reconstruction							12.0	5.8
AFP loans/DL	602.0	425.0	375.0	92.0	[3] 471.9		151.6	786.6
Supporting assistance	17.7				19.5	[4] 3.4	23.4	21.8
Contingency					3.2		42.0	17.4
Subtotal	724.7	525.0	455.0	94.7	572.6	3.4	295.0	963.2
IAPSP/SPTF	195.5	175.5	131.0		131.0		99.0	367.0
Subtotal	920.2	700.5	586.0	94.7	703.6		394.0	1,330.2
IAPSP/OAS	4.5	4.5	4.0		4.0		1.0	3.0
Subtotal	924.7	705.0	590.0	94.7	707.6		395.0	1,333.2
MAP					70.5		62.9	88.2
Food for Peace					271.0		150.0	147.5
Export-Import					150.0		100.0	415.7
Other [5]					20.0		19.5	.2
Subtotal					1,219.1		727.4	1,984.8
UN (UNSF and UNTA) [5]					29.6		13.1	50.0
IDB (ordinary and FSO)					170.0		150.0	395.0
IFC					5.0		5.0	5.0
IDA					3.6		10.0	51.0
Total					1,427.3		905.5	2,485.8

[1] Excluding International Bank for Reconstruction and Development.
[2] Includes 3.7 of deobligations and 1.6 IAPSP and excludes 10,000,000 for nonregional.
[3] Includes 5 of deobligations.
[4] Deobligation.
[5] Estimate.

Mr. PASSMAN. How much money did you deobligate from projects in your area in fiscal 1964 to date?

Mr. ROGERS. Through the 30th of April this year the following obligations had been deobligated: $1.6 million IAPSP; $1.7 million——

Mr. PASSMAN. Would you give me the total without all the trimmings?

Mr. STERNFELD. Some of this is no-year money.

Mr. PASSMAN. Tell me the amount of money you deobligated.

Mr. ROGERS. $4 million including IAPSP, which is no-year, plus $11.7 million deallotments.

Mr. PASSMAN. What is a deallotment?

Mr. ROGERS. Deobligation.

Mr. PASSMAN. That is new. You have recoups, shakedowns, and now deallotments. Deallotments and deobligations are the same?

Mr. ROGERS. This was in development lending, from DLF.

Mr. TENNANT. A deallotment merely takes place after the deobligation, sir.

Mr. PASSMAN. It is all the same, is it?

Mr. TENNANT. Essentially it is the same.

Mr. PASSMAN. This is the first time that term has come up.

What is the total amount of money that had previously been debited in the obligated and went in the deobligated category?

Mr. ROGERS. $18.7 million.

Mr. PASSMAN. If we had taken your first answer we would have been off about $12 million, would we not? Do you want to supplement that, or is that final? We have gone from $4 to $18 million.

Mr. ROGERS. We are giving the total all categories.

Mr. PASSMAN. That is the deallotment and deobligation and all. How much of that will you reobligate during fiscal 1964?

Mr. ROGERS. $3.3 million total.

Mr. PASSMAN. Is that going to be out of your no-year or annual funds?

Mr. ROGERS. That includes both.

Mr. PASSMAN. So you are going to put back in from previous years approximately $15 million; is that right? You will have that much of your deobligated funds available for new obligations in fiscal 1965?

Mr. ROGERS. About $15 million.

Mr. PASSMAN. That will be unobligated funds?

Mr. ROGERS. Yes.

Mr. FORD. Will the chairman yield? Is that $15 million programed against some project that you have in mind or is it just free money?

Mr. STERNFELD. Can I answer that? The $11.7 million that has been deobligated is from development lending funds of the old Development Loan Fund. That is made available to the Agency worldwide. We are not going to use that in Latin America.

Mr. FORD. It could be?

Mr. STERNFELD. It could be, but we have no plans to use it for any new project in Latin America.

Mr. PASSMAN. That is my point. If we had rushed through this testimony we would have only $4 million deobligated and that is all.

Now we have established you will have a net of $15 million and the development credit funds will go back in to be used anywhere there is a need.

Mr. STERNFELD. Yes. And another part is there is going to be $3.4 million of supporting assistance funds which we in Latin America have deobligated this fiscal year but this also will be made available to the Agency as a whole to be used under the terms of the law or it will be unobligated, Mr. Chairman.

Mr. PASSMAN. To whom do I owe an apology? We have Mr. Mann, the Assistant Secretary of State, and Mr. Rogers, the Deputy Coordinator, and Mr. Sternfeld, the Deputy Assistant Administrator. Do you administer the program, Mr. Sternfeld?

Mr. STERNFELD. No, sir.

Mr. PASSMAN. Why do you not move up to the table. You are giving all the answers. I want to ask questions of the people who will be approving this and who understand the program. I do not want anything I say to indicate you do not have great knowledge, Mr. Secretary, but he is answering all the questions.

Mr. MANN. In the first place, I do not think Mr. Sternfeld has answered all the questions.

Mr. PASSMAN. He is answering most of them. I will make up my mind what percentage. I want to know if the man administering the program understands the complications of obligating and deobligating.

Mr. MANN. We are trying to give you the most knowledgeable person on each question you ask.

Mr. PASSMAN. That is what we want. Shall I direct the questions to you? If you are going to administer the program I have to ask the questions of you.

BREAKDOWN OF DEOBLIGATED FUNDS

What amount of deobligated funds, totaling $18 million, came out of the technical assistance program?

Mr. ROGERS. $1.7 million from Alliance for Progress grants; $1.6 million from IAPSP; and the old development grant program, $0.7 million.

Mr. PASSMAN. Will all this be deobligated in fiscal 1964?

Mr. ROGERS. I think we established the development lending——

Mr. PASSMAN. No, I am talking about these recent items, the $1.6 million and the $1.4 million.

Mr. ROGERS. The IAPSP moneys of $1.6 million will be and also the Alliance for Progress grant moneys of $1.7 million.

Mr. PASSMAN. Making a total of?

Mr. ROGERS. $3.3 million.

Mr. PASSMAN. On what projects will you use this money? Do you have a list of them?

Mr. ROGERS. Yes.

Nicaragua, agricultural reform and development, $150,000.

Mr. PASSMAN. Was that project justified to Congress in previous years? If so, give us the page and project number.

Mr. ROGERS. Page 185 in this year's book.

Mr. PASSMAN. What about last year's book

Mr. ROGERS. Volume 3, page 207.

Mr. PASSMAN. You have reobligated deobligated money. I asked if you had justified it to the Congress and you said yes, and I asked you to refer me to the pages and project number, and you said page 207. That is the rural cooperative development project that began in 1963. Correct?

Mr. ROGERS. Correct.

USE OF DEOBLIGATED FUNDS

Mr. PASSMAN. Where will you use the deobligated money?

Mr. ROGERS. In Nicaragua.

Mr. PASSMAN. You are reobligating it to what project?

Mr. ROGERS. To that project, rural cooperative development on page 207 of last year's book. This year it is on page 185.

Mr. PASSMAN. That is the agricultural reform and development project that started in 1958, a completely different project. You had the rural cooperative development project on page 207 in fiscal year 1964. And it is the rural cooperative development project which began in 1963, but you allocated the money to a project known as agricultural reform and development which was begun in 1958. So it is not the project.

Mr. ROGERS. It contains this project and some other things that were started before this. We merged these things.

Mr. PASSMAN. What other accounts did you consolidate to create this one? You are dealing with a project that was started back in 1958.

Mr. ROGERS. There were certain continuing costs of other agricultural projects which we did not foresee.

Mr. PASSMAN. How much do you plan to allocate to the project on page 185?

Mr. ROGERS. The new obligations this year would be $290,000.

Mr. PASSMAN. I am talking about deobligated funds.

Mr. ROGERS. $150,000.

Mr. PASSMAN. Have you increased the completion cost of the project?

Mr. ROGERS. The answer is yes.

Mr. PASSMAN. To what amount?

Mr. ROGERS. $2,744,000.

CONSOLIDATION OF PROJECTS

Mr. PASSMAN. On page 207, the sector known as food and agriculture, the project termed "Rural cooperative development, No. 524–AC–19–AA2" the project was begun in 1963 with an estimated cost of $1,300,000. Now, in interrogating with respect to what you did with $150,000 in deobligated funds, we found you have allocated it to a project that began in 1958, No. 524–11–110–057, known as the agricultural reform and development project and the estimated cost is to be $2,744,000. The cost has not only doubled but more than doubled in just 1 year and no extension of completion date.

Have I stated it correctly for the record? Let me say I read verbatim from both the books. Did you cancel out completely the project on page 207?

Mr. ROGERS. No. This was merged into and is a part of the agricultural reform and development project.

Mr. PASSMAN. How many other projects have you consolidated to get this new total?

Mr. ROGERS. I think there is one other answer to that question, Mr. Chairman.

Mr. PASSMAN. Then you have three projects in one.

Mr. ROGERS. Two.

Mr. PASSMAN. Where is the other one?

Mr. ROGERS. This includes the rural cooperative development plus the continuing cost.

Mr. PASSMAN. There is no continuing cost because both of them would conclude in 1968. Besides, it was the only project you had last year. In the agriculture sector we do not find any other projects you could have consolidated with it. You cannot consolidate something that does not exist.

Mr. ROGERS. The answer to that question, Mr. Chairman, is that the reason you did not find a description of anything in agriculture in last year's book was that we were not requesting new funds for a continuing activity which had been going on since 1958.

Mr. PASSMAN. But now we find in fact you add one little project——

Mr. ROGERS. A continuing project.

Mr. PASSMAN (continuing). Into one that you started in 1958. You did not advance the completion date, but you more than doubled the cost. You went from $1.3 to $2.744 million.

Mr. ROGERS. The $1.3 million was for rural cooperative development, which was presented on page 207, as you pointed out, in effect the obligation of new moneys against that project last year. The continuing program that had been going on since 1958—which we brought together in a clearer, better defined program in agricultural development which we presented this year——

Mr. PASSMAN. May I say to the gentlemen, you did not have any agricultural project in fiscal 1963.

(Off the record.)

PROJECTS FOR 1965

Mr. PASSMAN. Mr. Rogers, is it your understanding that all these projects you are presenting to the committee for fiscal 1965 are purely illustrative?

Mr. ROGERS. They represent firm plans on our part to carry out these projects just as they did last year. We are now carrying out about 95 percent of the project we presented to the committee.

Mr. PASSMAN. Last year's testimony stated that they were illustrative programs. Are they illustrative programs this year?

Mr. ROGERS. They are illustrative and quite firm.

Mr. PASSMAN. If they are illustrative, I do not see how they could be firm, but that is your answer, not mine.

USE OF DEOBLIGATED FUNDS

You have accounted for $150,000. Let us get the rest of the deobligated funds.

Mr. ROGERS. One is for social progress grant funds——

Mr. PASSMAN. No; we have not finished that one. You only finished $150,000 out of $1.6 million. I want to know what you did with the rest of it.

Mr. ROGERS. You mean of the no-year funds, Mr. Chairman?

Mr. PASSMAN. The deobligated funds we previously established, $1.6 and $1.7 million, making a total of $3.3 million. You have explained away $150,000 by saying it went to a certain project when we know very well we had no such project.

What other projects did you spend the deobligated funds on?

Mr. TENNANT. Mr. Chairman, I believe that the legislative provisions on deobligation and reobligation apply to annual appropriations, and not to no-year appropriations. For that reason, there is no question of legality in this case, as we are dealing with a no-year account.

Mr. PASSMAN. If you are dealing specifically with the $100 million allocation for the inter-American social progress funds, you are entirely within your rights. But you cannot take deobligated funds and obligate them for projects for which you have not made an illustrative presentation to Congress.

Mr. MANN. We understand that, but my understanding is that these were no year funds.

Mr. PASSMAN. You stated it was in the $100 million. You have two categories.

Mr. ROGERS. I tried to keep making clear in my answers, Mr. Chairman, that my beginning responses related to the no-year IAPSP funds. My first answer was the project that we have discussed had to do with no-year IAPSP moneys.

Now I can continue——

Mr. PASSMAN. I made the observation that you have obligated this money to a project, and I cannot see the relationship in 1963 and 1964 of the project you obligated the money to. We have read the project title and number into the record. There was no agricultural project whatsoever. All you have to do is to check your books. You did not have such a project in 1962.

Mr. ROGERS. We had a rural cooperative development project in the 1963 presentation which is quite clear, and this money will be used in part for that.

Mr. PASSMAN. Why don't you refer to page 187 and page 207. It is perfectly obvious. I have read it. The one project was rural cooperative development. The other one is agricultural reform and development. One project started in 1958 and the other started in 1963.

Mr. ROGERS. That is correct. But the one on page 185——

Mr. PASSMAN. So you did not justify the funds last year.

Mr. ROGERS. They are no-year moneys.

Mr. PASSMAN. No-year money makes no difference. We want to know what you are obligating it for. It may not be relevant to you, but it is quite important to this committee.

(Off the record.)

Mr. MANN. Mr. Chairman, after we have looked into this particular item, the title is obviously different. Whether it is an entirely different project is another question.

Mr. PASSMAN. Mr. Secretary, the project you allocated the money to was started in 1958. The project that you took the money from began in 1963. So, it could not be the same project.

Mr. ROGERS. It was not the project that we took the money from. It was the project we are applying part of the IAPSP money to.

Mr. PASSMAN. We cannot find that project. It has not been in the project book for the last 3 fiscal years beginning with 1962.

Mr. MANN. We will have to look into that.

Mr. PASSMAN. Let us move along.

Mr. ROGERS. Do you want me to continue to talk about the project?

Mr. PASSMAN. Every one of them.

Mr. ROGERS. Shall I start with the Alliance for Progress grants?

Mr. PASSMAN. No, sir. You had two pots, $1.7 and $1.6 million. You had $18 million that you deobligated; $11.6 million will go back into the development credit fund to be spent anywhere. I am dealing specifically with the amount of money that you deobligated that you are going to reobligate for projects. The $11.6 million you are not going to reobligate, so we have no interest in it.

Mr. ROGERS. With respect to the remainder of the IAPSP moneys, $1.6 million, we have not yet reobligated that money.

Mr. PASSMAN. Good. Do you anticipate that you will before June 30?

Mr. ROGERS. I am not sure what we will do with it, Mr. Chairman.

Mr. PASSMAN. Have you any prospect? All money is the same to us, you understand. It has not been spent and has not been obligated. Do you realize if you had a lot of no-year money that is unobligated, you could certainly cut back on your 1-year appropriation or other appropriations? We are trying to establish the amount of money that you will have clean and clear to do something else with.

Out of the total, you have disposed of $11.6 million that you have said would be back in the pipeline unobligated on June 30. Then we get into the two parts of $1.6 and $1.7 million. We want to know specifically what you are going to obligate that for. You have covered $150,000. Let us get the rest of the projects.

Mr. STERNFELD. Mr. Chairman, the $11.6 million was made available for the rest of the Agency. We did not say that would be unobligated at the end of the year.

Mr. PASSMAN. You may not have said so. I think Mr. Rogers said so. That is the way I understood it.

Mr. TENNANT. It has been programed in other parts of the world, sir, and it is anticipated it will be obligated.

Mr. PASSMAN. In other words, you are trying to say, regardless of the understanding of a prior witness before this committee, that the plan is to clean out the crib, to sweep out the shucks, to run out the rats, to open the door and say, "She is dry, fill her up." You are not going to get by with it, and I am going to do my best to prove what has happened.

Mr. TENNANT. That is not what I said.

Mr. PASSMAN. No. Those are my words.

Let us get back ts what you are going to do with this money.

(Off the record.)

Mr. PASSMAN. Do you have the other projects?

Mr. ROGERS. Yes.

USE OF DEOBLIGATED FUNDS—REGIONAL BOOKS DEVELOPMENT PROGRAM

Mr. PASSMAN. Let us take the next one in order. What is the next allocation out of deobligated funds that will be reobligated?

Mr. ROGERS. Regional books program, technical, $550,000.

Mr. PASSMAN. Just a minute now. Give us the page number. You say $550,000?

Mr. ROGERS. Correct.

Mr. PASSMAN. For what projects are you obligating that amount?

Mr. ROGERS. Page 401, this year's book.

Mr. PASSMAN. What did you request for this project last year?

I want to say for the record, Mr. Rogers, that a lot of people have testified before this committee during the 10 years that I have been chairman. I do not know of any witness who has ever been before a committee that is working any harder to furnish the answers than you are. I know you are conscientious. I do appreciate the fact you are trying to give us factual answers rather than ones just to get by the committee.

Mr. ROGERS. I appreciate that, Mr. Chairman.

Mr. PASSMAN. I am trying to be honest with you because you are being honest with the committee.

I asked the question, How much did you request for this project last year?

Mr. ROGERS. Estimated obligations last year, $1,505,000.

Mr. PASSMAN. That was the amount of the request?

Mr. ROGERS. Estimated obligation.

Mr. PASSMAN. Did you allocate to this program $1.505 million?

Mr. ROGERS. No.

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. The estimated obligations for fiscal year 1964, $1.042 million.

Mr. PASSMAN. Does that include the 550,000?

Mr. ROGERS. Subject to check, Mr. Chairman, we believe it is, but I will be absolutely correct on that tomorrow morning, I apologize.

Mr. PASSMAN. Have you increased the estimated cost at completion?

Mr. ROGERS. The answer is "Yes."

Mr. PASSMAN. Let me read for the record, page 401:

project begun in 1957, book development program, activity—education, prior reference volume III, pages 435–436. Scheduled for completion in 1970. Estimated cost of $12,276,000.

What is your final completion date?

Mr. ROGERS. 1970.

Mr. PASSMAN. What is the estimated cost of the project?

Mr. ROGERS. $12,272,000.

CONSOLIDATION OF PROJECTS

Mr. PASSMAN. This is a consolidation of two projects, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Now give us the original estimate of the other two projects, the cost to completion.

Mr. ROGERS. This represents no increase over the cost of the original two combined projects.

Mr. PASSMAN. This is just a clear case of consolidating two projects where you had your normal allocation of $1.056 million, and you threw in an extra $550,000 out of the deobligated funds.

Let us move along to the other projects.

AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT PROJECT

Mr. ROGERS. The American Institute for Free Labor Development Union Labor Leader Training and Social Project.

Mr. PASSMAN. How much did you obligate?

Mr. ROGERS. $400,000.

Mr. PASSMAN. Where will we find that project? It is on page 399 of your new justifications, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. That project was begun in 1962, scheduled for completion in 1969?

Mr. ROGERS. Correct.

Mr. PASSMAN. Cost to complete, $6.674 million. When do you think it will be completed now?

Mr. ROGERS. 1969.

Mr. PASSMAN. Scheduled for completion 1969. Originally this project was scheduled for completion in 1967. So, the completion date has been moved up 2 years.

Have you increased the cost to complete? If so, how much?

(Off the record.)

Mr. PASSMAN. Mr. Rogers, I believe you said the cost to complete had been increased by $1.674 million. Thank you very much. That is another indication when you have this loose money, not only do you increase the completion cost but the completion date.

Now, sir, is there any other money in that category?

CHILD FEEDING AND SUPPORT PROJECT FISCAL YEAR 1964

Child feeding and support, $615,000.

What page is that in the 1965 justifications?

Mr. STERNFELD. There is no request for 1965.

Mr. PASSMAN. Let us go to fiscal 1964.

Mr. ROGERS. Page 424.

Mr. PASSMAN. What did you ask for this project last year?

Mr. ROGERS. $1.5 million.

Mr. PASSMAN. What did you allocate to the project?

Mr. ROGERS. $1 million, including the $615,000, Mr. Chairman.

Mr. PASSMAN. That is your total cost of the child feeding project begun in 1963?

Mr. ROGERS. $1 million.

Mr. PASSMAN. What has been the total amount of money allocated to this project from new funds and deobligated funds?

Mr. ROGERS. For the 2 years, it will run about $1.6 million.

Mr. PASSMAN. I did not ask that. What has been the total amount allocated to this project out of new funds and deobligated funds, fiscal 1964?

(Off the record.)

Mr. ROGERS. We gave you the total for the 2 years.

Mr. PASSMAN. All right, give it to us for 2 years.

Mr. ROGERS. $1.6 million, approximately, including the $615,000.

Mr. PASSMAN. What was the original request for this project?

Mr. ROGERS. For the 2-year program starting in 1963, ending in 1964, we expected last year when we presented it, $1.5 million that year and $1.5 million in 1964, a total of $3 million.

Mr. PASSMAN. Have you transferred this particular project over to another activity?

Mr. ROGERS. It is hard to say, Mr. Chairman. As you know, we originally programed something more than we got.

Mr. PASSMAN. You programed more than you got. How much more?

Mr. ROGERS. $17 million. We requested a program of $105 million and we are carrying out a program of $88 million.

Mr. PASSMAN. The project shows only $1.5 million.

Mr. ROGERS. I am talking about the total request versus what we got in the appropriation.

Mr. PASSMAN. We are dealing with individual projects. I think the record is complete in every case now that we are doing an injustice when we give you the authority to reobligate these millions of dollars of funds that you deobligate.

(Off the record.)

Mr. PASSMAN. I am going to dispense with asking any further questions with respect to the use of deobligated funds in your area at this time.

Mr. ROGERS. I hope I have indicated to you, Mr. Chairman, that with respect to these Alliance for Progress grant moneys that we have deobligated, they have gone into programs that were previously justified.

Mr. PASSMAN. I want to say I have never made any accusation against any employee of our Government as being dishonest. I have never met one that was dishonest to be frank with you. I think they are fine, dedicated people. I do not agree with their policies of spending. I have never accused one of being dishonest. This is just about the most loose program that the mind of man ever created. You get just about the type legislation you want. When you start trying to implement it with action it almost reaches the point where none of us understands it. I do not fully understand it and I live with it all the time.

USE OF DEOBLIGATED FUNDS

Mr. MANN. If I might volunteer for the record tomorrow as soon as we can complete it, a complete statement regarding all of these questions you have asked about deobligated funds and what they have been used for, and so forth?

(The information supplied follows:)

DEOBLIGATIONS OF PRIOR YEAR FUNDS REPROGRAMED FOR FISCAL YEAR 1964

Through April 30, 1964, the following amounts of prior year obligations have been deobligated during the current fiscal year and are available for reuse:

LAPSP (no year)	$1,600,000
APG (annual)	1,700,000
DG (annual)	700,000
SA (annual)	1,700,000
CF (annual)	2,100,000

In addition, two old DLF loan authorizations—both made in the summer of 1960 and never obligated—were deobligated: Colombia, $5 million and Peru, $6.7 million.

It is not anticipated that any of the DL, DG, SA, or CF funds will be reprogramed.

Current reprograming plans for reobligation of APG funds include the following projects and amounts:

Regional projects (with page numbers from fiscal year 1965 project data books)

Regional books program, technical (p. 401)	$550,000
AIFLD, union leader training and social projects (p. 399)	400,000
Child Feeding (terminated)	615,000
Natural resources evaluation (p. 414)	125,000

IAPSP funds are no-year funds available only to the Latin America program. Current reprograming plans for the $1.6 million are incomplete but will include $150,000 for agricultural reform and development in Nicaragua.

AID PERSONNEL

Mr. PASSMAN. In this giveaway program you have over 64,000 people getting a check from this program. It includes the participants. I know it is shocking but that is correct.

Mr. MANN. You are talking about worldwide.

Mr. PASSMAN. Yes. I always talk about this giveaway program on a worldwide basis. How many do you have in your area?

Mr. TENNANT. While he is looking that up I would like to mention that we do not consider these trainees to be on the payroll, as you know. Participants are not employees. Your figure also includes the contractors and military.

Mr. PASSMAN. I want to commend the gentleman. Of course, he said the same thing Thursday, but these people do get a check every month for subsistence, do they not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. That is all we want to know. They are individuals who are drawing a monthly check for subsistence, travel, and maintenance while they are here.

Mr. TENNANT. But the whole basis of the technical cooperation program is to train people and therefore we do train a large number of people.

Mr. PASSMAN. I will amend my statement to say the total personnel in this program, those who are doing the training and those who are being trained, which are the participants, are 64,000. Do you accept that?

Mr. TENNANT. Well——

Mr. PASSMAN. Thank you for your usual congenial smile. How many of these recipients of these monthly checks—you will accept that, won't you, are in your area?

PROGRAMED PARTICIPANTS FOR FISCAL YEAR 1964

Mr. ROGERS. We have programed 4,268 participants, Mr. Chairman, for 1964.

OTHER PERSONNEL CATEGORIES

Mr. PASSMAN. Let's get the other categories.

Give it to us like you did the 4,268 participants.

Mr. ROGERS. 3,117 including direct hire, participating agencies, and contract employees.

Mr. PASSMAN. We do not have an adding machine here—3,117. Does that include military?

Mr. ROGERS. That includes all economic categories.

Mr. PASSMAN. Give us the others, if you will.

Mr. ROGERS. Including military and contractors?

Mr. PASSMAN. Military included within the AID program only.

Mr. ROGERS. The number we have in terms of authorization as of February 1, 1964—not quite the same date, but it is 862 military. Those are not all purely connected with the AID program.

Mr. PASSMAN. We do not want anything that is not with the AID program.

Mr. ROGERS. I do not know that we have a better breakdown than that.

Mr. PASSMAN. You can give it to us, General?

Dr. MOUNTAIN. 4,723 total military participants.

Mr. PASSMAN. That is MAP trainees.

Dr. MOUNTAIN. In Latin America, sir.

MILITARY PERSONNEL

Mr. PASSMAN. How about our own personnel connected with it? In the 64,000, does that include these military trainees that we just broke out with?

Mr. TENNANT. Yes, sir. It is a substantial amount.

Dr. MOUNTAIN. I am sorry, sir, I cannot put my hand on a figure for you on U.S. employees in the program. Is this your question?

Mr. PASSMAN. Yes; people connected with the military assistance giveaway part of it, that part of the giveaway program that we call military.

Mr. ROGERS. The correct figures for military is 57, Mr. Chairman.

Mr. PASSMAN. How many?

Mr. ROGERS. Fifty-seven.

Mr. PASSMAN. That is 12,165 in your area that get a monthly check and that includes the participants, which represent 8,991 of the total?

Mr. ROGERS. 8,991 participants, plus 3,174 military and economic personnel.

Mr. PASSMAN. 12,165 recipients of one of those green things with holes punched in it; is that right? Is that the number?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Of that total number, what part are direct hire and what part are contract?

Mr. ROGERS. AID overseas, March 25, 1964——

Mr. PASSMAN. That is AID overseas?

Mr. ROGERS. Yes.

Mr. PASSMAN. Give me the total, whether overseas or on the Potomac. We do not care where they are.

Mr. ROGERS. U.S. nationals, program and administrative direct hire, 858.

Mr. PASSMAN. Now, the contract personnel total.

Mr. ROGERS. 278.

Mr. PASSMAN. How did all these other people get on the payroll? What category do they fall into?

Mr. ROGERS. Foreign nationals.

Mr. PASSMAN. There are 3,117 technical and contractor. You are only giving us now about 1,128.

Mr. ROGERS. 1,817 foreign nationals.

Mr. PASSMAN. Are they direct hire or contract?

Off the record.

(Discussion off the record.)

ADDITIONAL FISCAL YEAR 1964 PROJECTS

Mr. PASSMAN. How many projects did you initiate in fiscal year 1964 that were not justified before the committee of Congress last year?

Mr. ROGERS. Fifteen.

Mr. PASSMAN. What is the amount you allocated to these 15 projects in fiscal year 1964?

(Discussion off the record.)

Mr. PASSMAN. What is the original allocation?

Mr. ROGERS. Technical cooperation projects initiated this year but not contained in the 1964——

Mr. PASSMAN. For the 15 projects?

Mr. ROGERS. I want to correct that.

Mr. PASSMAN. How many?

Mr. ROGERS. Twenty-six.

Mr. PASSMAN. That has gone up a little?

Mr. ROGERS. Right.

COST OF UNJUSTIFIED FISCAL YEAR 1964 PROJECTS

Mr. PASSMAN. What have you allocated to these 26 projects for which you allocated funds that you did not request of the Congress, not even on an illustrative basis?

Mr. ROGERS. $2,914,000.

Mr. PASSMAN. The completion cost?

Mr. ROGERS. Cost to completion, $7,287,000.

Mr. PASSMAN. Why don't you gentlemen request that the Congress tighten up this program? At least we ought to have an illustrative justification.

Mr. MANN. Mr. Chairman, I would like to speak to that. I really think that we need great flexibility in this hemisphere.

Mr. PASSMAN. You have it now.

Mr. MANN. Well, it is changing very rapidly. I think if we were to do some of the things you are talking about, we would be in a straitjacket, unable to deal with situations very critical to this country and to its security, as they arise. This foreign aid is related to our security in Latin America. It is a small program, compared to some other parts of the world and in an area which is very vital to us, I think, Mr. Chairman.

Mr. PASSMAN. Of course, they have been saying the same thing for 18 years. They say it now in 100 nations. You say Latin America, another fellow says Far East, the next man says the Middle East, the

man for Africa says the same thing. I do not agree this program should be so loose. In America it takes about an average of 10 years to get a project authorized. We are now appropriating money for projects authorized 20 years ago. At least, if we let you request funds on an illustrative basis, you should have some project indicated before you allocate money to it. We waited centuries to do some of these things. We are only 175 years old. You have had thriving civilizations in Latin America long before that. I am for them. It looks as if we are bent on seeing how quickly we can burn this Nation up, use up its natural resources, and build up these staggering public debts. It worries me. That does not alter the fact you people would not be sitting in the position you are in if you did not think it was in the interest of the security of our country.

Mr. ROGERS. I would like to say less than 3 million——

Mr. PASSMAN. Will you furnish for the committee a list of these 26 projects?

Mr. ROGERS. Yes. I would like to point out that the less than $3 million which we have obligated this year on these projects really represents less than 5 percent of our total operation. In other words——

Mr. PASSMAN. What does that mean? That could mean "I shot at you five times but only the last charge hit you." Do you understand? That is what you are saying.

Mr. ROGERS. That is right.

Mr. PASSMAN. Let me see the list of projects, if they are not classified.

Mr. PASSETT. They are not classified, sir.

SELECTIVE PARTICIPANT TRAINING PROJECT IN EL SALVADOR

Mr. PASSMAN. Let's say the world would come to an end if you didn't do it. I still want to know what they are. We are going to ask questions on all of them tomorrow. We will ask one now: The selective participant training project in El Salvador. How is that important to our national security?

Mr. MANN. Just give me a moment, Mr. Chairman.

Mr. PASSMAN. Take your time. It will be hard, Mr. Secretary.

Mr. PASSETT. What was the name of the project?

Mr. PASSMAN. Selected participant training.

Mr. MANN. This is a program to develop a well-trained group of Salvadorans, able to direct the country's economic and social programs. El Salvador is a country with a very limited amount of land, an exploding population, with a great need for trained people to direct economic and social progress in the country; and previous programs there have been effective.

I have served in El Salvador as Ambassador at one time. This is one of the countries in Latin America which has made very rapid progress, both in the social and economic fields under the Alliance for Progress. I honestly believe, and I think I know Latin America—I spent 22 years of my life in it and in the Latin America Bureau and in economics here—and I really believe each and every one of these programs are related to preventing violence and Communist infiltration.

Mr. PASSMAN. Unfortunately you have had more assassinations and more governments overthrown around the world since we started this giveaway program than you did in the preceding 70 years. You have more turmoil than you ever did and when you fill the till up—and we depend upon money to do everything—in my opinion it is going to get worse. Let's just pin down this one project to show you the inconsistency of the justifications and what you do when you get loose money. Let's go to page 140: Selected participant training. You started it in 1964 with deobligated funds?

Mr. MANN. Mr. Chairman——

Mr. PASSMAN. Let me finish if I may. I am looking at page 140.

Mr. MANN. My understanding is this is new money, Mr. Chairman.

Mr. PASSMAN. But you shoved in $155,000. I am trying to show that you only wanted $50,000, did you not?

Mr. MANN. I am told this program was not presented.

Mr. PASSMAN. Let's put it another way. Mr. Rogers, this is a new project on page 140?

Mr. MANN. Yes, sir.

Mr. ROGERS. That is correct.

Mr. PASSMAN. You said you wanted $50,000 for it, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. But we notice here now you say that it is $155,000; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. That is all I want to say.

Mr. ROGERS. It was not deobligated money that will be used to increase.

Mr. PASSMAN. The $50,000?

Mr. ROGERS. Neither.

Mr. PASSMAN. You work up your justifications and you show $50,000. Then at a later date, trying to make all these projects add up to the President's request, you have to inflate all of them.

Mr. MANN. No, sir, Mr. Chairman. I do not believe we are inflating any figures.

Mr. PASSMAN. How are you going to arrive at the increase from $50,000 to $155,000?

Mr. MANN. I am sure there is a reason for that recommended by the Embassy and justified by the Embassy and passed on by us.

Mr. PASSMAN. Mr. Rogers, do you have an answer?

Mr. ROGERS. Yes, sir. It was reprogramed within the El Salvador limit. It represents a reduction of the $131,000 set forth on page 139 and an increase in the program set forth on page 140.

Mr. PASSMAN. Now what are you trying to do?

Mr. ROGERS. I am trying to prove to you that——

Mr. PASSMAN. You have an education project on page 139.

Mr. ROGERS. This is participant training, on page 140.

Mr. PASSMAN. I am trying to find out why you indicated only $50,000 on page 140. Then you make up this sheet to explain away a lot of money. You show $155,000 now the project on page 140.

Mr. ROGERS. That is correct. There has been a change in our expected obligations this year.

Mr. PASSMAN. This is not only a change but an increase over 200 percent. How do you get a decrease, taking you at your word, that

these are 25 projects that are brand new that you started without any illustrative justification. Then we pick out one, the selected participant training project in El Salvador. Then we go to a page in your project book, printed no doubt before this extra money came into being so you could start new projects, and you had already set up a project at a cost of $50,000, hadn't you?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Before you ever got here, you put $155,000 out of deobligated 1964 funds.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Three times the amount you would have had if we had not given you more money than you needed to where you had to start these new projects.

I am going to say before we recess that in America it takes an average of 10 years to get an authorization for a public works project. Then you are very lucky to get one slice per year for about 15 years if it has a favorable cost-benefit ratio. If it is good for America to have to justify this money before we spend it in America on American projects, then it would be good for every other country so far as I am concerned. I want to say this, too: That this is a new concept in foreign policy. It is only 18 years old. It would appear it would be a lot better to have a tighter program overseas. I want to say for the record that the law gives you the right to do what you are doing.

I will add, however, that this program is never going to succeed until it is tightened up.

We shall recess until 1 o'clock tomorrow, after this comment: President Eisenhower stated trade, not aid; President Kennedy offered amendment after amendment to reduce it. He indicated we were downright stupid when he was in the House; President Johnson, when he was Senate majority leader, said it had to be trade, not aid; that you couldn't buy friends.

Thank you, gentlemen. We shall see you tomorrow afternoon.

TUESDAY, MAY 19, 1964.

Mr. PASSMAN. The committee will come to order.

TOTAL FOREIGN AID SINCE WORLD WAR II

Yesterday, I believe, the committee requested an insert showing the amount of aid and the names of the 100 or more recipients of that aid since the inception of the program. By "inception," we always mean subsequent to World War II.

Have you been able to get that information?

Mr. TENNANT. We are working on it, Mr. Chairman. One question on that, Mr. Chairman. Did you want that through 1964 or through fiscal 1963?

Mr. PASSMAN. Through 1964, because there is no use to leave out a year. That would be some $7 or $8 billion or more left out. I know it is not the pattern of the AID procedure to omit anything.

Mr. TENNANT. Yes, sir; but since we have to estimate fiscal year 1964, I asked that.

Mr. PASSMAN. Provided you have allocated any funds out of the 1964 appropriation, and you have, have you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Also pick up these other spigots.

Mr. TENNANT. Yes, sir. We are also working on the second segment of that document, the unliquidated.

Mr. PASSMAN. That should not be so difficult.

Mr. TENNANT. No, it is not difficult, sir. However, we are working on several inserts at this time.

Mr. PASSMAN. We are working on some propaganda presently, and we need that information.

Mr. TENNANT. We will get it to you as soon as possible, sir.

(The information referred to is included on pp. 743–746.)

LINE ITEM AND REGIONAL BILLS

Mr. TENNANT. Incidentially, Mr. Chairman, you asked for some information on the line item bill and the regional bill.

Mr. PASSMAN. That is right. We are not asking for a line item bill now. We are going to limit our request this year to a regional bill. We do not know what we are going to do with it at the moment.

Mr. TENNANT. On that particular point, Mr. Chairman, the Agency is negative to such a bill; it is in opposition to it.

Mr. PASSMAN. I anticipated that. I would have been stupid not to have known that in advance of the request.

Mr. TENNANT. Our reason basically is that it would rob us of the necessary flexibility to carry out the foreign policy objectives of the program.

Mr. PASSMAN. We do not want to rob you of anything that you need, but we do want to rob you of the things you do not need.

Are you now saying the Agency will not prepare a bill for us to look at?

Mr. TENNANT. No, sir. What I was going to continue to say was that with respect to this issue, the Agency feels even more strongly opposed to the line item bill.

Mr. PASSMAN. Let's forget about the line item bill. Give us a reasonable regional bill to have a look at. We do not know yet whether we are going to give it any consideration. If we do not this year, we may possibly give it serious consideration next year.

Mr. TENNANT. Yes, sir.

I have a letter here from Mr. Gaud, the Deputy Administrator.

Mr. PASSMAN. That is fine. You give the clerk the letter and bring the draft bill to the committee.

Mr. TENNANT. I would like to insert the letter in the record.

Mr. PASSMAN. Without objection, the letter will be inserted. When are you going to bring us the bill?

Mr. TENNANT. Attached to this letter is a copy of a bill submitted to you without endorsement, since we are opposed to that type of presentation.

Mr. PASSMAN. I am surprised that you would give us a draft bill. Congratulations. Where do I find a copy of the bill?

Mr. TENNANT. It is tab B, I believe.

Mr. PASSMAN. Let me read it tonight, will you, when my conscience, as far as this program is concerned, keeps me awake.

Thank you very much, Mr. Tennant.

Mr. TENNANT. You are welcome.

(The matter referred to follows:)

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, May 19, 1964.

Hon. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We have carefully considered your suggestion that fiscal year 1965 appropriations for foreign assistance be made not as heretofore but either (*a*) on a regional basis for each appropriation category or (*b*) on a line item basis for each project and program.

In our opinion the making of appropriations on a regional basis would add an undesirable element of inflexibility and rigidity to the foreign assistance program. Our reasons for this conclusion are set out in tab A. Nevertheless, inasmuch as you have asked us to prepare a draft proposal embodying this suggestion for development loans and development grants, we have done so. It appears in tab B. It is submitted without endorsement, since we are opposed to the proposal.

The other alternative—that appropriations be made on a line item basis for each project—gives us far greater difficultly. For the reasons stated in tab C we do not believe it would be possible to draft a bill on this basis. Furthermore, the whole concept of such a bill is at odds with an essential requisite of any effective foreign assistance program, in that it would deny the President the flexibility needed to meet changing circumstances.

We hope the committee will not propose an appropriation bill embodying either of the two features discussed above.

Sincerely yours,

WILLIAM S. GAUD,
Deputy Administrator.

PREPARATION OF A REGIONAL FOREIGN AID APPROPRIATIONS BILL

EXECUTIVE BRANCH POSITION

The executive branch is opposed to placing a legal limitation on the amount of funds that may be obligated within each appropriation category for the programs within each region. The reasons are:

First, foreign aid is primarily an instrument of U.S. foreign policy. Flexibility in the use of this instrument must be maintained in order to assure that U.S. aim and goals are best served. The President must be able to use the taxpayer's money, made available by the Congress, at the time, place, and in the amount that the national interest requires.

Planning of the use of U.S. funds within each region, based on the best analysis of U.S. needs and interests, takes place some 6 to 18 months in advance of actual commitment. Events can change rapidly. If appropriation categories were regionalized, and a legal limitation assigned to the totals presented, the President would be deprived of his ability to react to the change of events most effectively.

Second, under a rigid, regional approach, development loan funds, which represent the major part of present foreign economic assistance program, could not be used most effectively.

The AID loan program is essentially a banking operation. As such, many of the attributes of a normal bank apply. No bank—private or public—can specify, some 18 months in advance, the exact loans it will make. No efficient, effective banking operation could succeed if it had to make such long-range prediction about the volume and successful negotiation of loans—and be legally bound to such predictions.

Several other special factors and criteria apply to the loan program.

(*a*) Each loan is negotiated after a careful analysis of U.S. interests and conditions in the recipient country. This analysis is made at the time of negotiation—not months before—in order to assure an accurate assessment of U.S. interests.

(*b*) Loan negotiations, and the loans themselves, are an effective means of assuring maximum self-help and reform on the part of recipient countries. In order to apply this instrument most effectively the President must retain flexibility to respond where performance is good and withhold funds where it is not.

(c) Another important factor in determining the level of U.S. assistance is the availability of resources provided by other free world nations and international organizations. An accurate current assessment of this factor is required to assure best—and often lowest—level of committment of U.S. funds.

TITLE I—FOREIGN [AID (MUTUAL SECURITY)] ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

For expenses necessary to enable the President to carry out the provisions of the Foreign Assistance Act of 1961, as amended, to remain available until June 30, [1964] *1965*, unless otherwise specified herein, as follows:

* * * * * * *

"ECONOMIC ASSISTANCE

"Development grants: For expenses authorized by section 212, $224,600,000, to remain available until expended: Provided that of the amount made available hereunder together with any amounts made available for purposes of this subparagraph pursuant to the last subparagraph under "Economic Assistance" and any reimbursements or other receipts, not to exceed $49,300,000 shall be available for the Near East and South Asia program, $47,500,000 for the Far East program, $82,900,000 for the Africa area program and $55,100,000 for the non-regional program, except that not to exceed 20 per centum of the aggregate of the amounts available for any one program may be used for any one or more of the other programs hereunder.

"Development loans: For expenses authorized by section 202(a), $922,200,000, together with such amounts as are authorized to be made available for expenses under section 203, all such amounts to remain available until expended: Provided that of the amounts made available hereunder together with any other amounts which were heretofore made available for the same general purposes as this subparagraph and which continue available for such purposes not to exceed $785,000,000 shall be available for the Near East and South Asia program, $70,000,000 for the Far East program, $105,000,000 for the Africa area program and $200,000 for the non-regional program, except that not to exceed 20 per centum of the aggregate amounts available for any one program may be used for one or more of the other programs hereunder."

PREPARATION OF A LINE ITEM FOREIGN AID APPROPRIATIONS BILL

In our opinion it is not possible to prepare a foreign aid appropriation bill on a line item basis that would enable the President to carry on an effective foreign aid program. We believe it would not be wise or feasible to assign a legal limitation to the amount of funds that may be obligated for each economic assistance project and commodity program or for each segment of the MAP program. The reasons are:

(1) The program presented to the Congress is based upon assumptions about U.S. security requirements, foreign policy objectives and economic and political conditions in recipient countries which may change substantially at any time. Regardless of the soundness of current assumptions, an appropriations bill assigning legally binding significance to the funding levels derived from these assumptions would prevent the President from responding as the national interest requires to changing circumstances abroad. For this reason, foreign assistance is entirely different from domestic public works programs and no comparison between the two is valid.

(2) Such a bill, by disclosing planning levels for assistance to individual countries, would place the United States at an unacceptable disadvantage in its negotiations with recipient countries. Thus, such a bill would seriously impair the ability of the executive branch to discharge its statutory responsibility for negotiating, prior to the commitment of aid funds, for self-help and reform measures, sound development planning and other actions essential to the objectives of the foreign assistance program. To require that all negotiations for a project or program be complete before submission to Congress of the appropriation request would impose an unacceptable limitation on the freedom of Congress

to judge the merit of the project or program and determine the size of the appropriation. Good faith negotiation on program detail necessarily carries with it an implied commitment. Furthermore, such a bill would invite increased pressures on Congress from representatives of foreign governments and other special interests.

(3) Because loans are handled in accordance with banking procedures, it would not be feasible to assign a legal limitation on the amount of each loan prior to negotiation of the loan, including negotiation of the scope of the project, the quality of materials and equipment, the source of engineering and construction services and the contribution of the borrower and other lenders. No board of directors of a private bank specifies, 18 months in advance, the specific loans it will make.

(4) Any bill listing military equipment or the size and content of military assistance programs to certain countries or any bill listing certain economic assistance projects could seriously jeopardize the security of the United States by disclosure of classified information.

(5) No bill along the lines proposed could be fully and meaningfully debated by the Congress. Not only would the sensitive nature of some of the items inhibit free and frank discussion, but a bill relating to approximately 90 countries containing over 2,000 separate appropriation items for economic assistance projects, additional items for commodity program assistance and an unascertained number of appropriation items for military assistance would be too unwieldy for effective debate.

(6) The Congress and the executive branch, in the interest of more efficient administration, have taken steps to avoid the rigidities of line-item budgeting. For example, the Congress has approved the efforts of the joint financial management improvement program of Treasury, the General Accounting Office, and the Bureau of the Budget to reduce the numbers of line-item appropriations. Moreover, agencies are able to reprogram the use of funds, thereby minimizing the need for additional supplemental or contingency appropriations. Thus, an appropriate balance permitting both effective congressional control and agency administrative flexibility has been attained.

REQUEST FOR PREPARED STATEMENTS

Mr. PASSMAN. I wonder, Mr. Controller, if at the earliest possible date you could furnish to the committee (1) a prepared statement on the administrative expenses of the AID agency for fiscal year 1965, (2) a statement of the administrative expenses of the State Department for fiscal year 1965, (3) a statement on the regional expenses program, and (4) a statement on the surveys of investment opportunities program.

Could you get us those statements as quickly as possible?

Mr. TENNANT. Yes, sir, we have a statement on each one of these programs, and we will present them to you.

(Discussion off the record.)

LATIN AMERICA

NEW PROJECTS PROPOSED FOR FISCAL YEAR 1965

Mr. PASSMAN. We shall continue our examination of the Latin American program.

Mr. Rogers, how many new projects do you plan to initiate in fiscal year 1965?

Mr. ROGERS. I believe it is in my statement, Mr. Chairman.

Mr. PASSMAN. That is exactly what we want to know.

(Discussion off the record.)

Mr. ROGERS. Ten new projects, Mr. Chairman.

ILLUSTRATIVE NATURE OF PROJECTS

Mr. PASSMAN. Those are illustrative projects, are they not?

Mr. ROGERS. Illustrative firm projects. We expect to do them.

Mr. PASSMAN. How could they be illustrative and be firm? I am going to clear that up once and for all. An illustrative project means we think we may spend the money, but we reserve the right to change the project to some other country and allocate the money to some other project. So, you would not take a firm project and take that action, would you? I am trying to be helpful. All other witnesses have said: "For clarification and for flexibility, these projects are illustrative. We may or may not spend the money here. We think that we will."

All we are trying to do is to help you make the record that they are illustrative projects.

Mr. MANN. The word "illustrative," Mr. Chairman, has a certain meaning in Webster's Dictionary. It is more than just something that might happen. These are 10 projects that we plan on putting through.

Mr. PASSMAN. Yes, I know that.

Mr. MANN. Unless some unforeseen event occurs, they will be put through.

Mr. PASSMAN. But they are illustrative. You are justifying funds for these 10 projects for Latin America, but you could defer initiation of each of the 10 and start 10 other projects in India, could you not, with the same money?

Mr. ROGERS. I do not believe we could use this money for India.

Mr. PASSMAN. You could not transfer it?

Mr. ROGERS. No, sir. This money would have to be used in Latin America.

Mr. PASSMAN. You do not have the right of transferability?

Mr. ROGERS. I think what you said is correct, Mr. Chairman.

Mr. PASSMAN. Thank you very much, Mr. Rogers. I am trying to be helpful. I am not trying to lead you wrong. I want the record to show these projects are as firm as they can be at this time, but that they are still illustrative.

Mr. ROGERS. Yes, sir.

INITIAL COST OF PROPOSED NEW PROJECTS

Mr. PASSMAN. What is the initial cost on these 10 projects if you go through with them?

Mr. ROGERS. I do not know the initial cost at this time.

Mr. PASSMAN. Are they in the justifications?

Mr. ROGERS. Yes.

Mr. PASSMAN. You do not know the initial cost?

Mr. ROGERS. I do not have the sum. I can give you the individual initial costs by going through the book.

Mr. PASSMAN. That is exactly what I want you to do. Give us the first allocation to these projects—the estimate for fiscal 1965.

Mr. ROGERS. If I may go off the record, Mr. Chairman.

Mr. PASSMAN. Surely.

(Discussion off the record.)

Mr. ROGERS. Bolivia, estimated 1965 obligation, $100,000, Inland Waterways Development.

Mr. PASSMAN. Now the total to completion.

Mr. ROGERS. $600,000.

Mr. PASSMAN. Let us put in this way, which will be easier. We have been able to get this type of information for 10 years. All the other regions have given it to us as fast as you could snap your finger. I want the record to show that.

Tell us, if you will, the initial cost for 1965 on each of these 10 projects. Then insert in the record the amount per project, the name of the project, and the country. Then give us the estimated cost to completion for these 10 projects. That should be reasonably simple.

Mr. ROGERS. The estimated cost to completion of the 10, I do have. It is $4.4 million.

Mr. PASSMAN. All right, sir. Put the other information in the record.

Mr. ROGERS. We will insert the other in the record.

(The information follows:)

New projects to begin in fiscal year 1965

[In thousands of dollars]

	Fiscal year 1965 request	Estimated cost to completion
Argentina: Agricultural credit	27	87
Bolivia: Inland waterways development	100	600
Colombia: Secondary education	104	404
Ecuador: Town plans	300	1,500
Panama: National economic planning	350	350
Paraguay: Private enterprise	83	173
Uruguay: Agricultural extension	405	605
Regional: Land settlement	75	175
Total (8 projects)[1]	1,444	3,894

[1] In addition to these 8 projects, there are 2 which are new only in that they will be funded under country programs whereas they were formerly funded under a ROCAP project. These are the textbook development projects in Costa Rica and Nicaragua, with a fiscal year 1965 request of $70,000 and $95,000, respectively, and estimated cost to completion of $250,000 and $227,000, respectively. The addition of these costs to those for the above 8 projects total $1,609,000 for the fiscal year 1965 request and $4,371,000 for estimated cost to completion.

ILLUSTRATIVE PROGRAMS

Mr. PASSMAN. I shall read only a bit of the exchange between the chairman and your predecessor, appearing on page 2424, part 4 of the printed hearings:

Mr. PASSMAN. We have given over $100 billion since the end of World War II, about $124 billion if you include the interest on the money we borrowed to give away. These programs are illustrative; is that correct?

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. You can justify them but substitute a different set of programs altogether.

Mr. MOSCOSO. That is correct.

Mr. PASSMAN. You could, under the law, ignore every program, everything that you have justified in the book, and spend the money and obligate it for different purposes, could you not?

Mr. MOSCOSO. That is right.

That is the testimony of last year. Is that true this year?

Mr. MANN. Mr. Chairman, if we are going to go into this——

Mr. PASSMAN. We are going to get into it, I can assure you.

Mr. MANN. I think we can add, according to my current information, we carried out 97 percent of the particular specific projects that were before this committee last year.

Mr. PASSMAN. That is a good statement, but can you do what Mr. Moscoso said? That was my question. You have a right to elaborate, but I also have a right to an answer.

Mr. MANN. It may be legally possible, but this is something we are not going to do indiscriminately.

Mr. PASSMAN. You do not know yet what you are going to do. You are new in this program. I only hope you do not. I only want the record to show how loose the program is. I have just read into the record direct answers to direct questions last year.

There has been no change in the authorization act, as far as I know. There has been no change in your legal right to do so; is that correct, Mr. Rogers?

Mr. ROGERS. Correct.

SUPPORTING ASSISTANCE IN LATIN AMERICA REGION FOR FISCAL YEAR 1965

Mr. PASSMAN. The estimate for the supporting assistance appropriation for your area is $17.4 million. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What countries will receive the funds and in what amount for each country?

Mr. ROGERS. Bolivia, ———; Haiti, ———; Trinidad and Tobago, ———.

Mr. PASSMAN. I note that you anticipate a cash transaction in the amount of ——— under this supporting assistance estimate, is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Is this similar to what we have referred to in previous years as budgetary support?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Thank you very much.

What country or countries will receive this cash grant?

Mr. ROGERS. Bolivia and Trinidad.

Mr. PASSMAN. How much for Bolivia?

Mr. ROGERS. ———.

Mr. PASSMAN. And Trinidad?

Mr. ROGERS. ———.

Mr. PASSMAN. Trinidad is a former possession, I believe, of the United Kingdom, is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. When did the British give them their independence?

Mr. STERNFELD. In 1962.

PUBLIC LAW 480 PROGRAM FOR FISCAL YEAR 1965

Mr. PASSMAN. What is the amount of Public Law 480 agricultural commodities, if any, that you propose to utilize in your area in 1965, Mr. Rogers?

Mr. ROGERS. $200,959,000, all titles.

Mr. PASSMAN. If you will, furnish a list of the countries and indicate the amount, by title, that each will receive from the Public Law 480 program.

Mr. ROGERS. We shall do that.

(The information supplied follows:)

Fiscal year 1965—Public Law 480, program for Latin America

[In millions of dollars]

	Total	Title I [1]	Title II [2]	Title III [2]	Title IV
Argentina					
Bolivia	14.7	6.4	0.7	6.0	1.6
Brazil	139.0	58.0	50.3	30.7	
Chile	13.0		.5	12.5	
Colombia	24.1	5.4	.2	18.5	
Costa Rica	2.0		1.4	.6	
Dominican Republic	24.8		1.4	12.5	10.9
Ecuador	5.5		.6	4.9	
El Salvador	4.6			4.6	
Guatemala	3.5			3.5	
Haiti	2.9			2.9	
Honduras	.8			.8	
Mexico	22.4		1.3	21.1	
Nicaragua	2.4			2.4	
Panama	.9			.9	
Paraguay	5.2	1.1	.2	3.9	
Peru	8.6		4.2	4.4	
Uruguay	1.1			1.1	
Venezuela	12.8			12.8	
British Guiana	.3			.3	
British Honduras	.6			.6	
Jamaica	5.6		.2	5.4	
Surinam	.1			.1	
Trinidad and Tobago	[3]			[3]	
West Indies and East Caribbean	.5			.5	
Total	295.3	70.9	61.0	150.9	12.5

[1] For country uses only.
[2] CCC value.
[3] Less than $50,000.

NOTE.—Columns may not add to totals due to rounding.

DEVELOPMENT LOANS FOR FISCAL YEAR 1964

Mr. PASSMAN. I note on page 3 of the project book that through December 31, 1963, the AID Agency has approved a total of $822,532,000 in development credits for this region. Page 3 also indicates that through December 31, 1963, obligations against these approved credits amounted to $755,182,000. Is that correct?

Mr. STERNFELD. Yes; that is correct.

Mr. ROGERS. Correct.

Mr. PASSMAN. Would you furnish for the record a list of the countries, the amount of each credit, and the purpose of the loan for which an obligation has not yet been entered into, which would be the difference between the two figures?

(The information supplied follows:)

Loans authorized but not obligated as of May 20, 1964

	Amount	Fiscal year authorized
Argentina:	*Millions*	
Aftosa Laboratories	$1.4	1964.
Salesian Institute	6.8	1964.
Brazil:		
Barbara Cast Iron Pipe	1.4	1964.
Highway maintenance equipment (NE)	9.0	1964.
Pernambuco roads (NE)	4.0	1964.
Volta Redonda	5.5	1964.
CEMAT Power	4.3	1964.
DNER feasibility studies	1.5	1963.
Combined highways	11.0	1963.
Chile: Public school construction	2.1	1964.
Costa Rica: Cadastral survey	1.6	1964.
Ecuador: Consortium road	13.3	1964.
Guatemala: Feasibility studies	2.0	1964.
Mexico: Chapingo Agricultural School	2.0	1964.
Peru: Agricultural development	6.6	1964.
Uruguay: Bank of Agricultural Cooperatives	2.4	1964.
Total	91.6	
Fiscal year 1964 loans only—authorized but not obligated as of May 20, 1964	79.1	
Fiscal year 1964—all loans authorized as of May 20, 1964	293.0	

DEVELOPMENT LOANS APPROVED SINCE DECEMBER 31, 1963

Mr. PASSMAN. I note at page 52 of the presentation book that your Development Credit program for fiscal year 1964 at the time of the printing of the books for your area amounted to $420 million; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Would you furnish a list of the countries, the amount of the loan which you have approved to date since December 31, 1963?

Mr. ROGERS. We will furnish this.

(The information supplied follows:)

Loans authorized during period Jan. 1–May 19, 1964

	Millions
Argentina: Salesian Institute	$6.8
Bolivia: El Alto Airport (extension)	.6
Brazil:	
Barbara cast pipe	1.4
Highway maintenance equipment (NE)	9.0
Volta Redonda	5.5
Pernambuco roads (NE)	4.0
Malaria eradication	6.5
CEMAT power	4.3
Chile:	
Program loan	40.0
Public school construction	2.1
Central housing bank	8.7
Colombia:	
Rural electric cooperatives	1.3
Program loan	60.0
Bogotá and Medellin sewers	.7
Costa Rica: Cadastral	1.6
Ecuador: Consortium road	13.3
Guatemala: Feasibility studies	2.0
Mexico: Chapingo Agricultural School	2.0

Loans authorized during period Jan. 1–May 19, 1964—Continued

	Millions
Peru:	
Tingo Maria Highway	$1.9
Agricultural development	6.6
Olmos highway	12.1
Uruguay: Bank of Agricultural Cooperatives	2.4
Regional: CABEI industrial lending	10.0
Total	219.5

PARTICIPANT FUNDING FOR FISCAL YEAR 1965

Mr. PASSMAN. How many participants do you anticipate funding in fiscal year 1965, and how does that compare with fiscal year 1963 and fiscal year 1964?

Mr. ROGERS. The figure for fiscal year 1965 is 5,074.

Mr. PASSMAN. 1964 and 1963?

Mr. ROGERS. 1964, 4,268; 1963, 4,280.

TOTAL NUMBER OF PERSONNEL WORLDWIDE

Mr. PASSMAN. We were told last year, and we have discussed it several times this year, that the total number of personnel worldwide receiving a Government check every month for their services, including participants and foreign nationals, was in the neighborhood of 64,000.

I should like to ask the Controller if this figure will be up or down in fiscal year 1965, according to the present estimate.

Mr. TENNANT. Mr. Chairman——

Mr. PASSMAN. The total number in all categories. The participants, nationals, direct-hire personnel, and all the other categories set out in the hearings last year, on a comparable basis; would it be up or down?

Mr. TENNANT. The total figure will be up, but the employees will be lower.

Mr. PASSMAN. The total figure will be up to about what figure?

Mr. TENNANT. I think it is 71,000.

Mr. PASSMAN. It is between 71,000 and 72,000?

Mr. TENNANT. I think that is correct.

Mr. PASSMAN. Regardless of what we call these people, they get a check of some kind every month; is that correct?

Mr. TENNANT. There are monthly checks there, yes.

LOANS TO INTERMEDIATE CREDIT INSTITUTIONS

Mr. GARY. I have here a table, "Status of Dollar Loans Authorized to Intermediate Credit Institutions," and this shows for Latin America that the loan amount is $38,500,000, and that only 2.3 percent of that amount has been disbursed; is that correct?

Mr. ROGERS. I think this is the table we discussed yesterday. That does not reflect the loans which the intermediate credit institutions themselves have made, but rather I think the disbursements from our account. Is there a column there which indicates how much lending the intermediate credit institutions, themselves, have been doing?

Mr. GARY. There is a column, "Number of subloans," and that is blank for Latin America, and then it says: "Aggregate amount of subloans, $10,048,000."

"Percent of loan amount committed, 26.1 percent."

"Cumulative disbursements, $900—." I guess that is $900,000.

What is the cumulative expense of $900,000? Is it the percentage of loans disbursed—that is 2.3 percent.

Mr. ROGERS. That's right. This effort with respect to intermediate credit institutions, particularly the development bank, came within the last 2 years. We made a major effort because we felt this was essential to effective private sector growth, to help in the establishment of development banks and credit institutions. In a number of them the sublending rate is substantial. It is 25 percent or better.

Our reimbursement runs in the figures set forth in the table you just read.

Mr. GARY. On the "Housing" subtotal, it is $135 million, and $41,095,000 is the aggregate amount of subloans and "Percentage of loans committed" is 30.4, and "Cumulative disbursements" are $33,264,000. The "Percent of loan amount disbursed" is 24.6. Is that correct? These figures are as of December 31, 1963.

Mr. ROGERS. As of December 31; that is correct. They would show an improvement over that if you took it at the present time.

Mr. GARY. Under the "Agricultural credit institutions," subtotal, the loan amount is $79,600,000. The aggregate amount of subloans is $17,066,000. Percent of loan amount committed, 21.4 percent; "Cumulative disbursements," $16,726,000; and the percentage of amount disbursed is 21 percent. That is correct, is it not?

Mr. ROGERS. As of that date; that is correct.

Mr. GARY. Thank you, Mr. Chairman.

Mr. PASSMAN. These are AID figures and sheets, are they not?

Mr. ROGERS. Yes; the document you handed me is——

Mr. PASSMAN. How about the attachments?

Mr. ROGERS. The attachments are the same. They are part of the memorandum.

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

(The paper follows:)

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C.

Drafted: March 13, 1964
Initialed: March 16, 1964

Information memorandum for the Administrator.
Through: EXSEC.
Subject: Status of dollar loans authorized to intermediate credit institutions as of December 31, 1963.

During the second quarter of fiscal year 1964, AID authorized three new dollar credits to intermediate credit institutions. Credits amounting to $10.1 million were made to two new private industrial development banks in Costa Rica and Panama, respectively. A $10 million loan was made to the Central American Bank for Economic Integration to assist that bank establish a home loan de-

partment as a permanent mechanism to help meet the housing needs of Central America.

The status of subloans committed as of December 31, 1963, was:

	AID loans authorized	Subloans committed	Amount of subloans	Percent of committed
Industrial development banks (32)	$916,466	2,414	$115,627	58.9
Housing institutions (13)	135,100	29,450	41,095	30.4
Agricultural credit banks (9)	84,600	32,732	18,287	21.6
Total	416,166	64,596	175,009	

A significant development in the quarter was the 10-percent rise in subcommitments made by housing institutions. This is the result of increased activity by the Central Housing Bank of Chile and the Central Bank and Banco Obrero in Venezuela.

SEYMOUR M. PEYSER,
Assistant Administrator for Development Finance and Private Enterprise.

Intermediate credit institutions authorizations of dollar loans as of Dec. 31, 1963

BY AREAS BY FISCAL YEARS

[In thousands of dollars]

	Total	NESA	LA	FE	AFE
Total authorizations	$416,166	$121,300	$253,200	$23,166	$18,500
Fiscal year:					
1958	14,883	14,200		683	
1959	39,683	20,200	5,000	12,483	2,000
1960	43,000	33,000		10,000	
1961	106,400	22,900	71,500		12,000
1962	69,500	30,000	37,500		2,000
1963	95,500		93,000		2,500
1964	47,200	1,000	46,200		

BY CATEGORIES BY FISCAL YEARS

	Total	Development banks	Housing	Agricultural credit
Total authorizations	$416,166	$196,466	$135,100	$84,600
Fiscal year:				
1958	14,883	14,883		
1959	39,683	39,683		
1960	43,000	43,000		
1961	106,400	34,900	44,500	27,000
1962	69,500	37,000	2,500	30,000
1963	95,500	13,500	58,100	23,900
1964	47,200	13,500	30,000	3,700

Status of Dollar Loans Authorized to Intermediate Credit Institutions as of Dec. 31, 1963

[In thousands of dollars]

Loan Number	Region, Country and Institution (Govt. ownership - G) (Mixed " - M) (Private " - P)	Loan Amount	Terms: Authorization Date	Terms: Agreement Date	Terms: Interest Rate or Fee	Terms: Duration & Grace Period	Terms: Currency of Repayment	Terms: Amount of Sub-Loans Requiring AID Prior Approval	Sub-Loans: Number of Sub-Loans	Sub-Loans: Aggregate Amount of Sub-Loans	Sub-Loans: % of Loan Amount Committed	Disbursements: Cumulative Disbursements	Disbursements: % of Loan Amount Disbursed
	GRAND TOTAL	341516							6496	$175009	42.1	$117816	28.7
	DEVELOPMENT BANK LOANS SUBTOTAL	196466							2414	115627	58.9	67208	34.2
	NEAR EAST AND SOUTH ASIA	121300								86546	71.3	54017	44.5
	Greece	10000								-	-	-	-
240-H-021(AID 38)	National Bank of Greece	5000	5-31-62	11- 5-62	4-1/2	15-5	U.S. $	100	-	-	-	-	-
H-022(AID 39)	Economic Dev. Financing Org (G)	5000	5-31-62	11- 5-62	4-1/2	15-5	U.S. $	100	-	-	-	-	-
	India	45000								31905	70.9	13146	29.2
386-A-34 (118)	Ind. Finance Corp. of India (M-G)	10000	4- 8-60	12- 7-60	5	15-0	Rupees)	500					
H-62 (36)	Ind. Finance Corp. of India (M-G)	20000	3-23-62	6 -28-62	5 (3/4	15-1 40-10	Rupees) U.S. $)	500	20	17628	58.8	6341	21.1
A-039 (144)	National Small Industries Corp. (G)	10000	5-27-60	4 -10-61	5	10-0	Rupees	50	1000	10000	100.0	6295	63.0
A-037 (155)	Ind. Credit & Investment Corp. (P)	5000	8-29-60	3 -25-61	5	15-0	Rupees	250	12	4277	85.6	510	10.2
	Iran	5200								3407	65.5	1660	31.9
265-A-007 (89)	Ind. & Mining Development Bank	5200	5-21-59	11-19-59	5-1/4	15-0	U.S. $	250	7	3407	65.5	1660	31.9
	Israel	28000							263	14806	74.0	11433	57.2
271-A-024 (66)	Ind. Dev. Bank of Israel (M-P)	5000	1-30-59	5 -12-59	5	10-0	I.Pounds	250)	200	10000	100.0	8379	83.8
(66A)	Ind. Dev. Bank of Israel (M-P)	5000	6-10-59	5 - 8-60	5	10-0	I.Pounds	250)					
A-060 (183)	Ind. Dev. Bank of Israel (M-P)	10000	12-28-60	9 - 7-61	5	10-0	I.Pounds	250	63	4806	48.1	3054	30.5
	Lebanon	5000							-	4917	98.3	3975	79.5
268-A-002 (99)	BCAIF (M-P)	5000	6-30-59	5 - 4-60	4-1/2	15-0	U.S. $	100-200	88	4917	98.3	3975	79.5
	Nepal	1400								400	28.6	58	4.1
367-A-002 (152)	Industrial Development Corp. (M)	400	8-16-60	6 -20-61	5	15-0	N. Rupees	50	10	400	100.0	58	14.5
H-003	Industrial Development Corp. (2nd)(M)	1000	9-26-63		3/4 - 4-1/4 3/4	15-3 40-10		50	-	-	-	-	-

Pakistan														
391-A-008 (15)	PICIC (P)	21700												
A-019 (100)	2nd PICIC (P)	4200	4- 4-58	12- 4-58	5	5-0	Rupees	250	159	18444	85.0	14770	68.1
A-032 (194)	3rd PICIC (P)	10000	8-11-59	1 - 5-60	5-1/2	5-0	Rupees	250	28	4200	100.0	4200	100.0
		7500	4-18-61	5 -12-61	5	7-0	Rupees	250	90	9980	99.8	9133	91.3
									41	4264	56.9	1437	19.2
Syrian Arab Republic		500												
276-A-003 (124)	Industrial Bank (G)	500	3-23-60	8 -15-60	5	10-0	S. Pounds	100		230	46.0	230	46.0
									3	230	46.0	230	46.0
Turkey		10000												
277-A-007 (11)	Industrial Development Bank (P)	10000	5- 9-58	9 -12-58	5	10-0	T.Lira	250		9937	99.4	8663	86.6
									151	9937	99.4	8663	86.6
United Arab Republic (Egypt)		2500												
263-A-006 (123)	Industrial Bank (G)	2500	3-23-60	8 -31-60	5	10-0	E.Pounds	100		2500	100.0	82	3.3
									18	2500	100.0	82	3.3
LATIN AMERICA		38500												
Bolivia		2400								10048	26.1	900	2.3
511-L-018	Banco Industrial, S.A. (P)	2400	7-26-63	8 -28-63	3	20-5	U.S. $	100	-	-	-	-	-
					3/4	40-10			-	-	-	-	-
Brazil		4000												
512-L-008	COPEG Development Bank (M)	4000	9-17-62	3 - 6-63	5	15-5	Cruzeiros	100	-	-	-	-	-
					3/4	40-10	U.S. $		-	-	-	-	-
Costa Rica		5000												
515-L-010	Corp. Costarricense de Financiamiento Industrial S. A. (COFISA)(P)	5000	11-18-63	12-23-63	4-1/4	20-5	U.S. $	50	-	-	-	-	-
					3/4	40-10			-	-	-	-	-
Ecuador		5000												
518-S-014	National Securities Commission (G)	5000	2- 9-62	7 -20-62	5-3/4	20-5	Sucres	100		307	6.1	-	-
					3/4	40-10	U.S. $		2	307	6.1	-	-
El Salvador		4500												
519-L-005	Instituto Salvadoreno de Fomento Industrial (INSAFI) (G)	4500	6-28-63	9 -18-63	3	25-10	Colones	100	-	-	-	-	-
					3/4	40-10	U.S. $		-	-	-	-	-
Guatemala		5000												
520-A-002	Banco do Guatemala (G)	5000	3-16-59	8 -17-59	5	12-0	U.S. $	100		5000	100.0	900	18.0
									115	5000	100.0	900	18.0
Panama		5100												
L-006	Panama Development Bank (DISA)(P)	5100	11-18-63	12-23-63	2	20-5	U.S. $	50	-	-	-	-	-
					3/4	40-10			-	-	-	-	-

Status of Dollar Loans Authorized to Intermediate Credit Institutions as of Dec. 31, 1963—Continued

[In thousands of dollars]

Regional Central America													
598-A-001 210	Bank for Economic Integration (G)	$ 7500	6-28-61	8-16-62	4	15-0	U.S. $	100	13	$ 4741	63.2	$ -	-
	Bank for Economic Integration 2nd (G)	5000							6	4250	85.0	-	-
598-L-002		2500	5-31-63		3/4	40-10	U.S. $	25	7	491	19.6	-	-
										14933	64.5	9408	40.6
FAR EAST		23166											
										11414	86.7	7136	54.2
China, Republic of		13166								8248	82.5	3979	39.7
484-A-015 (113)	China Development Corp. (P)	10000	1-29-60	3-24-60	5	10-0	N.T. $	100	86				
A-009 (25)	Land Bank of Taiwan (G)	683	5-9-58	3-18-59	5	5-0	N.T. $	No loan to exceed 100	103	683	100.0	683	100.0
A-012 (47)	Small Industry Loan Fund (G)	2483	10-31-58	12-15-59	5-1/2	5-0	N.T. $	No loan to exceed 100	65	2483	100.0	2483	100.0
										511	10.2	509	10.8
Korea		5000											
489-A-007 (94)	Reconstruction Bank (G)	5000	6-17-59	4-12-60	5	10	Won	100	6	511	10.2	509	10.2
				9-26-63	3/4	40-10	U.S. $						
										3008	60.2	1761	35.3
Philippines		5000											
492-A-004 59	Small Industry Fund	5000	1-16-59	5-6-59	5-1/4	7-0	U.S. $	250	22	3008	60.2	1761	35.3
										4100	30.4	2883	21.4
AFRICA		13500											
										957	47.9	664	33.2
Ethiopia		2000											
663-A-002 (165)	Development Bank (G)	2000	11-8-60	6-20-61	4	15-0	Ethiopia $	50	204	957	47.9	664	33.2
										-	-	-	-
Niger		500								-	-	-	-
683-E-001	Development Bank (G)	500	8-1-62	12-14-63	4	15-3	CFA Francs	50	-				
										678	33.9	653	32.6
Somali Republic		2000											
649-A-001 (35)	Credito Somalo (G)	2000	12-12-58	3-31-59	4	15-0	Somalos	100	18	678	33.9	653	32.6
										-	-	-	-
Sudan		2000											
650-E-003 20	Ind. Dev. Bank (M-G)	2000	12-18-61	7-14-63	4	15-3	S. Pounds	200	-	-	-	-	-
					3/4	40-10	U.S. $						
										2465	49.3	1566	31.3
Tunisia		5000											
664-A-008 196	La Societe Tunisienne de Banque (STB)(M-P)	5000	4-18-61	6-27-61	4	15-1	Dinars	100	49	2465	49.3	1566	31.3
										-	-	-	-
Uganda		2000											
617-E-001	Development Corporation (G)	2000	7-27-62	10-4-63	4	15-3	Pounds	100	-	-	-	-	-
					3/4	40-10	U.S. $						

HOUSING SUBTOTAL		135100								89450	41095	30.4	33264	24.6
LATIN AMERICA		135100									41095	30.4	33264	24.6
Argentina		12500								-	-	-	-	-
510-H-006	Central Housing Bank (G)	12500	7-31-62	6-3-63	5-3/4 3/4	20-5 40-10	U.S. $	-		-	-	-	-	-
Chile		5000									4100	82.0	4015	80.3
513-A-009 199	Central Housing Bank of Chile (G)	5000	5-11-61	6-14-61	4	25	1st 1/2 in Escudos 2nd 1/2 in U.S. $	3.8 9.5		6830	4100	82.0	4015	80.3
Colombia		19500									10254	52.6	10403	53.3
514-A-075 207	National Housing Institute (Instituto de Credito Territorial)(ICT)(G)	12000	6-28-61	8-2-61	4	20	U.S. $	.25-7.5		17679	10254	85.4	10403	86.7
L-026	National Housing Institute (Instituto de Credito Territorial)(ICT)(G)	7500	5-31-63	6-26-63	3/4 2	40-10 25-10	U.S. $	-		-	-	-	-	-
Dominican Republic		2100									10	0.5	10	0.5
517-L-002	National Housing Bank (G)*	2100	11-2-62	1-2-63	3 3/4	25-5 40-10	U.S. $	50		1	10	0.5	10	0.5
Ecuador		5000									1766	35.3	1339	26.8
518-A-012 (213)	Ecuadorian Housing Bank (G)*	5000	6-28-61	10-31-61	4	25	U.S. $	1.36-5.0		7	1766	35.3	1339	26.8
Mexico		20000								-	-	-	-	-
523-L-002	Nacional Financiera, S. A. (G)	20000	7-26-63		2	30-2	U.S. $	20 or more dwelling units		-	-	?	-	-
Panama		2500									498	19.9	171	6.8
525-A-004 198	Caja de' Ahorros (G)	2500	8-26-61	2-9-62	4	22	U.S. $	6.0-10.0		116	498	19.9	171	6.8
Peru		7500									4443	59.2	1746	23.3
527-A-018 201	Central Home Loan Bank (G)*	7500	6-12-61	7-27-61	4	20	1st 1/2 in Soles 2nd 1/2 in U.S. $	1.9-5.4		1620	4443	59.2	1746	23.3
Uruguay		6000								-	-	-	6000	100.0
528-L-015	Mortgage Bank of Uruguay (G)	6000	2-21-63	2-28-63	2 3/4	15-3 40-10	U.S. $	To be determined		-	-	-	6000	100.0
Venezuela		45000									20004	44.5	9580	21.3
529-A-001 175	Fundacion de la Vivienda Popular (P)	5000	11-29-60	3-15-61	5	15	U.S. $	6.5 Houses 7.5 Apartment		1918	5000	100.0	5000	100.0
A-002 212	Banco Obrero (G)*	10000	6-28-61	12-17-61	4	20	U.S. $	5.8-18.0		1208	4262	42.6	1488	14.9
L-004	Banco Central de Venezuela (G)	30000	9-17-62	11-30-62	3/4	25-10	U.S. $	To be determined		71	10768	35.9	3092	10.3

Status of Dollar Loans Authorized to Intermediate Credit Institutions as of Dec. 31, 1963—Continued

[In thousands of dollars]

Central America		$ 10000								$		$	
596-L-003	Bank for Economic Integration (G)	10000	11-18-63	11-29-63	3/4	10	U.S. $	-	-	-	-	-	-
	AGRICULTURAL CREDIT INSTITUTIONS SUBTOTAL	84600							32732	18287	21.6	17344	20.5
LATIN AMERICA		72600								17066	21.4	16726	21.0
Bolivia		3700							-	-	-	-	-
511-L-019	Agricultural Bank (G)	3700	8 - 7-63	8 -28-63	3/4	40-10	U.S. $	.2 and all subloans for refinancing	-	-	-	-	-
Colombia		18000								8000	44.4	8000	44.4
514-L-027	Institute for Agrarian Reform (INCORA)(G)	10000	5 -28-63	6 -26-63	3/4	40-10	U.S. $	-	-	-	-	-	-
A-016 (208)	Caja de Credito Agrario (G)	8000	6 -28-61	8 - 2-61	4	20	U.S. $	To be determined	19957	8000	100.0	8000	100.0
Costa Rica		10000								5000	50.0	5000	50.0
515-A-003 205	National Bank of Costa Rica (G)	5000	6 -12-61	9 -21-61	3-1/2	20	Colones	7.1	11513	5000	100.0	5000	100.0
L-005	National Bank of Costa Rica (2nd)(G)	5000	4 -17-63	7 -23-63	3-1/4	20	U.S. $	-	-	-	-	-	-
El Salvador		8900							-	-	-	-	-
519-L-004	Agricultural Loan Fund (G)	8900	6 -18-63	9 -18-63	3/4	40-10	U.S. $	-	-	-	-	-	-
Mexico		20000							666	2000	10.0	2000	10.0
523-H-020 (43)	Supervised Agricultural Credit (Bank of Mexico)(G)	20000	6 -19-62	6 -30-62	3/4	40-10	U.S. $	-	666	2000	10.0	2000	10.0
Peru		9000								500	5.6	778	8.6
527-A-020 (204)	Institute of Agrarian Reform and Colonization (G)	9000	6 -12-61	9 - 8-61	3-1/2	20	1st 1/2 in Soles 2nd 1/2 in U.S. $	To be determined	-	500	5.6	778	8.6
Venezuela		10000							393	1566	15.7	948	9.5
529-H-003 25 7	Agricultural & Livestock Bank (G)	10000	4 -10-62	8 -31-62	3/4	20-5	U.S. $	-	393	1566	15.7	948	9.5
AFRICA		5000							203	1221	24.4	618	12.4
Tunisia		5000								1221	24.4	618	12.4
604-A-007 167	Banque Nationale Agricole (G)	5000	10-21-60	6 -27-61	4	15-1	Dinars	100	203	1221	24.4	618	12.4

* Seed Capital for SAL Systems

AVERAGE PARTICIPANT COSTS FOR 1963, 1964, AND 1965

Mr. PASSMAN. What is the average cost per participant for fiscal year 1963, fiscal year 1964, and fiscal year 1965?

Mr. ROGERS. The average cost of participants: 1963, $1,794; for 1964, $2,242; for fiscal year 1965, $2,264.

Mr. PASSMAN. What accounts for the increases?

Mr. ROGERS. They are staying longer. They are being trained for higher quality of technical tasks.

Mr. PASSMAN. Could you furnish for the record at this point a spread on the participants for fiscal year 1963, fiscal year 1964, and fiscal year 1965, and the fields of endeavor, or the area of studies, because the number is going up each year, and the cost also is going up. So we better get a table. You might also indicate for the record by groups the length of time they are in training.

Mr. ROGERS. Yes, sir.

(The information follows:)

PARTICIPANT TRAINING

The following tables break out actual and estimated arrivals of participants in the United States by fields of activity and by average man-weeks of training.

Participant totals in the Presentation Book are based on program figures for funding purposes, not arrivals. The program totals include third-country participants as well.

The tables show that more man-weeks of training are being provided, on the average, in fiscal year 1964 than in fiscal year 1963, and in fiscal year 1965 than in fiscal year 1964. The tables do not show the increase in the level and quality of training which has accompanied the lengthening of training periods in the United States.

Noncontract participant arrivals in the United States, fiscal year 1963, by area and country of origin and coded field of training activity

Area and country of origin	Average man-weeks of training [1]	Total	Agriculture	Industry	Transportation	Labor	Health	Education	Public administration	Public safety	Community development	Housing	Atomic energy	Communications media	Miscellaneous
Latin America, total	29	2,307	333	141	103	250	134	607	246	296	18	36	22	5	116
Argentina	40	57	29	4	18					1			5		
Bolivia	15	159	15	10	31	74	7		8	14					
Brazil	21	279	95	16	9	53	11	41	8	17	15		2		12
British Guiana	24	20	7	1	1	4	3	1	2						1
British Honduras	100	12	4	3				4				1			
Chile	16	95	20	5	16	16		2	7	1		24	4		
Colombia	21	168	35		8	17	17	15	27	7			3		39
Costa Rica	35	79	9	6			28	13	22			1			
Dominican Republic	14	459	4			20	1	382	6	17					29
Ecuador	14	136	8		5	6	1		31	81		1		1	2
El Salvador	17	132	9	3		28	7	30	22	29	2	2			
Guatemala	26	45	7	8					4	24			1		1
Haiti	29	3	3												
Honduras	30	64	18	6		3	10	15	6	6					
Jamaica	22	25	14	2			3	1				5			
Mexico	8	52		36		13			1				2		
Nicaragua	24	48	3	6	2	2	21	8	4						2
Panama	27	73	9		1		4	9	9	21					20
Paraguay	48	33	5				8	17	3						
Peru	17	66	5		12		6	1	8	26					8
Surinam	59	15	5				4		1		1			4	
Uruguay	19	2	1			1									
Venezuela	15	234	14	29		10	2	51	71	52			5		
West Indies and eastern Caribbean	35	51	14	6		3	1	17	6			2			2

[1] Denotes average man-weeks of training per participant.

Noncontract participant arrivals in the United States, fiscal year 1964, by area and country of origin and coded field of training activity (9 months) July 1, 1963, to Mar. 31, 1964

Area and country of origin	Average man-weeks of training [1]	Total	Agriculture	Industry	Transportation	Labor	Health	Education	Public administration	Public safety	Community development	Housing	Atomic energy	Communications media	Miscellaneous
Latin America, total	32	1,993	225	210	51	265	98	323	192	458	53	14	5	2	97
Argentina	37	51	21	6	10			6	1	4		2	1		
Bolivia	12	167	6	13	8	104	1	8	1	23	2				1
Brazil	32	254	26	48	26	33	9	35	23	47	4		2	1	
British Guiana	31	16	1	2	2		3	1	6		1				
Chile	18	86	23	6		19		9	8	16	3	1			1
Colombia	13	228	21	23	3	10	19		2	69	34	2			45
Costa Rica	35	68	8	5		2	17	19	11	6					
Dominican Republic	43	86	9					66		11					
Ecuador	17	144	11	1		14	5	3	38	37	5	9		1	20
El Salvador	24	63	10	12		2	5	10	3	21					
Guatemala	39	51		7		2		16	16	8			1		1
Honduras	50	36	8	12			4	12							
Jamaica	23	27	13				2	12							
Mexico	28	5	1												
Nicaragua	34	76	22	31		2	6	11	2				1		1
Panama	9	192	4	2			5	3	4						
Paraguay	53	25	4			1	11	6	10	146					22
Peru	14	122		26	2	57	10		3						
Surinam	133	1				1			1	26					
Uruguay	8	12	4	2		1									
Venezuela	21	224	24	4		4		86	1	4					
West Indies and eastern Caribbean	29	59	9	10		13	1	20	57	40	4				5
									5						1

[1] Denotes average man-weeks of training per participant.

Noncontract participant arrivals in the United States, fiscal year 1965, by area and country of origin and coded field of training activity

Area and country of origin	Average man-weeks of training[1]	Total	Agriculture	Industry	Transportation	Labor	Health	Education	Public administration	Public safety	Community development	Housing	Atomic energy	Communications media	Miscellaneous
Latin America, total	35	3,065	577	138	223	327	72	688	411	505	37	5			82
Argentina	20	166	108		10	6		30		12					
Bolivia	12	102	7	14	2	71			2	3	1				2
Brazil:															
Recife	32	(276)	36	22	63		26	75	10		30				14
Rio		(615)	105	35	114	120	23	109		69					40
British Guiana	22	35	6		4	2	6	4	10	3					
Chile	30	55	2			18		12	9	14					
Colombia	19	174	48		6	18	5	2		95					
Costa Rica	35	78	9	9			10	23	16	11					
Ecuador	36	172	35					4	30	80					23
El Salvador	22	61	2			5		25	9	20					
Guatemala	45	152	25					33	53	38					3
Jamaica	36	23	15	1			2	3			4	2			
Mexico	12	4													
Nicaragua	45	133	10	5		20		44	54						
Panama	78	118	12					72	31			3			
Paraguay	45	32	16					16							
Peru	15	161		25	17	35		13	35	30	6				
Trinidad															
Dominican Republic	42	269	72			13		115	69						
Honduras	70	83	20	15		10		30	8						
Uruguay	20	34	2	10		5			11	6					
Venezuela	70	293	40					75	58	120					
ROCAP	25	29	7	2	7	4		3	6						

[1] Denotes average man-weeks of training per participant.

ALLOCATIONS FROM CONTINGENCY FUND

Mr. PASSMAN. How much money have you allocated to various countries and programs in your area to date from the 1964 contingency fund?

Mr. ROGERS. Through April 30, contingency funds——

Mr. PASSMAN. I will ask the question over: How much money have you allocated to the various countries and programs in your area to date from the 1964 contingency fund?

Mr. MANN. We have the figure here; ———.

Mr. STERNFELD. $4 million for Bolivia; ——— for Panama, and $3 million for Costa Rica.

LOAN FROM THE SOCIAL PROGRESS TRUST FUND

Mr. PASSMAN. Last year the Congress appropriated $135 million for the social progress trust fund, which is administered by the Inter-American Development Bank, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Last year the Congress appropriated $3 billion for the total program. When Mr. Bell testified this year, he said the Congress appropriated $2,865 million. Mr. Bell's statement is correct, that for the programs your are justifying this year, we did appropriate $2,865 million?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Just for practical purposes, to have the record straight, if the Congress should—I don't say it would—if the Congress should appropriate this year $2,865 million, you will have the same amount of money for the same programs that you had last year, is that correct?

Mr. TENNANT. Our requirements for fiscal year 1965 for the various items in this bill are higher, Mr. Chairman.

Mr. PASSMAN. Mr. Bell stated in his general statement: "Last year you gave us $2,865 million."

I said, "I am sorry, we gave you $3 billion."

He said, "$135 million we are requesting no funds for this year, and that is why I used the figure $2,865 million."

If the Congress should give you $2,865 million in new funds covering the same programs, would you have the same amount of money that you had last year for the AID program as you have submitted it to the Congress? We will get Mr. Bell's statement, and quote it for the record.

At page 8 of Mr. Bell's statement:

> This compares with the $2,865 million appropriated by the Congress for the current fiscal year for these same purposes.

Have I read it correctly?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. That simply means there is $135 million that you had last year for one account for which you are not requesting any funds at all this year, is that correct?

Mr. TENNANT. Yes, sir, not in this bill, sir.

Mr. PASSMAN. I mean in this bill.

Mr. TENNANT. That is correct, for this bill.

Mr. PASSMAN. Would you furnish for the record a list of countries, if any, that have received approved credits from the $135 million Social Progress Trust Fund for fiscal year 1964?

Mr. ROGERS. We will furnish that.

(The information follows:)

LOANS MADE IN 1964 FROM THE $131 MILLION PROVIDED THE SOCIAL PROGRESS TRUST FUND FROM THE $135 MILLION APPROPRIATED

Of the funds provided the Social Progress Trust Fund, $396.7 million had been formally committed as of May 21, 1964. Thus the original $394 million provided has been exhausted and $2.7 million of the $131 million recently provided used.

PER CAPITA GNP GROWTH RATE FOR LATIN AMERICA

Mr. PASSMAN. Would you furnish for the record a table indicating the per capita growth rate for each country in the Alliance for Progress, and indicate how each country has fallen behind the target since inception?

Mr. ROGERS. We will furnish that.

Mr. PASSMAN. Thank you.

(The information follows:)

Growth rate of per capita GNP in Latin America, 1961, 1962, and 1963

	1961	1962	Estimated, 1963
Argentina	3.9	−6.0	−6.3
Bolivia	.9	1.7	3.3
Brazil	4.5	.5	−1.1
Chile	2.1	2.8	2.9
Colombia	−1.1	3.4	1.1
Costa Rica	−3.2	2.5	1.1
Ecuador	−.5	1.1	1.6
El Salvador	1.5	5.4	3.7
Guatemala	−1.1	0	.6
Honduras	−.9	2.4	3.3
Mexico	.3	.9	3.2
Nicaragua	5.0	7.4	.8
Panama	6.9	3.4	1.9
Peru	2.5	3.3	3.2
Venezuela	−3.0	2.3	2.4

NOTES

The Charter of Punta del Este set a goal of a 2.5-percent annual increase in GNP.

Based on constant price per capita GNP series. Information for all 3 years not available for Dominican Republic, Haiti, Paraguay, and Uruguay.

A number of the Latin American countries, including Argentina, Uruguay, and Panama, are revising not only current but historical national accounts data. It is generally felt that inadequate methodology has led to many underestimations of GNP.

Source: AID Statistics and Reports Division.

NUMBER OF COUPS IN LATIN AMERICA

Mr. PASSMAN. How many coups have you had in Latin America since you appeared before the committee last year?

Mr. MANN. We haven't had any coups since January.

Mr. PASSMAN. Congratulations. That is only 4 months ago.

Can you give us the number for the year?

Mr. MANN. We don't consider Brazil a coup. We consider it a constitutional change.

Mr. PASSMAN. I hope it is for the good. But if you treat these countries as we did Brazil, when their President came up here and was received by our President and made a request for additional funds—at least I think you could say it is a coup, and a good one.

You should read the beautiful statements made about this man when he came up here last year, and what was in our printed record last year.

We only want to indicate for the record that it makes no difference what government is in power, we are just going to pour aid in.

Now, how many coups have you had, including Brazil?

Mr. MANN. There was one in Argentina in March 1962; one in Peru, July 1962; one in Guatemala in March 1963; one in Ecuador in July 1963; one in the Dominican Republic in September 1963; one in Honduras in October 1963.

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

TEMPORARY SUSPENSION OF AID PROGRAM

If I recall correctly, the Secretary suspended our aid program to the Dominican Republic and Honduras, both economic and military, is that correct?

Mr. MANN. That was temporarily.

Mr. PASSMAN. They suspended it?

Mr. MANN. Yes.

Mr. PASSMAN. Have both economic and military assistance been resumed in each of these countries?

Mr. MANN. Yes, sir.

Mr. PASSMAN. In view of the fact that you suspended temporarily our aid programs in these two countries, and if I recall correctly, transferred personnel to other countries around the world, and for that matter, to the United States, then had to assign personnel to the AID missions when the programs were resumed, do you have any idea as to what it cost the United States to suspend and resume the aid programs in these two countries?

Mr. MANN. We will have to furnish that for the record.

Mr. PASSMAN. Thank you very much, sir.

(The information follows:)

COST OF SUSPENDING AND RESUMING AID IN THE DOMINICAN REPUBLIC

There follows a schedule summarizing the action taken with respect to the 30 employees who were assigned to USAID/Dominican Republic at the time of the coup:

Remained at post	5
Direct transfers to other missions	13
Temporarily assigned to other missions and subsequently assigned to other posts	7
Retired	1
Granted home leave and transferred	1
Granted home leave and returned to post	1
Granted home leave and temporarily assigned in Washington	1
Remaining in training status at U.S. educational institution	1
Total	30

Twelve program and eight administrative positions are authorized for reactivation of the program in the Dominican Republic. Attached is a table showing estimated costs resulting from terminating and reactivating the AID program in the Dominican Republic.

Estimated costs resulting from suspending and reactivating the AID program in the Dominican Republic

Closing costs (TDY's, transfers, and miscellaneous, 20 personnel):		
Travel and per diem (including TDY to other posts)	$33,480	
Transportation of household and personal effects	44,000	
Additional warehouse rental	500	
Payments, forced cancellation of private leases	2,100	
		$80,080
Reactivation costs (assignment of 15 new personnel):		
Travel and per diem	10,500	
Transportation of household and personal effects	39,000	
Temporary lodging allowances	5,625	
		55,125
Total		135,205
Less saving resulting from termination of 12 local employees		−11,400
Total cost		123,805

COST OF SUSPENDING AND RESUMING AID IN HONDURAS

Thirty-one employees were assigned to USAID/Honduras at the time of the coup. The disposition of these 31 employees is summarized below:

Terminations (RIF)	2
Remaining at post	3
Temporarily assigned to other posts pending reassignment	7
Direct transfers to other posts	10
Granted home leave and transferred to other posts	8
Assigned AID/W pending reassignment	1
Total	31

Eighteen program and six administrative positions are authorized for reactivation at the mission in Honduras.

Estimated costs resulting from terminating and reactivating the AID program in Honduras

Closing costs (TDY's, terminations, transfers, miscellaneous, 20 personnel):	
Travel and per diem (includes TDY to other posts)	$32,250
Transportation of household and personal effects	45,500
Terminal leave payments	3,800
Additional warehouse rental	2,000
Payments, forced concellations of leases	4,000
Subtotal	87,550
Reactivation costs (assignment of 21 new personnel):	
Travel and per diem	14,700
Transportation of household and personal effects	58,500
Temporary lodging allowances	7,140
Salary, dual incumbancy, mission directors	6,300
Subtotal	86,640
Total	174,190
Less saving resulting from termination of 13 local employees and 2 U.S. employees	19,863
Total cost	154,327

MEMBERSHIP OF THE OAS PANEL OF NINE

Mr. PASSMAN. How many countries as of this date have submitted national development plans to the OAS panel of nine?

Mr. ROGERS. Eight countries.

Mr. PASSMAN. Could you furnish us a list of them?

Mr. ROGERS. The countries that have submitted plans to the OAS Committee of Nine are Bolivia, Chile, Colombia, Ecuador, Honduras, Mexico, Panama, and Venezuela.

Mr. PASSMAN. Now, would you furnish for the record the names of the individuals who make up this board of experts, the panel of nine?

Mr. ROGERS. We will be glad to do that.

Mr. PASSMAN. Who are they? You have to meet with them?

Mr. ROGERS. Yes.

Mr. PASSMAN. It is your responsibility to approve or disapprove these loans?

Mr. ROGERS. We have joint responsibility.

Mr. PASSMAN. You are the top man?

Mr. ROGERS. Mr. Mann is the top man.

Mr. PASSMAN. As far as administration is concerned, you have the same position as Mr. Hutchinson has for Africa and so forth?

Mr. ROGERS. No. Mr. Mann's statement was the accurate statement. The authority has been delegated to him.

Mr. PASSMAN. And he delegates it to you? I am asking that for this reason: Do you meet with these experts to discuss these plans?

Mr. ROGERS. The answer is "Yes." I and a number of our staff people meet with those experts, and we know them.

Mr. MANN. So do I, Mr. Chairman. I meet with them quite often. I think what you are asking is whether Mr. Rogers is in charge of the day-to-day operations in the Alliance for Progress, and the answer is "Yes."

Mr. PASSMAN. Thank you.

Mr. MANN. If the question is, Does he consult with me every day about important problems, the answer is also "Yes."

Mr. PASSMAN. I didn't ask those questions. We are glad to get that information. We know we have four regions. All of the other regional directors said they have the right to approve or disapprove loans. Mr. Rogers said yesterday that he had that right. Today I followed it up with the question, If he met with these people, so as to discuss with them the programs they submitted, whether or not they were acceptable, and met criteria established by the panel of nine. That was the purpose in asking the question.

Could you submit for the record the names of those on the board?

(The information follows:)

THE COMMITTEE OF NINE

The panel is composed of the following nine experts:

Hernando Agudelo Villa (Colombian): Lawyer and economist, attended the Minister of Antioquia. Was a representative in the Colombian Legislature. Minister of Finance of Colombia under President Lleras Camargo (1958–61). Represented Colombia, Chile, and Venezuela as an Executive Director of the Inter-American Development Bank.

Ernesto Malaccorto (Argentine): Economist, specializing in taxation and agricultural economics, attended the Faculty of Economics of the University of Buenos Aires. Under Secretary of Finance of Argentina (1942–43). Established and was first director of Argentina's income tax. Financial consultant to the U.N. (1952–55). Minister of Agriculture in Argentina under Frondizi. Was a consultant and director of the Central Bank of Argentina.

Manuel Noriega Morales (Guatemalan): Economist, specializing in money and banking and public administration. Attended the Faculty of Economics of

the University of San Carlos in Guatemala, and Harvard University. Minister of Economy and Labor of Guatemala (1945–46; 1950–51). Organizer and first president of the Bank of Guatemala, organizer and first vice president of the Guatemalan Social Security Institute. Member of the Directing Council of the Institute of Industrial Development (1947–54). Director of the Central American Institute of Research and Industrial Technology (1952–60). Was Director of Technical Assistance for the IDB.

Felipe Pazos (Cuban): Lawyer and economist, attended University of Havana and Columbia University. Commercial counselor of the Cuban Embassy in Washington (1942–46). Director of Division of Latin American Affairs and Subdirector of Economic Studies of the IMF (1946–49), president of the National Bank of Cuba (1949–52, 1959), and was director of research of the Center for Latin American Monetary Studies (CEMLA) in Mexico. Was an economic counselor for the Puerto Rican Government Development Bank.

Harvey Perloff (United States): Specialist in economic planning and development, graduate of the University of Pennsylvania, London School of Economics, and Harvard University (Ph. D.). Consultant to the Government of Puerto Rico (1946–47, 1950–51), professor of social science (1947–55), and head of the school of planning (1951–55) at the University of Chicago. Consultant, Tennessee Valley Authority (1953–54). Director, program of regional studies, Resources for the Future, Inc. (1955–61). Author of several books on economics and planning.

Paul Rosenstein-Rodan (British): Economist, attended and was assistant professor (1925) at the University of Vienna. At the University of London: Special lecturer at the department of political economy (1931–36), professor of the University College (1936–47), and director of the department of political economy (1939–47). Assistant director of the economics department and director of the board of advisers of the IBRD (1947–53). Director of economics at the Massachusetts Institute of Technology and director of projects on the economic and political development of Italy and India at MIT's Center for International Studies.

Raul Saez (Chilean): Coordinator of the panel—engineer, specializing in problems of energy, industrialization, and business administration. Attended the Liceo Janson de Sailly, Paris, and the University of Chile, where he was later a professor. Was director of the department of civil engineering and technical manager of the Chilean National Electric Co. (ENDESA), director of the department of studies and planning of the Chilean Development Corp. (CORFO), and engineer with the Compania de Acero (steel) del Pacifico, and director of Industria Azucarera S.A. (sugar). Was general manager of ENDESA, in charge of Chile's electrification program before joining the panel.

Jorge Grieve (Peruvian): Civil engineer, graduated with honors in 1938 from the University of Chile's engineering school. Professor of machine design and technology of the National University of Engineering of Lima (1946–62), and dean of that university's faculty of mechanics and electricity (1955–60). Minister of Development and Public Works (1960–62). Was president of the Peruvian Electrical Engineering Association and the Peruvian Society of Engineers. Chief engineer, Enrique Ferreyros y Cia (1952–60). Adviser to Central Reserve Bank of Peru (1944–54). Member of Peruvian delegations to the Bogotá and Punta del Este Conferences.

Romulo Almeida (Brazilian): Economist, degree in law. Was director of the statistical department and member of the Council of Government of the Territory of Acre, organized economic department of the National Confederation of Manufacturers. Economic adviser to the President of Brazil (1951–54), president and first organizer of the Banco do Nordeste do Brasil, Representative in the Federal Chamber (1955–59), Secretary of Treasury (1955–57) and of Development (1957–61) in the State of Bahia, while also member of the Council of

SUDENE. Organized and was president of the Bahia State Planning Board, and of the economic institute of the university. Had been appointed in 1961 to a 3-year term as executive secretary of the Latin American Free Trade Association, which he left to join the panel.

Give us the name of the Chairman at the moment.

Mr. MANN. The coordinator is Raul Saez.

Mr. STERNFELD. He is a citizen of Chile.

Mr. PASSMAN. Who are the other ones.

Mr. STERNFELD. Dr. Harvey Perloff, who is a U.S. citizen——

Mr. PASSMAN. Give the background of these individuals. Could you do that?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. What is the background of the man from Chile?

Mr. STERNFELD. He is an electrical engineer.

Mr. PASSMAN. Now, the next expert.

Mr. STERNFELD. Dr. Harvey Perloff.

Mr. PASSMAN. What is he?

Mr. STERNFELD. He is a U.S. economist.

Mr. PASSMAN. The third one?

Mr. STERNFELD. The third one is Dr. Paul Rosenstein Rodan.

Mr. PASSMAN. What is his background?

Mr. STERNFELD. He is a United Kingdom citizen and professor of economics at the Massachusetts Institute of Technology.

Mr. PASSMAN. The fourth one?

Mr. STERNFELD. The fourth one is Dr. Noriega Morales.

Mr. PASSMAN. Where is he from?

Mr. STERNFELD. He is from Guatemala.

Mr. PASSMAN. What is his background?

Mr. STERNFELD. Former Finance Minister of his country.

Mr. PASSMAN. Next?

Mr. STERNFELD. Dr. Jorge Grieve. He is an engineer from Peru.

Mr. PASSMAN. What kind of an engineer?

Mr. STERNFELD. He is a graduate engineer.

Mr. PASSMAN. Yes, but you could have a hundred graduate engineers.

Mr. STERNFELD. I am sorry, I don't know.

Mr. PASSMAN. Next?

Mr. STERNFELD. Dr. Felipe Pazos.

Mr. PASSMAN. And what is he?

Mr. STERNFELD. He is a former Director of a Central Bank.

Mr. PASSMAN. The next one?

Mr. STERNFELD. The next one Ernesto Malaccorto. I have forgotten his citizenship. He is also an economist.

Mr. PASSMAN. Who is next?

Mr. STERNFELD. I think that is the nine.

Mr. PASSMAN. Do you have any Americans on there?

Mr. STERNFELD. Yes, Dr. Harvey Perloff. He has been with the Ford Foundation—Resources for the Future, Inc.

Mr. GARY. You said one of them was with the Massachusetts Institute of Technology. He is from another country?

Mr. STERNFELD. He is a British subject, but he is a teacher at MIT.

Mr. PASSMAN. He is British?

Mr. STERNFELD. Yes.

Mr. PASSMAN. What is their responsibility, briefly?

Mr. ROGERS. Their responsibility is set forth in the Charter of Punta del Este, Mr. Chairman. It is to review the development plans submitted by the countries under the charter.

OBJECTIVES OF COUNTRY DEVELOPMENT PLANNING

Mr. PASSMAN. The purpose of the development plans is to create a list of approved projects in these countries that qualify for U.S. aid?

Mr. ROGERS. That is not correct. The purpose of a development plan is to determine the available resources, particularly within the country, for development, the requirements for investment; to determine the ways in which those resources can effectively be put to development purposes; to identify the priority sectors of development. To define the measures that will be adopted to direct the operations of the public sector; to encourage private cooperation in the development program; to determine the estimated cost in international and foreign currency of major projects, and of the development program as a whole, year by year, for the program period.

As I have indicated, to define the resources within the country, both public and private, that will be made available for the execution of the development programs.

To define and determine the direct and indirect effects of the program on the balance of payments, external financing, public and private, estimated to be required for the execution of the program.

Mr. PASSMAN. You are reading out of a booklet, which is well and good.

QUALIFICATIONS FOR U.S. AID

An approved plan by the Experts then would qualify that country, if the Panel approved the plan and submitted that to you, for U.S. aid, would it not, to implement those plans?

I know we give aid to those countries that don't have a plan, but if you had a plan that is approved, would it follow then that these countries and their plans would be eligible for our aid?

Mr. MANN. Not necessarily, Mr. Chairman. It is an aid to us in knowing the extent of the self-help and the extent of planning that has gone on in the country, but we are not automatically, if you will, committed, by any means, to follow the recommendations of the Committee of Nine, or their conclusions.

Mr. PASSMAN. I didn't suggest that. I merely asked if they had a plan that you people approved for moving this country ahead, at least that would indicate that they are preparing themselves to receive and utilize foreign aid properly. Is that a good statement?

Mr. MANN. It would be an indication that they have complied with this requirement, which by no means is the only requirement. But it is one of the important ones.

Mr. PASSMAN. Then I will put it this way, since this is AID. You people are the distributors of aid, are you not?

Mr. MANN. Yes, sir.

Mr. PASSMAN. And this is an AID publication, isn't it?

Mr. MANN. Well, I don't know—I will take your word for it.

Mr. PASSMAN. Is that an AID publication?

Mr. MANN. This purports to be a publication put out by the Agency for International Development, Department of State, Washington, D.C.

Mr. PASSMAN. Thank you very much.

Mr. ROGERS. It is merely a reprint of the Charter of Punta del Este.

Mr. PASSMAN. I am just trying to be as fair as I can when I ask that if these countries meet the criteria established by the experts, then

that wouldn't make them ineligible for aid, would it?

Mr. MANN. No, sir.

Mr. PASSMAN. I will put it that way, if I can't get the answer the other way.

AID LOANS TO LATIN AMERICAN CREDIT INSTITUTIONS

Will you furnish for the record a list of the development banks, indicating the country, the type of bank and the amount that the United States has advanced or granted to the bank?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS IN LATIN AMERICA, AS OF MAY 19, 1964

The following list of loans to intermediate credit institutions includes those loans authorized since December 31, 1963. The worldwide list printed earlier in the hearings contains only those made up to that date.

Country	Institution	Loan amount	Agreement date
	Development banks:	*Thousands*	
Bolivia	Industrial Bank	2,400	Aug. 1963.
Brazil	COPEG Development Bank	4,000	Mar. 1963.
Chile	Chilean Development Corp	40,000	Aug. 1962.
Costa Rica	COFISA Development Corp	5,000	Dec. 1963.
Ecuador	National Securities Commission	5,000	July 1962.
El Salvador	INSAFI Development Bank	4,500	Sept. 1963.
Panama	DISA Development Bank	5,100	Dec. 1963.
ROCAP	Central American Bank (CABEI)	5,000	Aug. 1962.
Do	do	10,000	May 1964.
Do	do	[1] 2,500	Nov. 1963.
Total (loans)		83,500	
	Housing:		
Argentina	Central Housing Bank	12,500	June 1963.
Chile	do	5,000	June 1961.
	do	8,700	Mar. 1964.
Colombia	Insto. de Credito Territ	12,000	Aug. 1961.
	do	7,500	June 1963.
Dominican Republic	National Housing Bank	2,100	Jan. 1963.
Ecuador	Ecuadorian Housing Bank	5,000	Oct. 1961.
Mexico	Housing program (Nac. Financiera)	20,000	Feb. 1964.
Panama	Caja de Ahorros	2,500	Feb. 1962.
Peru	Central Home Loan Bank	7,500	July 1961.
ROCAP	CABEI Home Loan Department	10,000	Nov. 1963.
Uruguay	Mortgage Bank of Uruguay	6,000	Feb. 1963.
Venezuela	Fundacion de la Vivienda Pop	5,000	Mar. 1961.
Do	Banco Obrero	10,000	Dec. 1961.
Do	Foundation for Community and Municipal Development.	30,000	Nov. 1962.
Total (loans)		143,800	
	Agricultural credit institutions:		
Bolivia	Agricultural Bank	3,700	Aug. 1963.
Colombia	Caja de Credito Agrario	8,000	Aug. 1961.
	Inst. of Agrarian Reform	10,000	June 1963.
Costa Rica	National Bank	5,000	Sept. 1961.
	do	5,000	July 1963.
El Salvador	Banco Central	8,900	Sept. 1963.
Guatemala	Banco de Guatemala (rubber production)	5,000	Aug. 1959.
Mexico	Bank of Mexico	20,000	June 1962.
Peru	Institute of Agrarian Reform	9,000	Sept. 1961.
Do	do	6,600	
Uruguay	Bank of Agricultural Co-ops	2,400	
Venezuela	Agricultural and Livestock Bank	10,000	Sept. 1962.
Total (loans)		93,600	
Grand total (loans)		320,900	

[1] For feasibility studies.

INVESTMENT SURVEYS APPROVED FOR LATIN AMERICA

Mr. PASSMAN. How many investment surveys have been approved for the Latin America area to date, sir?

(The information requested is included on p. 916.)

What has been the cost to AID?

Mr. ROGERS. Maximum cost to AID, based upon approvals up to January 1964, would be $263,400.

Mr. PASSMAN. Have any of these surveys resulted in private investment as yet which can be pinpointed, attributable directly to this program?

I should think that would be a daily topic among you people down there.

Mr. ROGERS. It is, Mr. Chairman.

Mr. PASSMAN. I just asked——

Mr. ROGERS. Subject to check the answer is yes.

Mr. PASSMAN. Give us the companies.

Mr. ROGERS. If I may furnish that for you.

Mr. PASSMAN. Perhaps, since it is a program of daily discussion, can you tell us about one?

Mr. ROGERS. I want to explain, Mr. Chairman, that this program is not directly administered by the Latin American Regional Bureau. It is administered by the Office of Private Enterprise under Assistant Administrator Peyser.

STATUS OF APPLICATIONS FOR INVESTMENT SURVEYS

We have the information with respect to the number of companies which applied for surveys, the number of survey contracts. I believe, subject to check, we now have identifiable investments that will be made as a result of these surveys.

I cannot identify without checking back with Mr. Peyser exactly what companies those are.

Mr. PASSMAN. That is all right. This is a considerable amount of money. This is the direction we were hoping this program would take, to attract private investment into these countries.

Inasmuch as there has been considerable outlay of cash in that direction, and you have daily consultations, we thought perhaps you could indicate some outside investment which had been attracted to Latin America.

If you cannot pull it out at this time put it in the record.

Mr. ROGERS. I doubt if there has been very much, if any, outlay of cash. Of the $260,000-plus for which we have signed contracts, we would make no payments until after the survey has been completed, if the company advises us that they do not intend to go forward with the investment.

With respect to each of these companies there is a final date as of which they will advise us whether or not they will make the investment.

Mr. PASSMAN. AID is obligated for 50 percent of the cost of the survey; is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. Have you settled any account yet because the investor said he will not go in?

Mr. ROGERS. I do not know.

Mr. TENNANT. We have made some payments on a global basis, Mr. Chairman.

Mr. PASSMAN. When this program was first proposed I stated it would be used as a vacation for a lot of industrialists and business folks.

Mr. TENNANT. We paid out slightly over $200,000.

Mr. PASSMAN. Can you tell us the number of concerns that took a trip and decided against investing?

Mr. TENNANT. We will have to supply that.

(The information supplied follows:)

INVESTMENT SURVEY PROGRAM IN LATIN AMERICA

In the Latin American region a total of 29 survey grants had been signed as of May 1, 1964, obligating some $265,000. Although it is still early in the life of this program, there are already indications that these surveys are leading to positive investment decisions. As of May 1, 1964, four surveys in Latin America have resulted in a decision to go forward with the investment. One company has decided to go forward with a plastic coating factory in Mexico; a second firm will construct a cement plant in Central America; and two firms are investing in the manufacturing of housing components in Colombia.

If these firms do go forward their plans call for total investment in excess of $12 million. Five other firms have indicated that they intend to invest subject to current negotiations with local partners and government agencies or the conclusion of satisfactory arrangements for financing. In contrast, requests for actual disbursements by AID under the survey grants to investors who have made their surveys and have decided not to invest have been less than $40,000.

PRIVATE INVESTMENT FUND ACTIVITIES IN COLOMBIA

Mr. PASSMAN. Would you explain your statement in the presentation book on page 54 that the local currency proceeds of program loans in Colombia are being used for a private investment fund?

Mr. ROGERS. One-half of the local currency proceeds of the program loan which we made last year is being made available for what is called the Private Investment Fund.

The private investment fund is not a new organization. It is a new fund made available through the private banking system of Colombia, for three types of new investment projects by private entrepreneurs. One is import substitution industries; two, export promotion industries; three, what are called bottleneck industries—industries which supply a crucial element whose absence has constituted a bottleneck in the development of Colombia. This has had a substantial impact on the reinvigoration of the private sector in Colombia.

The major newspapers in Colombia——

Mr. PASSMAN. Is this similar to the No. 3 window of the Inter-American Bank or is this directly under the AID agency?

Mr. ROGERS. I would say this is a fund established in Colombia under the aegis of the World Bank itself.

GENERATION OF LOCAL CURRENCY FROM DOLLAR LOANS

Mr. PASSMAN. I refer to the way these proceeds come out; that is, used for private investment. This is 100 percent U.S.-owned local currency, is it not, as a result of repayments for loans that we have made? Do we bring back any counterpart funds in this transaction?

Mr. ROGERS. Yes.

Mr. PASSMAN. As such?

Mr. ROGERS. These are the local currencies generated through the dollars which we loan.

Mr. PASSMAN. Then it is actually U.S. owned but jointly controlled.

Mr. ROGERS. No, not U.S. owned.

Mr. PASSMAN. I don't know where the counterpart would apply at this time. If it is repayments from a loan it would be U.S. owned.

If it resulted from grants it would fall in the category of counterpart. Is that correct?

Mr. STERNFELD. Counterpart also can result from loan funds. In this case there is counterpart generated from the loans we are making.

Mr. PASSMAN. There are certain loans in this program. Even though we call them loans, repayments of the loan generate local currency which can be spent only in that country?

Mr. STERNFELD. That is correct.

PRIVATE INVESTMENT IN LATIN AMERICA

Mr. PASSMAN. The next question has to do with the private investment in Latin America. I am going to quote from the hearings before the Joint Economic Committee, Congress of the United States, 88th Congress, held January 14, 15, and 16 of 1964, Paul H. Douglas of Illinois, chairman, and Richard Bolling of Missouri, vice chairman.

FLIGHT OF PRIVATE CAPITAL FROM LATIN AMERICA

I will read an excerpt from the statement made by Mr. Philip A. Ray, attorney, chairman, International Bond Share, Inc., when he appeared before the committee as follows:

> In recent years there has been a huge flight of capital from Latin America. No one knows the amount. The figures are not easy to come by. A recent study concluded that there had been a net $1 billion flight of private capital from Brazil alone since the Alliance for Progress began. Estimates have been made that there are $10 to $15 billion of Latin American private capital resting in bank accounts overseas, not to mention portfolio investments. In an 8-month test period in 1962 Vision magazine found that Latin American deposits in New York banks increased 70 to 80 percent while like deposits from the rest of the world increased only 18 percent.

Could you furnish to the committee a list of the private investments in Latin America of which you have some knowledge? That must be one thing in which you are vitally interested; is it not?

Mr. ROGERS. It is.

Mr. PASSMAN. Give us as much information as you can regarding private investments in Latin America by country during the last 12-month period.

Mr. ROGERS. From their own domestic resources or outside?

Mr. PASSMAN. Outside resources as that is one of the answers to the development of Latin America to attract outside capital.

We would like to know how much U.S. investment and then a chart showing the amount of capital invested in Latin America from non-U.S. sources.

Mr. MONTOYA. Would you provide that the investments be separated by countries?

Mr. PASSMAN. Yes. We want U.S. private investment by country, then the investment from other countries. It is important for you

h Inasmuchas

as well as the committee to know whether outside capital is being attracted to Latin American countries.

Mr. ROGERS. We shall supply that information, of course. I might note that for the most recent year available, 1963, the net inflow into Latin America from the United States was on the plus side as compared with a minus, that is to say a disinvestment from Latin America in the previous year.

(The information supplied follows:)

U.S. net direct private investment in Latin America, 1961–63 [1]

[In millions of dollars]

	1961	1962 [2]	1963 [3]
Argentina	104	94	
Bolivia	1	−2	
Brazil	7	14	
Chile	[4]	13	
Colombia	−7	21	
Costa Rica	[4]	−1	
Dominican Republic	[4]	[4]	
Ecuador	2	[5]	
El Salvador	[5]	[5]	
Guatemala	−5	−2	
Haiti	[4]	[5]	
Honduras	−5	3	
Mexico	45	30	
Nicaragua	[5]	[5]	
Panama	12	−31	
Paraguay	[5]	[5]	
Peru	14	14	
Uruguay	[4]	2	
Venezuela	[4]	−194	
Total (excluding Cuba)	173	−32	[3] 78

[1] Net outflow from Latin America to United States designated with (−) sign.
[2] Preliminary under process of revision.
[3] Total is Department of Commerce prepublication estimate. 1963 country detail will not be available until summer, 1964.
[4] Less than half a million dollars.
[5] Not available.

Source: U.S. Department of Commerce.

DIRECT PRIVATE INVESTMENT IN LATIN AMERICA BY DAC COUNTRIES

Many of the DAC countries do not maintain records of private investment. What information is available tells us that in 1962 net direct investment by Denmark in Latin America totaled $1 million. Norwegian direct investment in 1963 was less than $50,000. The latest figures for direct investment by the United Kingdom in Latin America are for 1961. Only a total figure of $56 million is available.

More detailed information is available from Germany and Japan.

Net direct investment from Germany and Japan to Latin America, 1963 [1]

[In thousands of U.S. dollars]

	Germany	Japan		Germany	Japan
Argentina	5,380	588	Guatemala	97	98
Bolivia	46	114	Mexico	4,393	−147
Brazil	7,054	16,307	Nicaragua	61	178
Chile	249	−300	Paraguay	67	176
Colombia	452	119	Peru	492	2,475
Costa Rica	2	14	Uruguay	82	[2]
Dominican Republic	[2]	86	Venezuela	80	22
Ecuador	20	75			
El Salvador	−10	[2]	Total	18,465	19,805

[1] For Germany it is stated that the figures do not include reinvested earnings. Japan does not specify.
[2] Not available.

U.S. INVESTMENTS IN LATIN AMERICA

Mr. PASSMAN. How many billions of dollars on the plus side, or am I using too big a figure?

Mr. ROGERS. You are. The calendar year 1963 to the 19 Latin American Republics showed plus $78 million—just investments from the United States to Latin America—as compared with a minus $32 million for the calendar year 1962.

Mr. PASSMAN. We are all agreed it is still a very discouraging picture.

Can you give it worldwide now? That is more or less what we are concerned about.

Mr. MONTOYA. Are the figures you read net figures?

Mr. ROGERS. Net new investments.

Mr. MONTOYA. What do you mean by net new investments? Does that represent the inflow minus the outflow?

Mr. ROGERS. Yes, sir; it does not include reinvestments of depreciation or accrued earnings.

Mr. PASSMAN. Gentleman, this is very disillusioning. If you look at the table of private investment in Latin America in the joint committee's hearings, table 1, net new U.S. direct investments in Latin America, 1962, minus $32 million; 1963, first quarter, minus $11 million; second quarter, plus $15 million; third quarter, minus $42 million.

Doesn't that give you a net loss in 1963, also?

Mr. ROGERS. The final quarter was way up and put it on the plus side.

Mr. PASSMAN. How much is the final quarter?

Mr. ROGERS. $124 million.

Mr. PASSMAN. Is that also from the Department of Commerce figures?

Mr. ROGERS. That is correct. There was a very substantial fourth quarter which put it on the plus side to the extent of $124 million.

ARGENTINA

FISCAL PROBLEMS IN ARGENTINA

Mr. PASSMAN. We will start our country examination with Argentina.

There is so much classified data in the justifications relating to the lack of sound economic policies which have led to fiscally serious conditions that I am surprised to find you are requesting $——— for Argentina in fiscal 1965.

Are the nine U.S. oil companies satisfied to continue the present arrangement—continuing production without a contract in Argentina?

Mr. MANN. No. They are negotiating for an adjustment of the current dispute. We do not know how those negotiations will come out, but we are hopeful that something constructive will come out of all of it.

Mr. PASSMAN. I note Argentina faces serious debt-service problems in 1963 and 1964. Do you have any information as to what Argentina proposes to do in order to handle this problem?

Mr. ROGERS. The Argentines have discussed with a number of people the possibility of having consultations on the problem of their short-term foreign indebtedness some time this fall or summer.

TOTAL AID TO ARGENTINA

Mr. PASSMAN. What has been the total aid to Argentina since the inception of the foreign aid program?

Mr. ROGERS. Including $256 million of Export-Import, the total is $462.5 million.

Mr. PASSMAN. Gentlemen, give us the total. With all the mathematicians you have on your side undoubtedly you can give us a figure.

When I refer to 16 spigots it refers to all forms of aid.

Mr. MANN. Total between 1946 and 1963 is $689.1 million.

Mr. PASSMAN. As I stated on yesterday, we want it through fiscal 1964. We want total aid to Argentina.

Mr. STERNFELD. Including fiscal 1964?

Mr. PASSMAN. That is just about over. If you have made any allocations out of the 1964 appropriation you have obligated most of the money, have you not?

Mr. STERNFELD. Yes.

Mr. ROGERS. Cumulative through 1964 it is $710 million.

Mr. PASSMAN. That is from all spigots?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Excluding international organizations?

Mr. ROGERS. Excluding international organizations.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do you have in the pipeline unexpended to the credit of Argentina from all 16 spigots?

Mr. ROGERS. $94 million.

LOANS REFINANCED

Mr. PASSMAN. I note the Export-Import Bank refinanced approximately $72 million of loans in fiscal 1963. Is this what they call the rollover process in the Export-Import Bank?

Mr. ROGERS. Yes.

EFFORTS TO EFFECT REFORM

Mr. PASSMAN. I note your 1965 program is contingent upon ———.

What success has Argentina had in meeting your criteria?

Mr. ROGERS. This year Argentina will shortly be submitting a development plan.

Mr. PASSMAN. You are talking about something they may do. I asked you to be specific—what have they accomplished to date to meet your criteria?

Mr. ROGERS. On April 13 the system of exchange controls was instituted. This is designed to curb speculation and conserve exchange, meeting foreign obligations. The present Argentine Government, including President Illia and a number of his top officers, is making substantial efforts to pull the Argentine Government's situation out

of the chaotic problems they found when they came into office after a democratic election there.

You should know, however, that with respect to 1964 our original congressional presentation was ——— dollars.

Mr. PASSMAN. The dollar request was ———, is that correct?

The low figure in the range is always the dollar estimate considered by the committee.

Mr. ROGERS. The present estimate this year is ——— million.

Mr. MANN. ———.

ORIGINS OF ECONOMIC DIFFICULTIES

Mr. PASSMAN. This is one of the wealthier countries in natural resources?

Mr. MANN. Yes.

Mr. PASSMAN. It is a rather old nation as we think of civilized nations?

Mr. MANN. I don't know that it is as old as many others, Mr. Chairman, but it certainly has a European stock, if that is what you mean.

Mr. PASSMAN. That is correct. You have a lot of intelligent people, many intellectuals, and this country has been in trouble financially for years, has it not?

Mr. MANN. No; this is relatively a new phenomenon—they have been in economic difficulties since the time of Peron. It started about then.

The phrase "rich as an Argentine" used to be used all over the world. This is a recent phenomenon starting in the early forties.

Mr. PASSMAN. That is a long time in my book. If I could turn back the calendar to the early forties I would be pleased.

Mr. MANN. Historically speaking it is recent.

Mr. PASSMAN. It is one of the older civilized nations of Latin America?

Mr. MANN. Yes.

Mr. PASSMAN. Does their history go back hundreds of years?

Mr. MANN. No, sir. I think the southern part of South America was one of the last to be settled. In comparison with Mexico, Lima, and other places it is a new country, Mr. Chairman.

Mr. PASSMAN. These people have been in this trouble in all probability for generations. The main trouble came when Peron came in the early forties. When did Peron leave?

Mr. MANN. I think if memory serves correctly he came in about 1942 and stayed 12 years. That would make it 1954.

Mr. PASSMAN. So 10 years ago you had this problem. Is it improving or getting worse?

SCANT IMPROVEMENT IN ECONOMIC SITUATION

Mr. MANN. I think the improvement is apparent. On balance it is improving. We would like to see it improve faster.

Mr. PASSMAN. You want it to succeeed and I do, too.

Mr. MANN. You can establish it in terms of the GNP increase this year.

Mr. PASSMAN. Relate that to the population increase, also.

Mr. MANN. I don't have those figures.

Mr. PASSMAN. Do you have them, Mr. Rogers?

Mr. ROGERS. Yes, sir.

Mr. MONTOYA. In 1960 the GNP was $9,205 million. In 1961 it was $9,725 million.

In 1962 it went down to $9,290 million.

In 1963 it barely increased to $9,300 million.

Mr. FORD. Would the gentleman from New Mexico yield?

DECREASE IN PER CAPITA GNP

I think the more significant fact, as alleged by these justifications, is the per capita GNP in dollars. There is a decrease from 1961 of $480 to $443 in 1963.

Mr. MONTOYA. That is correct.

Mr. PASSMAN. In 3 fiscal years you are down from $480 to $443.

What was our aid in those 3 years?

Mr. MONTOYA. We also have to take into consideration that there was inflation in the country.

Mr. FORD. Are these constant dollars?

Mr. ROGERS. Yes.

During this period the per capita GNP went down.

Mr. PASSMAN. And the investment is the same as you had in 1959, for the 5 fiscal years?

Mr. ROGERS. That is correct.

Mr. FORD. What does this mean, gentlemen?

Mr. MANN. It means in that period, 1961, 1962, and 1963, I think they had very bad droughts, if I remember. It is probably inefficient management. They have had some coups during this time, as we pointed out earlier. It has been a time of turmoil. It is not a picture we are very happy about. That is the reason we cut down the level of aid from previous estimations. We would like to see it improve.

Mr. PASSMAN. The 1965 program is up and not down; is that correct, Mr. Secretary?

Mr. MANN. Yes, it is up slightly.

Mr. PASSMAN. Does that mean you have some adjustments?

Mr. MANN. As we were saying yesterday, we have an entirely new situation in Brazil, for example, great opportunities there. We hope we will have some opportunities in Chile. This thing varies from country to country. We take two steps forward and a step back.

Mr. PASSMAN. Sometimes a step forward and two back?

Mr. MANN. No. I think if you take the long stretch, the hemisphere is much better off than when I knew it 20 or 30 years ago.

Mr. PASSMAN. We hope so.

EXTENSION AND DECENTRALIZATION OF LIVESTOCK IMPROVEMENT PROGRAM

If I may go on with Argentina, I notice you have broken the old livestock improvement project into at least two separate projects, despite the fact that last year the testimony indicated that this project was supposed to be completed in fiscal 1963. Have I made a statement of fact?

Mr. ROGERS There are two projects——

Mr. PASSMAN. You did not answer my question. I note you have broken the old livestock improvement program into at least two separate projects, despite the fact that last year the testimony indicated that this project was supposed to be completed in fiscal 1963. Is that true?

Mr. ROGERS. Could I know if you are referring to the testimony on page 2217 of last year's book, Mr. Chairman?

Mr. PASSMAN. All you have to do is refer to the two old livestock improvement programs. Let us be positive.

Mr. ROGERS. The justification book indicated this was to terminate in 1968. If you are referring to page 2217, I think this talks about 1963 obligations which were to be zero, but not the termination date.

Mr. PASSMAN. We are going to see just what was said. I have no intention of ever getting anything in the record but facts. I think the program is getting looser and worse all the time. Those are my convictions. I am not going to give any credit to anybody for straightening out a program that has more kinks in it than ever. Sometimes you break a project out into four projects and you can no longer identify it with the old project. It is scattered in a lot of projects.

Mr. ROGERS. You do not object to my——

Mr. PASSMAN. I do not object to your doing anything.

Mr. ROGERS. I was referring to quoting from the record last year.

Mr. PASSMAN. Let us quote directly from the record. Have you found it there?

Mr. ROGERS. I found last year's presentation book indicates 1968, and I think I have found the reference someone had in mind in this question.

Mr. PASSMAN. Let us go to page 2191, "Increased cost of livestock improvement project." You tell me if I am correct about this:

While you are trying to find it, tell me if I am correct about this: On this livestock improvement project, 501–AA–13–AA–6, we look in your 1961 project book, and the progress report, U.S. participation, fiscal year 1961, and you stated that you would need $60,000 for fiscal year 1962 and that you would need $40,000 for fiscal year 1963, making an amount of $100,000 and that this would phase out the project.

However, instead of phasing it out on those two figures, you now ask for $1 million for fiscal year 1964.

Are you following me?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN (continuing):

Mr. Moscoso. Mr. Chairman, I am sorry, but I am not able to follow you, because I don't have the same figures here.

Mr. TENNANT. You are reading from the fiscal year 1962 presentation book, sir?

Mr. PASSMAN. That is correct.

Mr. TENNANT. Mr. Moscoso has only the fiscal year 1963 presentation book, and the 1964.

Mr. PASSMAN. Let me say again that you wanted $60,000 for fiscal year 1962, $40,000 for fiscal year 1963, and that would phase the project out. Instead, however, of phasing it out with a total of $100,000, you have phased it up to an additional $1 million.

Mr. Moscoso. I could see where that could happen, Mr. Chairman——

Mr. PASSMAN. It has happened.

It was supposed to phase out. Don't you have this same project broken into two different projects this year?

Mr. ROGERS. Yes, sir, that is correct.

NEW ESTIMATED DATE FOR TERMINATION

Mr. PASSMAN. Then you have not phased it out. You have broken it down into two different projects. Now what is your new phaseout date?

Mr. ROGERS. The phaseout date we presented last year to you was 1968. We were quite clear in the presentation book on page 37 of last year that this was not going to phase out this year, that it was going to go to 1968.

We are now projecting the phaseout date of 1967. We are reducing the time by 1 year from our presentation book of last year.

Mr. PASSMAN. Have you increased the cost of the project?

Mr. ROGERS. For this year we have reduced the cost of the project.

Mr. PASSMAN. You have separated the project this year into two projects rather than one?

Mr. ROGERS. Yes, that is correct.

ESTIMATED COMPLETION COST OF PROJECTS

Mr. PASSMAN. Now give us the completion cost of the two projects.

Mr. ROGERS. The total cost is $3.53 million.

Mr. PASSMAN. Compared to the original estimate of?

Mr. ROGERS. $4 million.

Mr. PASSMAN. On the two?

Mr. ROGERS. On the two.

Mr. PASSMAN. Had you allocated the $4 million previously?

Mr. ROGERS. That is cost to completion. We had projected obligations which we presented in last year's book for fiscal year 1964 of $475,000, and our presentation book this year indicates obligations, fiscal year 1964, at slightly under $350,000.

NORTHEAST REGIONAL DEVELOPMENT PROJECT

Mr. PASSMAN. For what period of time was the $220,000 contract for the Northeast regional development project on page 8?

Put it in the record.

(The information supplied follows:)

NORTHEAST REGIONAL DEVELOPMENT PROJECT

Sum of $228,000 is proposed for fiscal year 1965 contract services to be obtained from Texas A. & M. This will provide 10 man-years of service and cover the first year of the contract.

CHANGING NOMENCLATURE FOR HIGHER EDUCATION PROJECT

Mr. PASSMAN. Last year the project book indicated that the origin of the assistance to higher education project was the business administration project which started in 1963. Is that correct?

Mr. ROGERS. Page 40 of last year's book indicates the higher education project was begun in 1961, including the original business administration project in that year.

Mr. PASSMAN. It started in fiscal 1963?

Mr. ROGERS. No. It included a business administration project started in 1961.

Mr. PASSMAN. I further note that the original business administration project, which had its name changed to assistance to higher education, has now become the land-grant college project. Is that correct? Gentlemen, you change the name of these projects and the completion date every year, and it is impossible for the committee to keep up.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Are you confirming what I just said?

Mr. ROGERS. No. I thought I was answering the question about the title of the project.

Mr. PASSMAN. You are correct both ways.

Mr. ROGERS. With respect to the question, you are correct.

Mr. PASSMAN. You would be just as correct answering my statement, too.

This year I note the original business administration project, which had its name changed once before to "Assistance to Higher Education," has now become the land-grant college project, is that correct?

Mr. ROGERS. A part of the assistance to higher education project has now been separately identified as the Land Grant College project.

CONTRACT SERVICES, LAND-GRANT COLLEGE PROJECT

Mr. PASSMAN. What period of time will the $220,000 that you have allocated for contract services in fiscal 1964 cover?

Mr. ROGERS. May we supply that?

(The information supplied follows:)

ARGENTINA—ASSISTANCE TO HIGHER EDUCATION

The period of time covered by the item "Contract services" for $220,000 is 2 years. This is for services of Michigan State University to the Land-Grant College project. In the fiscal year 1964 congressional presentation the project now called Land-Grant college was included as part of a larger project which included all AID university-level programs under the title "Assistance to Higher Education."

AGRICULTURAL CREDIT PROJECT

Mr. PASSMAN. I note you propose to initiate the agricultural credit project on page 12 at a cost of $27,000 in fiscal 1965, and that you may lend ——— to provide capital and necessary technical advisory services to an agricultural credit bank and associated credit institutions. Is that correct?

Mr. ROGERS. That is correct.

CIVIL AVIATION PROJECT

Mr. PASSMAN. Last year you requested $190,000 for the civil aviation project on page 13. How much did you allocate to this project in 1964?

Mr. ROGERS. $240,000.

Mr. PASSMAN. $50,000 more than you asked.

Last year you requested $70,000 to finance the salaries and expenses of three technicians. How much did you allocate for that purpose?

Mr. ROGERS. $92,000 in fiscal 1964.

Mr. PASSMAN. For the same number of technicians, or did you increase the number of technicians?

Mr. STERNFELD. We had a larger number of technicians.

Mr. PASSMAN. Give us the number.

Mr. STERNFELD. We had six technicians.

Mr. PASSMAN. What is the average cost of technicians in Latin America, Mr. Rogers?

Mr. ROGERS. $20,000 to $21,000, Mr. Chairman.

Mr. PASSMAN. $20,000 to $21,000.

Mr. ROGERS. We have analyzed the program in detail to get that number.

Mr. PASSMAN. Is that the average cost of direct-hire technicians?

Mr. ROGERS. Direct-hire.

Mr. PASSMAN. How about the cost of contract technicians?

Mr. ROGERS. They would run about $28,000.

Mr. PASSMAN. They do about the same type of work?

Mr. ROGERS. Direct-hire versus contract; no, I think you would get quite a different cross-section if you looked at the people we are hiring——

Mr. PASSMAN. Is there any duplication between the two? Do you have contract personnel doing similar service to that of direct-hire personnel?

Mr. ROGERS. We have some contract people who are doing things like what some of our direct-hire people have done in the past.

Mr. PASSMAN. I see. But the contract personnel annual cost exceeds by approximately $7,000 that of direct-hire personnel. Is that correct?

Mr. ROGERS. The answer is correct; contract service personnel costs exceed the direct-hire personnel cost.

OVERHEAD ON UNIVERSITY-AID CONTRACTS

Mr. PASSMAN. We read in certain publications that those organizations with whom AID contracts, such as universities, colleges, consulting firms, etc., make a 60-percent profit. Have you analyzed the override, the bonus, the hiring cost, or any way you want to put it?

Mr. ROGERS. Overrides to universities?

Mr. PASSMAN. To those who do the employing.

Mr. ROGERS. I could not comment on that.

Mr. PASSMAN. Whether a trade school or university. What is your override cost in these contracts?

Mr. ROGERS. We have made a very careful analysis——

(Discussion off the record.)

Mr. PASSMAN. What is the average cost of overhead per contract?

Mr. ROGERS. The average overhead would run 20 to 25 percent on the university contracts we have examined.

CONTRACT PERSONNEL PROCUREMENT VERSUS DIRECT HIRING

Mr. PASSMAN. Do you find you get better personnel as a result of personal interviews, and an opportunity to go into their backgrounds, for direct-hire personnel than you do for contract personnel?

Mr. ROGERS. To the extent that they are doing precisely the same job, which is fairly rare. There isn't very much difference in the sense that we lose control. In other words, in most cases the contractor will be able to attract, on the average, a higher quality person than we are able to attract on direct hire.

CRITICISM OF UNIVERSITY CONTRACT PERSONNEL IN GARDNER REPORT

Mr. PASSMAN. Did you read the report addressed to AID which I mentioned yesterday, in which it was stated that these colleges were giving you third-rate personnel and just about labeled it a failure? Did you read that article?

Mr. ROGERS. I had read the article. I know the Gardner report.

Mr. PASSMAN. I did read the two paragraphs verbatim into the record, did I not?

Mr. ROGERS. You read part of the New York Times story about the Gardner report correctly.

Mr. PASSMAN. They make the charge—and I have made the same charge and it has not been disproved—that in most instances the colleges, in this way, get rid of people whom they hate to fire, and it is usually second-, third-, and fourth-rate personnel.

Mr. ROGERS. You understand the Gardner report was a joint report by AID and Mr. Gardner.

Mr. PASSMAN. I gave you credit for it. It is like the Clay report. It is supposed to be written the way the administration wanted it written, but they did not write it the way you wanted them to write it. There are some pretty strong indictments in it.

Are you going to comment on the report?

Mr. ROGERS. Mr. Bell commented in it. He has a summary statement right up in the front of the Gardner report which comments on it.

Mr. PASSMAN. Have you people put out a release covering the Gardner report?

Mr. ROGERS. We have not put out a release. I can comment on it now.

Mr. PASSMAN. All right.

CONTRACT PERSONNEL VERSUS DIRECT HIRE

Mr. ROGERS. I will say this: We now have strong controls with respect to the hiring of third-rate personnel under contracts.

Mr. PASSMAN. You have controls on the hiring the third-rate personnel?

Mr. ROGERS. Correct.

Mr. PASSMAN. Thank you.

Mr. MANN. You mean to prevent hiring.

Mr. ROGERS. To prevent the hiring, to restrict hiring.

Mr. FORD. What kind of controls do you have?

Mr. ROGERS. Looking at the people they propose to put on the job.

Mr. FORD. Do you actually interview them?

Mr. PASSMAN. You do more than look at them?

Mr. ROGERS. Surely; I mean look at in the sense of analyzing their background and seeing that they are qualified to do the job.

OVERHEAD

Mr. MANN. While we are talking about contract personnel versus direct hire, Mr. Chairman, I would like to add that this word "overhead" includes, in a firm like Arthur D. Little & Co., for example, not

just the office space for backstopping the people in the field, but it includes the top senior members of the firm who go over the reports and give us a degree of expertise in these specialties that you could not get in the AID service.

I myself feel strongly, from my own experience in the field, that on important jobs it pays the taxpayer and the Government to have qualified people to do some of the studies, rather than turning over all manner of highly specialized work to generalists. I do want to say that this is not just profit or overhead. This includes the very expert opinion of the senior partners in the firms we deal with, and this is of great value to us.

NUMBER OF STATES HAVING UNIVERSITY CONTRACTS

Mr. PASSMAN. Did you ever confirm that figure where you have university contracts in 46 or 48 States?

Mr. TENNANT. Forty-six.

Mr. PASSMAN. Did you ever give us a list of the four States that haven't gotten in on this yet?

Mr. TENNANT. I believe we gave you a list of the 46.

Mr. PASSMAN. How about the other four States? That would have been the shorter list, would it not?

Mr. TENNANT. I believe it would have been. I think the list we prepared was the other way.

GENERAL TRAINING PROJECT

Mr. PASSMAN. I note you allocated $142,000 to the general training project on page 15, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. It was an initial obligation, Mr. Chairman, in 1964.

Mr. PASSMAN. You allocated $142,000 to the general training project on page 15. How much did you ask the committee to appropriate for this project last year?

Mr. ROGERS. This is a new project. These new projects represent about 3 or 4 percent of the money for technical cooperation projects this year.

Mr. PASSMAN. That is good information.

Now answer my question.

Mr. ROGERS. None.

Mr. PASSMAN. In other words, you did not request any money for the project?

Mr. ROGERS. That is correct.

GRADUATE ECONOMICS PROJECT

Mr. PASSMAN. I note you have another project which was formerly funded under the assistance to higher education project, the graduate economics project, on page 16, for which you are requesting $350,000 to extend the University of Chicago project for 2 years. Is that correct?

Mr. MANN. That is correct.

Mr. PASSMAN. How many years of service will the university provide under this contract?

Mr. ROGERS. Two years.

Mr. PASSMAN. Why are you requesting funds under this contract to train participants who will receive their training in fiscal 1966?

Mr. FORD. What year?

Mr. PASSMAN. Fiscal 1966.

Mr. ROGERS. That includes the academic year problem. Really, that is what it comes down to, Mr. Chairman.

Mr. PASSMAN. You are requesting funds for the project for fiscal 1966, are you not, and that year does not start until July 1, 1966.

Mr. ROGERS. We are asking for participants for training for the remaining half of 1964–65 academic year, and 14 more for 1965–66 academic year.

Mr. PASSMAN. Then you are going to fund into 1966.

Mr. ROGERS. That is correct.

Mr. PASSMAN. That is the exception, is it not, rather than the rule?

Mr. ROGERS. Funding for more than the next fiscal year?

Mr. PASSMAN. For participants?

Mr. STERNFELD. This is under a university contract. As a rule, a university contract is forward-funded 1 fiscal year.

Mr. PASSMAN. But you are asking for funds to take you forward 2 fiscal years.

Mr. STERNFELD. We are asking for funds in fiscal 1965 to renew the contract and forward-fund it 1 additional fiscal year.

Mr. PASSMAN. So, you are going to take it through fiscal 1966.

Mr. STERNFELD. That is correct.

FULL-TIME HOUSING LOAN CONSULTANT

Mr. PASSMAN. Why do you need a full-time consultant to monitor the $12,500,000 housing loan who will be funded under the housing project on page 18?

Mr. ROGERS. He will do more than merely monitor this project. It is a U.S. consultant who will be monitoring a $12.5 million loan project begun in June 1963.

Mr. PASSMAN. Let me read your own statement, and that will knock us off dead center.

A U.S. consultant will serve full time to monitor the $12.5 million loan signed June 30, 1963.

Either you mean what you say there or you do not mean it. You said it was not a full-time job. This says it is a full-time job.

Mr. ROGERS. I am sorry. This statement is correct, and I tried to repeat it, too. I misunderstood your question. I thought you said full-time monitoring of this grant here.

Mr. PASSMAN. I will read it again:

A U.S. consultant will serve full time to monitor the $12.5 million loan signed June 30, 1963.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Do you have two direct housing advisers on the same project?

Mr. ROGERS. One housing adviser and one consultant.

Mr. PASSMAN. For $45,000 a year? He must be quite competent.

Mr. ROGERS. That is for two people.

Mr. PASSMAN. That is what I said.

Mr. ROGERS. One housing adviser and one consultant equals two people, $45,000.

CREDIT FOR HIGHWAY CONSTRUCTION

CONSTRUCTION LAG

Mr. PASSMAN. I note Argentina has constructed only 4.6 kilometers of a highway under a $6 million credit which was obligated in May 1961, almost 3 years ago. At that rate it would appear it will take approximately 15 years more to complete the balance of the highway; is that correct?

Mr. ROGERS. At that rate, it would take that long to complete that road. It will not take that long.

Mr. PASSMAN. How do you know?

Mr. ROGERS. A new schedule has been set up for the contractors. The Government has agreed that the performance of the contractor will be evaluated on the basis of the work completed May 31. There were heavy rain problems with respect to this construction area, which held up work. We have new work schedules. This will move a lot faster.

Mr. PASSMAN. The book states that the construction lag was due partly to contractor's receiving equipment not on time, and also due to political and economic conditions.

Those are the real reasons. It has been raining down there from time immemorial.

Mr. ROGERS. I didn't mean to duplicate what we already have in the record.

POSSIBILITY OF DEOBLIGATION OF FUNDS

Mr. MANN. I think the record, Mr. Chairman, ought to show we have given notice to the Argentine Government that if they don't do something on this, we are going to ultimately pull out of the project.

Mr. PASSMAN. Thank you very much. That is the type of testimony we want. What will you deobligate if you pull out?

Mr. ROGERS. The loan.

Mr. PASSMAN. How much?

Mr. ROGERS. $6 million, minus what we have already disbursed.

Mr. PASSMAN. How much have you disbursed?

Mr. ROGERS. $667,000.

Mr. PASSMAN. There is a possibility—I want you to be sure that I am not leading you—that unless they act expeditiously this credit would be deobligatated and would become available for new credits. What are the possibilities of this becoming a reality?

Mr. STERNFELD. As a matter of fact, we received a telegram just yesterday morning from our Embassy in Argentina. They said they held these discussions again to make the point to the Argentine Government. They have a specific time schedule. They will review it at the end of June, to determine whether the contract is on schedule. If it is not on schedule, we will pull out. I think there is enough pressure on the part of the Argentine Government on the contractor. We have some assurance that they are going to push forward on building the road.

Mr. PASSMAN. But AID hasn't suspended this project?

Mr. STERNFELD. We have not suspended it.

Mr. PASSMAN. You better look at page 20, because I am going to read into the record what it says there.

Mr. STERNFELD. We suspended disbursements.

Mr. PASSMAN. The suspension is the second such action AID has had to take; is that correct?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. There have been 20 or 30 cases since we started, some of them going into tens of millions of dollars, where there is a possibility they will be deobligated.

The question is, If this becomes a deobligation—you know it is in the no-year-fund category—you won't be able to do it prior to June 30, will you?

Mr. STERNFELD. That is right. We have an estimate in our Latin American account that we will probably deobligate next year, $10 million worth of funds. We have taken that into account in presenting the program to the Congress, here.

Mr. PASSMAN. That is good information. There is going to be $10 million deobligated next year?

Mr. STERNFELD. This is our current estimate.

Mr. PASSMAN. We only want to know that you will have $10 million worth of funds you will deobligate. Is this one of them?

Mr. STERNFELD. I couldn't identify the loans for you.

Mr. PASSMAN. Is this one included in that?

Mr. STERNFELD. Our estimate was made on a regionwide basis, and it is included in the books before you, in the presentation.

Mr. PASSMAN. You don't know whether this $5 million would be added to that, or whether it is included?

Mr. STERNFELD. I don't know whether it would be added to or included.

Mr. PASSMAN. Thank you, very much. But you do stand firm on the $10 million estimate?

Mr. STERNFELD. That is our best estimate.

Mr. PASSMAN. You don't think you are going to get any of that money deobligated before June 30, do you?

Mr. STERNFELD. I can say that last year we estimated for this fiscal year that we would have deobligated $5 million in the Alliance for Progress account. To this date we have none; so our estimate could be off.

DEVELOPMENT LOAN DEOBLIGATION IN LATIN AMERICA

We have deobligated loans this fiscal year in Latin America which are a part of the Development Loan Fund. We have deobligated $11.7 million.

Mr. PASSMAN. That is in the old development loans account?

Mr. STERNFELD. This is the Development Loan Fund. It is not in the Alliance for Progress loan account?

Mr. PASSMAN. Will you correct the record? A little while ago you said it would be none.

Mr. STERNFELD. No, sir, I said none to date in the Alliance for Progress loan account. This fiscal year we have deobligated $11.7 million

from Latin American loans which were part of the Development Loan Fund.

Mr. PASSMAN. That is the old loan fund of several years ago?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. We want to be sure we recognize there could be a billion dollars in this total pipeline, which may be deobligated someday. You and I don't know when, but it won't be until we tighten this program up and follow the same criteria we have in America for projects.

Mr. STERNFELD. We know these projects which are moving ahead. We are telling you about the slow ones and the ones that are moving.

CENTRAL HOUSING BANK LOAN

OBLIGATIONS IN ADVANCE OF FIRM PLANS

Mr. PASSMAN. I notice at December 31, 1963, no disbursements had been made on the Central Housing Bank credit, which was approved July 31, 1962, and obligated on June 3, 1963. The narartive states that by the end of fiscal year 1965 about $2 million of credits should be disbursed. Why is the rate of disbursement so slow under this credit?

Mr. ROGERS. It says:

Numerous changes in the Cabinet of the Government of Argentina caused a delay of almost a year between the authorization of the loan by AID and its signature by Argentina. It was only in October 1963 the present constitutionally elected Government took office. It is now taking the required steps to implement the project. The loans required by the system will incorporate escalation clauses.

I can advise the committee that the Government has now submitted a draft law for the establishment of the Central Housing Bank.

Mr. PASSMAN. Do you mean you obligated this money that far in advance? They are just now drafting a plan?

Mr. ROGERS. No, for the Central Housing Bank.

Mr. PASSMAN. That is exactly what we are talking about. You allocated this money to this project back in July 1962 and they are only now getting around to drafting a plan.

Mr. ROGERS. They had a previous decree with respect to this issue, but it was inadequate. We are now reviewing this improved draft law by the new Government of Argentina with respect to the bank.

Mr. PASSMAN. Would it be fair to say this obligation was premature?

Mr. ROGERS. No, I don't think so.

Mr. PASSMAN. When they didn't even have a draft of the proposed law?

Mr. ROGERS. Oh, yes.

Mr. PASSMAN. You turned down the original draft and they now have a new draft; is that correct?

Mr. ROGERS. The old system, the 1963 system—which was involved in the previous decree—was inadequate, as far as we were concerned. It involved primarily stock savings and loan associations. We were anxious to have them move into mutuals and this new decree does that.

Mr. PASSMAN. Here is what the justification says:

The interim government had issued a decree creating the housing bank. The new government, which came into office in October 1963, is reviewing the decree

and drafting additional implementing regulations with the assistance of two U.S. AID experts.

Did I read that correctly?

Mr. ROGERS. That is correct.

Mr. PASSMAN. When did the interim government issue their decree?

Mr. ROGERS. I don't have the date, Mr. Chairman.

Mr. PASSMAN. It was after you approved the loan, though, is that correct?

Mr. ROGERS. I just don't have the date, Mr. Chairman. We can furnish that for the record, but I am pointing out to you that this new decree by the new government is now——

(The information follows:)

ARGENTINA—CENTRAL HOUSING BANK

In August 1961, the Government of Argentina issued its first decree-law intended to set up an effective national savings and loan system.

Encouraged by the potential to help reduce Argentina's severe housing shortage, AID entered into negotiations with the Government early in 1962 to set up a Federal housing institution.

There was opposition by banking interests in Argentina to the proposed new programs, because it would include mutual and cooperative savings and loan associations rather than continuing the contract system of savings.

The negotiations were interrupted by the overthrow of the Frondizi government. The interim Guido government moved ahead with the housing program as part of its efforts to stabilize the political situation.

The loan was authorized on July 31, 1962, with the clear expectation, based on exchanges of correspondence, that the Argentine Government would take prompt action to permit the orderly accomplishment of the purposes of the loan. In the ensuing months, the difficult political situation in Argentina—including numerous changes in the Cabinet at levels involved in policymaking in the housing field—made it impossible to assure that the governmental action necessary to set up the housing bank and carry out the loan was forthcoming.

On June 3, 1963, the Government of Argentina executed a loan agreement. In the loan agreement was a program for the establishment of a savings and loan system for housing in Argentina, including the creation of a Federal housing institution, the chartering and regulation by the bank of private savings and loan associations, and the operation of the bank and associations in accordance with all the terms of the loan.

Announcement of the loan, with the careful conditions precedent to disbursement, was expected to make it possible for the Argentine Government to take the difficult political steps necessary for its implementation. On July 10, 1963, President Guido issued decree-law 5624, to establish a Central Housing Bank. This decree pulled together previous decrees and fulfilled the first major condition of the loan agreement.

National elections took place soon thereafter. The new, constitutional government of President Illia did not take office until October. The new administration considered the Guido decree inadequate and is working with USAID experts on a draft law which will more efficiently serve Argentina's housing needs. The original deadline of December 31, 1963, for compliance with this part of the agreement has been extended to June 30, 1964, at the request of the Argentine Government.

LIFELINE AVAILABILITY

Mr. PASSMAN. This obligation of $12.5 million just gives an indication that you could have $1 billion in this pipeline—worldwide—that conceivably could become available for new obligations. With the looseness of this program, that is certainly conceivable.

FEASIBILITY STUDIES LOAN

I note you have approved a feasibility study credit of $3 million, May 6, 1963, which you subsequently obligated June 30, 1963, and

your narrative indicates by the end of fiscal year 1964, only $200,000 of loans will have been disburesd, is that correct?

Mr. ROGERS. That is correct.

LACK OF STUDY PROPOSALS

Mr. PASSMAN. The narrative also indicates at the end of fiscal year 1964 study proposals for the entire amount of the loan will have been received. Would you furnish a list of the proposals as of this time?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

FEASIBILITY STUDIES

Six study proposals have been received from the Government of Argentina for funding by AID. One is for an irrigation project known as the Rio Dulce project with an estimated cost of $100,000. Two are for the study of secondary access roads in Corrientes Province and a highway program in Misiones Province for an estimated total cost of $30,000. Another is for a study of small meatpacking plants in the cattle raising areas of Argentina at an estimated cost of $22,000.

Another study is for the Valle Grande project which is a proposed concrete dam on the Atuel River which would store water for release as required to meet downstream irrigation needs. The last proposal is for a gated overflow regulating and diversion dam on the San Juan River, an open canal to divert water into penstocks. The total estimated cost for the last two study proposals is $100,000.

GRAIN STORAGE FACILITIES PROJECT

Mr. PASSMAN. I note you approved a $21,700,000 development credit for grain storage facilities, which was obligated October 10, 1963. What is the current rate of disbursement under this credit?

Mr. ROGERS. Subject to check, there have been no disbursements on this, sir.

Mr. PASSMAN. That is a substantial credit, $21,700,000. Do you think there is a possibility of this credit being deobligated?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Does Argentina export any grain to the United States?

Mr. ROGERS. Subject to check, no.

Mr. PASSMAN. If I should ask similar questions on many of the other projects in Argentina, I would get, in all probability, about the same answers and explanations we have gotten on the projects we have examined?

Mr. ROGERS. Yes.

Mr. PASSMAN. Would the examination be quite similar if I went into more projects in Argentina, the questions would be about the same, I am sure, but would the general information and replies be about the same, if they were similar projects?

Mr. ROGERS. I am not sure what "similar" answers means.

Mr. PASSMAN. When I ask you about a project, you give what information you have on it?

Mr. ROGERS. Yes.

Mr. PASSMAN. So, if I examined on many of the other propects in Argentina, would I get similar information on the feasibility, justication, and so on?

Mr. ROGERS. We would give you the information set forth here in the program book, with whatever more recent information we have to supplement it.

Mr. PASSMAN. Thank you very much. I shall dispense with any further questions on Argentina at this time and yield to the distinquished gentleman from Massachusetts, Mr. Conte.

CONTRACT WITH OIL COMPANIES

Mr. CONTE. You were questioned about the oil companies, whether they were satisfied with our contract. I would like to learn a little more about the situation at the present time with regard to the oil companies. Wasn't a decision supposed to be made on May 15?

Mr. Secretary, the chairman asked you whether the oil companies were satisfied, operating without a contract in Argentina. Wasn't some decision to be made on May 15, on this point?

Mr. MANN. No, sir; the May 15 date, as I remember, is a 6-month period, is it not, called for in the Adair-Hickenlooper amendment?

Mr. CONTE. That's right.

Mr. MANN. The answer to your question is: The oil companies are not satisfied. ———

Mr. CONTE. What is your present intent?

Mr. MANN. ——— We do intend to apply the law if there is confiscation. There has not yet been any confiscation. There has been no seizure of the assets of the companies. They are still operated by the companies as if they were still the full owners. We are in contact with the Government. The President has said that he hopes to work this thing out.

Mr. CONTE. Even though the oil companies are operating, they are not taking any profits, are they?

Mr. MANN. Yes; I understand they are operating in all respects. There has been no seizure of their assets.

Mr. CONTE. They are realizing all the assets from the oil?

Mr. MANN. Yes, sir; I think they are taking the oil, selling it, and keeping the proceeds of the sale.

Mr. CONTE. Are the proceeds held in escrow?

Mr. MANN. ——— No; I don't believe so.

Mr. CONTE. Can they take the proceeds out of the country?

Mr. MANN. Yes, sir.

Mr. CONTE. Cities Service and Pan American would favor applying section 620, subsection 3(e). We call it the Hickenlooper-Adair amendment. I had a hand in drafting that amendment and working for it on the floor of the House.

That doesn't cut any ice with me, because Cities Service and Pan American are not the Government, and the amendment says that the President shall suspend assistance to the government of any country——

Mr. MANN. Well, there is a technical legal question here as to whether there has been confiscation. We have a decree there that has not been put into execution, Mr. Congressman. I have talked with both Mr. Adair and Senator Hickenlooper about this problem. I went up to speak with them specifically about it.

(Discussion off the record.)

Mr. MANN. It is a preventative measure and has been very useful in that respect.

Mr. CONTE. Why do you feel, Mr. Secretary, that the amendment is not useful when you have to apply it?

Mr. MANN. Once you have applied it, you suspend aid and in a Latin American country, this would bring on a crisis. You have no leverage. Your leverage is all expended, once you apply it.

Mr. CONTE. Didn't we suspend aid to the Dominican Republic and Honduras?

Mr. MANN. Not under this amendment.

Mr. CONTE. No; but we suspended aid.

Mr. MANN. We have suspended aid in other countries for various reasons; yes.

Mr. CONTE. And it didn't create a crisis.

Mr. MANN. For entirely different reasons, though, in the two countries you mentioned. I wasn't here at that time.

(Discussion off the record.)

Mr. CONTE. If we take this attitude, then they can walk all over us.

Mr. MANN. On the contrary, I have said very clearly, Mr. Congressman, that I think it is a useful amendment, and I am for it.

(Discussion off the record.)

Mr. CONTE. As long as there is a ray of hope that it can be resolved, I agree with you. Once you have reached an impasse then I think you have to apply the law.

Mr. MANN. Once they cross the Rubicon we will, Mr. Congressman. They have not crossed it yet. We will certainly apply it once the law is applicable.

VENEZUELA

ECONOMIC SITUATION

Mr. CONTE. Mr. Secretary, what is the economic situation in Venezuela?

Mr. MANN. I think the economic situation there is not bad in terms of their balance of payments.

I haven't the latest figures on their number of unemployed, but the economy has been improving steadily.

Gross national product was estimated to have grown over 5 percent in 1963 with a major increase in manufacturing and a stable year in petroleum. They had a balanced budget for the second straight year, with ordinary treasury income reaching an alltime high. Gold and foreign exchange reserves were the highest level in 4 years.

The problem of Communist-led terrorism is continuing, however. They have other problems in the political field.

ECONOMIC AND POLICY EFFECTS OF EXPORT RESTRICTIONS ON CRUDE AND RESIDUAL OIL

Mr. CONTE. Mr. Secretary, would it not help stimulate the economy a great deal if we did away with the mandatory restriction on crude and residual oil?

Mr. MANN. Help the Venezuelan economy?

Mr. CONTE. Right.

Mr. MANN. I would not want to answer that, Mr. Congressman, without studying it more.

Mr. CONTE. Before you say more let me say all your predecessors strongly felt that way.

Mr. MANN. Your particular question was whether it would help the Venezuelan economy.

Mr. CONTE. Yes.

Mr. MANN. I am thinking in terms of what this would do to oil prices if you removed import controls on this market. The prices in the United States affect worldwide prices. For example, all the oil concession contracts in Venezuela, from which Venezuela derives most of its tax revenues, are tied to Texas posted prices.

If the prices went down sharply the revenue of the Venezuelan Government could go down rather than up. That is the point I was talking about.

On the other side, I appreciate your concern that our imports of petroleum and petroleum products from Canada are rising very rapidly, and the Venezuelans are worried not so much because they have not been able to sell their residual, which is what they sell to us in large quantities, but because they do not like the precedent and the idea.

I question that the present arrangements have caused Venezuela any economic loss. I am a liberal trader from way back.

Mr. CONTE. I voted for the Trade Expansion Act and supported the administration in this field. It is completely contradictory to the Trade Expansion Act to limit the amount of crude and residual oil to come into this country under the mandatory restriction.

Last year I asked Mr. Moscoso this question. He said the export of petroleum amounted to 90 percent of 1961 exports for Venezuela.

Mr. MANN. That is right.

Mr. CONTE. I said, on page 2542:

> Therefore this is a very, very important item, very important economic item to this country, is it not?
>
> Mr. Moscoso. That is right.
>
> Mr. CONTE. I am glad to hear that, Mr. Secretary. I am wondering why this administration persists in carrying out a foolish order that the past administration put in with regard to the mandatory restriction on crude and residual oil of this country under the guise of national security which is as phony as the day is long.
>
> Mr. Moscoso. I wondered about that.

Maybe that is the reason he is not here; I don't know.

Mr. MANN. No, I don't think so.

Mr. CONTE. He was very frank in answering it.

Mr. MANN. I agree with everything Mr. Moscoso said. You asked me a slightly different question about whether I thought it would hurt or help the economy. At least that is the way I understood it. You asked whether it would hurt the income of Venezuela if we removed controls.

Mr. CONTE. Let me tell you this—perhaps you know more about this than I do, but I have lived with it for about 6 years now—there are few domestic companies in the United States that will produce residual oil. This is the scum of the oil, bunker seed oil. It is not profitable for them to make it. The only place we can get it is Venezuela, and you choke off that market.

There is a market for it. The demand is as great as the supply in Venezuela if they will let it come in. I don't think it will hurt the price at all.

Mr. MANN. Maybe not.

Mr. CONTE. Crude may be different, but residual oil is made only by them to any great extent.

Mr. MANN. A considerable amount of our oil imports from Venezuela is residual.

I am not disagreeing with you. I was just trying to make a calculation on what would happen to prices if we removed all import controls in the United States on oil, Mr. Congressman.

I don't disagree with you in principle that all artificial controls on trade are difficult to justify. I wouldn't want to criticize ever the policy of the President. I support the President. I work for him. This is his policy, and I wouldn't want to criticize it.

Mr. CONTE. I don't want to put you behind the eight ball. This was put in by President Eisenhower. He was a Republican, and 2 days after he put it in, I took the floor of the House and lambasted him for it. This is about the phoniest mandatory order I have ever seen in my life. There is no justification for it.

I would like to have you explain to me why this is in the national interest if you can.

Mr. MANN. I can give you the rationale. I am not saying I necessarily believe it.

Mr. CONTE. I would like to debate it with you.

Mr. MANN. I don't want to debate it. I am just not in a position to get into something which really is not in my field. This is being handled by Interior, and by the Economic Bureau of the State Department.

I am familiar with it from years past. I have had nothing to do with it in recent years, except to raise the same question you have, concerning our concern about restricting residual oil imports from Venezuela.

Mr. CONTE. This country provided a great deal of this residual oil for our fleet during World War II in that part of the world; did it not?

Mr. MANN. I think Venezuelan oil is very important to the U.S. economy and to U.S. security.

Mr. CONTE. Certainly if we get into another tight pinch, and this was told to me by Venezuelan officials, if we are in another tight pinch and need oil we will have to turn to them again. Is that right?

Mr. MANN. Yes, sir. We don't even have to wait until we are in a tight pinch. If we shut that off today this economy would be in trouble. As you were saying, we do not produce much residual any more. We refine our petroleum into higher and lighter gravity oils, gasoline products of various kinds.

Mr. CONTE. I just hope the day will come when someone, whether he be Republican or Democrat, will have guts enough to do away with this thing. I think it is hurting our foreign policy with Venezuela.

On the one hand we are asking for foreign aid for that country which is having political and economic difficulties. On the other hand we are choking off a means of strengthening their economy because of some self-interest involved here, the coal barons and the oil barons in the United States, who have only one interest, and that is to feather their own nests.

Mr. MANN. I spent 3 years fighting protectionism as Assistant Secretary in charge of economic affairs, almost entirely fighting protectionism.

I agree that trade restrictions, except when amply justified, are bad not only for the foreigner but for the United States, too.

Mr. CONTE. You can see the foolish position we find ourselves in in the eastern seaboard. We are competing in finished products with

Japan, Italy, West Germany, and France, and at the same time the raw materials needed to produce the finished product are being choked off to better compete with them in the open market, so we can produce those finished products at a lower price.

Mr. MANN. I don't think many of our wells at home could compete if you took off all controls, especially if you let in without any restrictions whatever, on a purely competitive basis, oil from the Near East and Venezuela and Canada, especially the Near East and the north Sahara. Before I would want to answer I would have to think about the price effect, what this would do to our own oil industry.

Maybe I am thinking more in terms of the degree rather than in terms of complete abolition. That is just a personal opinion.

This is not within my province except to protect Venezuela which we try to do every day.

Mr. CONTE. I agree it is not in your field. Indirectly it is, however, because you are involved with Venezuela and are trying to help her economy. Your recommendations would go a long way in this area.

Mr. MANN. If they do it may help to resolve such problems because we are generally not in favor of restrictions.

Mr. CONTE. Removal of restrictions?

Mr. MANN. At least working out something which is mutually satisfactory to the United States and Venezuela.

"SPOTTY" PROGRESS OF ALLIANCE PROGRAMS

Mr. CONTE. Why is not the Alliance progressing faster, particularly as to raising income in Latin America?

Mr. MANN. I think first of all the Alliance is not doing badly. It is doing better than most people think. There are enormous difficulties in the way of achieving the kind of progress we saw under the Marshall plan. There you had an educated class, a middle class, a sound base for economic development, experience, management, disciplined labor, stability in government, all of these and other things. You cannot really expect to get as quick results in a place like Haiti or Bolivia which still have rather primitive economics, which are just beginning to establish the bases that are necessary for economic and social progress, that you got in West Germany.

As a consequence the level of performance in Latin America is spotty.

Some countries, such as Mexico, Central America, Colombia, and Venezuela and others are proceeding very well. We hope they will be joined by Brazil and other countries.

(Discussion held off the record.)

Mr. MANN. The level of performance is spotty but on the whole it is good. Mexico, Central America, are moving along very well, as are Venezuela and Colombia.

Peru seems to be ready to take off with some real progress. We have hopes that Brazil will be able to institute a sound fiscal and monetary policy and move forward at a high rate. They have a good potential.

We are disappointed, as the chairman was saying earlier, at the rate and degree of growth in the Argentine. I myself am optimistic. I think Brazil has turned the corner. We have an opportunity now working with the Government of Brazil to build a solid basis for freedom and for progress, social as well as economic.

We have that opportunity and that possibility now.

Mr. CONTE. You mentioned conditions are better. Can you give us a little more detail as to how political prospects have improved in Venezuela, Brazil, and Bolivia?

Mr. MANN. Political prospects?

Mr. CONTE. Yes, and what did the Alliance have to do with these improvements, if anything?

Mr. MANN. Well, in the case of Venezuela I think they have one of the best land reform programs. They achieved political stability, that is to say a freely elected government took office and handed it over to a freely elected successor for the first time in Venezuelan history.

They have had to fight a very hard battle with Communist-led insurgents supported by Castro, but they have turned back every serious attempt by the so-called Army of National Liberation to take over. There are still a few guerrillas in the west, and more recently some have shown up in the east which is a matter of concern, but I would say on the whole the movement is forward in the political field.

Mr. CONTE. In all three of those countries?

Mr. MANN. Yes, Venezuela, Colombia, Brazil.

On the whole we are optimistic that this will be a moderate government, that it will have the will and ability to institute the kind of reforms that Brazil has needed for the last 30 years.

The rate of inflation, for example, in the last few months of the Goulart administration was 150 percent per annum. You cannot have growth, social justice, political stability, or anything else with that kind of monetary irresponsibility.

BOLIVIA

Mr. CONTE. How about the situation in Bolivia? Has that improved at all?

Mr. MANN. I think I can say about Bolivia that it is better off than Haiti. We are making good progress, but I also must say that I think it will be slow progress because you do not have the kind of base that you need to build quickly a modern society. There is still a great deal in the way of lack of trained public servants.

(Discussion off the record.)

Mr. MANN. We think our programs are tight. We think that our influence is being used constructively. We continue to work on these problems bu do not claim we will have a quick or easy solution.

PERU

UNIVERSITY CONTRACTS

Mr. CONTE. The chairman brought out a fact regarding university contracts. It is true we have had some bad ones in the past.

Last year Mr. Moscoso was very favorable toward the contracts we had on technical assistance. I think he mentioned Peru. Are you familiar with the university contracts we have there in technical assistance?

Mr. MANN. Not in detail. I have been on this job only 4 months. While I am learning as fast as my time permits about the program I will get into these things within the next few months.

Mr. Rogers will know——

Mr. CONTE. Can you supply information for the record on that?

Mr. MANN. Mr. Rogers might know right now.

Mr. ROGERS. We have a number——

Mr. CONTE. Technical assistance contracts.

Mr. ROGERS. I can tell you specifically the way in which two of our major university contracts have worked, resulting in the Peruvians coming out with a major action program.

The contribution they have made toward legislation for the land reform program, agrarian productivity, all of this is really quite heartening to us. The two universities are Iowa State and North Carolina State. These are example of the ways in which some universities have worked out very well in support of the overall objectives, self-help——

Mr. CONTE. Are they both in Peru?

Mr. ROGERS. Yes.

Mr. CONTE. How many people do we have in each contract?

Mr. ROGERS. Iowa State shows 14. North Carolina shows 18 and 7—25.

Mr. CONTE. Mostly in agriculture?

Mr. ROGERS. Both in agriculture, working with the Agriculture Ministry of the Government of Peru, in drafting and implementing the agrarian reform program.

UNITED FRUIT CO. PROGRAM IN LATIN AMERICA

Mr. CONTE. Mr. Secretary, are you familiar at all with the United Fruit program in Latin America?

Mr. MANN. Yes, sir.

Mr. CONTE. About a year ago they had an excellent television show on a Sunday night showing the program and what they were doing. Have they been successful in dividing up the land and selling it back to the people? They are having people raise bananas and selling them to United Fruit in return?

Mr. MANN. They have had quite a bit of success in that. I have seen most of their properties in Central America. I have not seen those in Ecuador. They found a new type of banana which did not require this flooding. This reduced the amount of acreage they really needed to raise bananas. At the same time they simultaneously moved toward this procedure which Standard Fruit has used for many years, buying bananas rather than raising their own bananas. They are selling off tracts of land to farmers in the countries in which they operate—Honduras, Guatemala, Costa Rica, and Panama. I think this has been done with some success.

I don't know the number of acres they have sold, but I know they are satisfied with the rate of progress.

Mr. CONTE. Are you people satisfied?

Mr. MANN. Yes, sir, I think so. We have heard no complaints from either the company or the governments.

Mr. CONTE. That is good.

SATISFACTORY PROGRAM FUNDING FROM FISCAL YEAR 1964 APPROPRIATIONS

Did you have to make any rearrangements in your program last year as a result of what we gave you? Were you satisfied? Did you carry out all your programs?

Mr. MANN. I wouldn't want to say we are short of money right now. I did say earlier, Mr. Congressman, we are concerned about Chile and Brazil and the possibility of needing large additional sums to ——— there. This is in the future, perhaps this fiscal year.

I don't want to make a recommendation on this until I know what Brazil's performance is.

(Discussion off the record.)

Mr. MANN. We will look at performance and try to go step by step.

Mr. PASSMAN. If the gentleman will yield, I think you stated at the outset you had a satisfactory program going with the appropriation we gave you last year, did you not?

Mr. ROGERS. I said that.

Mr. PASSMAN. I think it was indicated earlier there was a possibility that there would be substantial unobligated money out of the appropriation to Latin America, and it was only recently that you said you may obligate all the funds on hand.

Mr. MANN. This is partially because——

Mr. PASSMAN. Have I stated it correctly?

Mr. ROGERS. Yes, you summarized it correctly.

Mr. PASSMAN. Thank you, Mr. Conte.

Mr. CONTE. Did you make any adjustments in the program last year?

Mr. ROGERS. Yes, major adjustments.

Mr. CONTE. If there are many put them in the record.

Mr. ROGERS. Brazil and Argentina are the main ones. We can give you all the specifics.

(A classified document was submitted to the committee.)

Mr. CONTE. I have no further questions. I merely want to wish you well, Mr. Mann, and tell you we will cooperate with you in any way we can. Certainly you have a very difficult job. I think Congress realizes that this is one of the vital spots of the world and we have to do everything we can to make Latin America as strong as possible.

Mr. MANN. Thank you. For our part I want to tell the committee we will do our best to give you a tighter, an ever tighter and better administration of the money which this committee recommends for appropriation.

Mr. CONTE. Thank you.

Mr. PASSMAN. Thank you, Mr. Conte.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Rooney, we have been examining on Argentina. I yield to you if you have any questions on Argentina.

Mr. ROONEY. I have no questions.

BOLIVIA

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total amount of aid to Bolivia, all 16 spigots?

Mr. ROGERS. $392 million.

Mr. PASSMAN. What do you have in the pipeline to the credit of Bolivia at this time?

Mr. STERNFELD. $88.938 million.

BUDGET REQUESTS FOR 1964 AND 1965

Mr. PASSMAN. What are you requesting for Bolivia for fiscal 1965?

Mr. ROGERS. For 1965,———.

Mr. PASSMAN. What did you request originally for Bolivia in 1964?
Mr. ROGERS. ———.
Mr. PASSMAN. What did you allocate to Bolivia?
Mr. ROGERS. ———.

BUDGETARY SUPPORT FOR BOLIVIA

Mr. PASSMAN. How much of the budgetary support estimate of $11 million will be used to finance the Government payrolls in Bolivia?
(Discussion off the record.)
Mr. MANN. Is there a question before me?
Mr. PASSMAN. I have a question pending to Mr. Rogers: Of the $11 million budgetary support to Bolivia, what part will be used to meet Government payrolls?
Mr. ROGERS. $4.5 million.
Mr. PASSMAN. Is this the country where they have five persons working for the Government when there is a need for two?
Mr. ROGERS. Not that I know of.
Mr. PASSMAN. I think this is the one——
Mr. MANN. You are referring to the Government-owned agency, Comibol, the nationalized tin mines?
Mr. PASSMAN. That is part of it.
(Discussion off the record.)

OVERSTAFFING PROBLEM IN THE BOLIVIAN MINING INDUSTRY

Mr. PASSMAN. Is this the country where there is clearly an excess of personnel employed for the actual number of jobs?
Mr. ROGERS. That is correct.
Mr. PASSMAN. Are you taking any steps to help correct this situation?
Mr. ROGERS. Yes, sir.
Mr. PASSMAN. What are they?

ATTEMPTS AT REORGANIZATION AND REFORM

Mr. ROGERS. Reorganization of the mines, a long-term program to reduce excess employment, to create employment opportunities for the excess workers moved out of the mines and out of the mining areas into other more productive activities.
Mr. PASSMAN. Those are programs. Is there anything effective that you can point to? The record is replete in every respect that there is a frightening overstaffing of personnel. We are giving a $4.5 million subsidy to the Bolivian budget for this cause.
Mr. MANN. I have some knowledge of this, sir, because I worked on this some years ago. Comibol has a problem because at least some of its employees are Communist controlled. Unless things have changed since the last time I was in Washington, we used to calculate they had about twice as many employees as they really needed.
At the same time, management of these mines had been deficient because it had not done any new exploration work, so the veins they were working were playing out. They are producing tin at a cost much higher, in terms of the cost of production, than the world price.
I myself talked to the Germans and to Bolivians some 4 years ago to get some Germans—we had never been able to accomplish very

much with Comibol—to go down and actually take over the management of these mines.

(Discussion off the record.)

Mr. PASSMAN. Then I made a fairly accurate description of the situation. I speak of the Government as a whole. You say they have double the number in the mines?

Mr. MANN. In the mines. I do not have the figures on the other parts of the bureaucracy, but Comibol is in bad shape.

Mr. PASSMAN. Is this owned by the country?

Mr. MANN. Yes, sir, these are the mines that used——

Mr. PASSMAN. The Communists have control of them?

Mr. MANN. You remember in the history of Bolivia——

Mr. PASSMAN. We are quite familiar with it.

Mr. MANN. The mines were owned by the three tin "barons."

Mr. PASSMAN. Do you think there is a possibility this situation will be straightened out? We have given them a tremendous amount of aid.

Mr. MANN. Some way has to be found to do that, Mr. Chairman. The only alternative is to pull out.

Mr. PASSMAN. I am not recommending you pull out. I am recommending that we not be stupid. This is direct budgetary support which is necessary because they employ twice the number of people they need. You say we could accomplish very much in the situation, and you had to have the Germans to come in to help us. How direct is your information that some improvements are being made or that we may expect some improvements to be made?

Mr. MANN. They had fired some 700 employees and had a little shooting match as a consequence of it. We hope to carry out the whole program just as soon as we can, Mr. Chairman, but it is not easy.

Mr. PASSMAN. What is the population of Bolivia?

Mr. MANN. 4,100,000.

(Discussion off the record.)

EFFORTS TO RELOCATE POPULATION

Mr. MANN. May I tell you another thing that the Export-Import Bank did many years ago which is paying off? All of the Indians, because of malaria in the old days, lived on what they called the Altiplano, which is from about 14,000 to 16,000 feet high. There is a frost every morning. You can imagine how poor the agricultural crop is. The real salvation is to get the Indians, who are the major portion of the population of Bolivia, down off the Altiplano and into the Alto Beni, Chaparé, and Santa Cruz areas, which are below 5,000 feet, where they can easily grow crops.

Mr. PASSMAN. I hope you succeed before our money runs out.

Mr. MANN. There is a lot of good unused land.

DELINQUENT LOANS FROM EXPORT-IMPORT BANK

Mr. PASSMAN. May I ask you this question, since you brought in the Export-Import Bank. Does Bolivia owe the Export-Import Bank any money?

Mr. MANN. I believe so.

Mr. PASSMAN. Have they employed the rollover procedure in Bolivia?

Mr. MANN. No.

Mr. PASSMAN. Are they delinquent, then?

Mr. MANN. They are delinquent. They have promised to pay up.

Mr. PASSMAN. You know what the rollover system is?

Mr. MANN. Yes, sir. That is the extension, rolling out or extending the debt.

Mr. ROGERS. Mr. Chairman, I think you did ask for specific information on results with respect to reduction of surplus miners in Comibol.

Mr. MANN. That was 700. Is that the right figure?

Mr. ROGERS. Actually, the information we have is that over 2,000 have been dismissed since Operation Triangular started in March 1961.

NUMBER OF EMPLOYEES OF BOLIVIAN GOVERNMENT

Mr. PASSMAN. What is the total number of employees in the Government of Bolivia? I am talking about all of it now, because the Government owns the mines.

Mr. ROGERS. We will supply that. I do not know what the total is.

Mr. MANN. We can insert that. This is only a beginning, Mr. Chairman.

(The information supplied follows:)

NUMBER OF ALL GOVERNMENT OF BOLIVIA EMPLOYEES, RELATED TO NUMBER OF PEOPLE LAID OFF BY COMIBOL

As of May 20, 1964, Government of Bolivia employees total 87,008 made up of 45,080 employed by the central government and 41,928 employed by the semiautonomous state-owned agencies. The breakdown of employment among the semiautonomous state-owned agencies is as follows:

Comibol	25,399
State petroleum company (YPFB)	7,000
State development corporation (CBF)	1,950
National road service (SNC)	1,000
State railroads	4,735
National airline (LAB)	845
Agricultural bank	149
Mining bank	850
Total	41,928

According to Comibol's records, there has been a gross reduction of 4,977 in the number of Comibol employees between April 1961 and April 1964. According to USAID/Bolivia records, there was a net reduction of 2,116 Comibol employees between April 1961 and September 1963. USAID/Bolivia auditors are currently examining Comibol's records to determine what further net employee reductions, if any, have taken place since September 1963.

INVESTMENT GUARANTEE AGREEMENT

Mr. PASSMAN. Do you have an investment guarantee agreement with Bolivia?

Mr. ROGERS. Subject to check, yes.

Mr. PASSMAN. Subject to check is good but, gentlemen, give us some answers to these questions. Do you have an investment guarantee agreement with Bolivia?

Mr. STERNFELD. Yes.

SUPPORTING ASSISTANCE

Mr. PASSMAN. You requested $——— last year for supporting assistance, did you not?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you allocate for supporting assistance to Bolivia?

(Discussion off the record.)

Mr. PASSMAN. I want to say about Mr. Moscoso that this Government lost one of the most dedicated public servants ever to serve our country. That man worked untiringly, and he never attempted, directly or indirectly, to try to cover up when you asked him a question.

Mr. MANN. He is a very honest, dedicated public servant. I agree with you.

(Discussion off the record.)

MINERAL SURVEY PROJECT

Mr. PASSMAN. I note that you have extended the final year of obligation for the mineral survey project on page 32 until fiscal 1967; is that correct?

Mr. MANN. It was extended 1 year.

Mr. PASSMAN. Will this result in additional cost to complete the project?

Mr. MANN. About $50,000.

FEASIBILITY STUDIES BY GERMAN FIRM

Mr. PASSMAN. Do I understand the narrative correctly that you are requesting $200,000 in fiscal 1965 to finance a contract with a German consulting engineering firm to conduct feasibility studies in Bolivia?

Mr. MANN. That is correct.

Mr. PASSMAN. Do I get the same answer by referring to the previous exchange between myself and the Secretary that we had never been able to accomplish very much with the situation, and for that reason we brought the Germans in?

Mr. MANN. No, sir.

Mr. PASSMAN. I just wonder really if we have reached the point that we are picking up the checks because we do not have personnel in this particular category to cope with the situation.

Mr. MANN. We thought at the time, Mr. Chairman—and I think it was the right decision—that we had been so involved in Bolivian affairs for so long it would be a good idea if we could get the Germans, who are very good at mining and in administration, to come in and help us in conducting feasibility studies. As you know, it is a triangular proposition. We are in it as are the Germans and the Inter-American Development Bank.

This program is to do studies and provide on-the-job training to about 40 Bolivian engineers in electric power, city water systems, irrigation, and city planning.

Mr. Chairman, in this project, if I may add one line, we are financing with aid funds 40 percent of this particular project. The Germans, I am happy to say, are putting up another 40 percent. The Inter-American Bank is putting up 15 percent. The Government of Bolivia is putting up 5 percent.

CONTRIBUTIONS FROM GERMAN GOVERNMENT

Mr. PASSMAN. That is good. What is the total amount of the grant-aid that the Germans are giving to this project?

Mr. STERNFELD. The same exact amount as we are, $200,000.

TOTAL WEST GERMAN INPUT

Mr. PASSMAN. Can you give us the same information for all of Bolivia?

Mr. STERNFELD. What the Germans are doing in all of Bolivia?

Mr. PASSMAN. Right; put it in the record. Are they committed beyond the feasibility study?

Mr. STERNFELD. Yes, sir; they are putting funds in the Comibol, and we can supply that information for the record.

Mr. PASSMAN. I wish you would spell out Comibol, because there are 1,813 of these abbreviations in the Federal Government, and someone reading the record will not know what it is.

Mr. ROGERS. Comibol stands for the Spanish for the Bolivian Mining Corp., the tin mines owned by the Bolivian Government. Under the Comibol rehabilitation programs; that is, improvements to the mine, getting cost per pound of tin down, a comprehensive program for increased productivity, reduction in employment, phase 1, German contribution, $2 million; phase 2, Federal Republic of Germany contribution, $4.6 million.

Mr. PASSMAN. The U.S. contribution to Bolivia in the same period?

Mr. ROGERS. To this rehabilitation program?

Mr. PASSMAN. I had asked for a nationwide figure for Germany's contribution.

Mr. ROGERS. I beg your pardon. I thought you were talking about Comibol.

Mr. PASSMAN. You gave us $200,000 for the feasibility study and Comibol, but I wanted the total for the nation. Can we get that?

(The requested information follows:)

TOTAL GERMAN INPUT INTO BOLIVIA

West German aid to Bolivia to date totals $11.2 million made up of $6.6 million in loans to Comibol as the German portion of the first two phases of Operation Triangular (Bolivia's national mining rehabilitation program which is being jointly financed by Germany, the Inter-American Development Bank and the U.S. Government) and $4.6 million of grant-aid under four projects:

GRANTS

	Million
1. Feasibility studies and training of Bolivian engineers (DPU)	$0.8
2. Participant training	.2
3. Geological survey team	2.0
4. German schools in La Paz, Oruro, Santa Cruz, and Sucre	1.6
Total grants	4.6

LOANS

Loans to Comibol	6.6
Total	11.2

INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. You allocated $370,000 for fiscal year 1964 to the industrial development project on page 35. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $340,000.

Mr. PASSMAN. On page 35, I note the completion date for this project has been extended by one year to fiscal 1969.

Mr. ROGERS. That is correct.

Mr. PASSMAN. What additional funds will be required?

Mr. ROGERS. Roughly $700,000.

Mr. PASSMAN. What do you mean by "roughly"?

Mr. ROGERS. I can give you the exact figure.

Mr. PASSMAN. That would be much better.

Mr. ROGERS. $815,000.

Mr. PASSMAN. Give me that extra $115,000, and I would take a vacation.

You have an open-end contract at this time with the management consulting firm under this project?

Mr. ROGERS. Yes, sir; one is in negotiation.

Mr. PASSMAN. What is the cost of that contract?

Mr. ROGERS. We will have to get the breakdown and advise you on that.

DEFINITION OF OPEN-END CONTRACT

Mr. PASSMAN. Would you like to describe for the record briefly your interpretation of an open-end contract?

Mr. ROGERS. In the case of an open-end contract like this, what this means is that the mission makes periodic requests for the contractor to supply short-term people when the need comes up. In other words, the idea is to avoid saying right at the outset we think we will need 15, let's get all 15 down here and have the 15 sit around. In this case, precisely how many people will be needed will be developed throughout the period of a year, and hence the mission is in the position to call upon people under the contract, from the contractor, only as required.

Mr. PASSMAN. I asked that question to get the description. Your estimate has gone up and not down, though.

Mr. ROGERS. That is correct.

Mr. PASSMAN. So, you had better let them go back to the old system, if open-end contract calls for this much of a percentagewise increase.

Mr. ROGERS. I do not think we have tied the increased cost to completion to the fact that this is an open-end contract. I do not believe it is.

Mr. PASSMAN. I was tying it. You untie it. You said you did not have the figures a moment ago.

Mr. ROGERS. We are going to supply that.

(The requested information follows:)

CONTRACT FUNDING ON INDUSTRIAL DEVELOPMENT PROJECT

Current allocations for contract funding under the industrial development project for Bolivia for fiscal year 1964 total approximately $121,500. The breakdown of the contracts already obligated, or that will be obligated before June 30, 1964, against this amount is as follows:

1. Investment law adviser, $10,000.
2. Open-end contract for consultative services to assist productivity center, $80,000.
3. Management-business administration training course contract, $21,000.
4. Management and economic development seminar, $3,500.
5. Organization of management association contract, $4,000.

The remaining $123,500 is allocated to the open-end contract for the productivity center, but its obligation will depend upon Bolivian progress on the center.

CIVIL AVIATION PROJECT

Mr. PASSMAN. You allocated $432,000 in fiscal 1964 to the aviation project on page 36. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. There was no reference to this in the shadow book for fiscal year 1964.

Mr. PASSMAN. What kind of book?

Mr. ROGERS. Shadow book.

Mr. PASSMAN. I had not heard it called that before. I have suspected it all along. Now it has been confirmed.

Is this one of those projects you started where you had no request for funds?

(Discussion off the record.)

Mr. PASSMAN. Could you project the cost of this project to completion?

Mr. ROGERS. $1.342 million.

INLAND WATERWAY DEVELOPMENT PROJECT

Mr. PASSMAN. This is really a loose program. I note you are proposing to initiate an inland waterway development project on page 37 at a cost of $100,000 in fiscal 1965. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Project the cost of this project to completion.

Mr. ROGERS. $600,000.

Mr. PASSMAN. How many years will be required?

Mr. ROGERS. Five years.

Mr. PASSMAN. Under the civil action program, the U.S. military mission is currently bringing four 42-foot wooden boats to Bolivia, three to be equipped as survey vessels and one as a medical vessel. Under what appropriation are those boats funded?

Mr. ROGERS. Military assistance.

EXPANSION OF ENGINEERING ADVISORY SERVICES PROJECT

Mr. PASSMAN. You are proposing to expand the Engineering Advisory Service at page 38, by $72,000 in fiscal year 1965, is that correct?

Mr. STERNFELD. That is correct.

Mr. ROGERS. The increased obligations, fiscal year 1965 as compared with fiscal year 1964, are $72,000.

LABOR TRAINING PROJECT

Mr. PASSMAN. Last year you requested $160,000 to finance certain people under the labor training project; is that right?

Mr. ROGERS. $160,000. This year it will be $150,000. We proposed $160,000 last year.

Mr. PASSMAN. How many participants received such training in fiscal year 1964?

Mr. ROGERS. We are planning for about 50.

Mr. PASSMAN. Can you tell us how you allocated $150,000 under this project?

(The information supplied follows:)

LABOR TRAINING PROJECT, BOLIVIA

The $150,000 allocated under the fiscal year 1964 labor training project was distributed as follows:

1. $85,000 to finance 80 labor participants for training in the United States, Puerto Rico, and third countries.
2. $15,000 to finance commodities (mimeograph machines, office supplies, etc.) imported from the United States to support the in-country labor training program.
3. $50,000 to finance local training programs for Bolivian labor leaders, under an agreement with the American Institute for Free Labor Development (AIFLD).

HEALTH ASSISTANCE PROJECT

Mr. PASSMAN. I note you allocated $104,000 to the health assistance project at page 41, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. In this case, last year's book did not set out this project.

Mr. PASSMAN. This is a new project?

Mr. ROGERS. No, sir; it is a continuation of a project that goes all the way back to 1943.

Mr. PASSMAN. You did not justify any funds for this last year?

Mr. ROGERS. In late 1963 the ministry of health took over the previous activities under health assistance——

Mr. PASSMAN. A good explanation. Did you request any money for the project last year?

Mr. ROGERS. No, sir. It did not appear in the book.

GOVERNMENT MANAGEMENT ASSISTANCE PROJECT

Mr. PASSMAN. I note that you allocated $275,000 for contract services under "Government management assistance project," at page 43; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Why do you need $300,000 for this purpose in fiscal year 1965?

Mr. ROGERS. The project in fiscal year 1965 will work with the Bolivian Government with regard to land taxes, and with regard to real estate tax laws. The increased centralized budget control is another very important element.

Mr. PASSMAN. What page are you reading from out of the book, there?

Mr. ROGERS. I am expanding on what appears on page 43, Mr. Chairman.

Mr. PASSMAN. Go ahead, sir.

Mr. ROGERS. And the reduction of the public sector deficit.

INCREASE IN CONTRACT SERVICES ALLOCATIONS OVER BUDGET REQUEST

Mr. PASSMAN. Let's point out the inconsistencies and again indicate the looseness of this program. You requested $50,000 for contract services. You allocated $275,000, and you are requesting $300,000 for fiscal year 1965; is that correct?

Mr. ROGERS. That is correct. The total estimated obligations for——

Mr. PASSMAN. You asked for $50,000 in fiscal year 1964, you allocated $275,000, and you are asking for $300,000.

Mr. ROGERS. You will notice a substantial reduction in commodities and the total number remains the same in the books: Fiscal year 1964, 445; estimate 1965 obligations, 445, in the new book.

Mr. PASSMAN. Let me restate it for the record. Your estimate last year was $50,000 for the contract services?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. But you allocated $275,000.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Which is over 5½ times the amount of your request. Now you plan to increase this element of the project to $300,000 in fiscal year 1965.

Mr. ROGERS. For this one component of the total cost of the project. There are five components. In terms of the cost of the project, we are right to the dollar.

Mr. PASSMAN. You only asked for $50,000 and used $275,000.

Mr. ROONEY. In other words, if one were to ask you the question, Why did you request the much lower amount in fiscal year 1964 and then allocate $275,000, you wouldn't have the answer here; would you?

Mr. ROGERS. Yes.

Mr. ROONEY. Then please tell us the answer.

Mr. ROGERS. The answer, as I was trying to point out—the total cost of the project——

Mr. PASSMAN. We asked specifically about contract services. You asked for $50,000. You allocated $275,000, and the gentleman's statement is a good one. What is the answer as to why you raised the estimate by 5½ times?

Mr. ROGERS. Enlarged responsibility of the contractor and the work he was doing with regard to public sector deficits and income.

Mr. PASSMAN. Who was the contractor?

Mr. ROGERS. I don't know the answer.

Mr. PASSMAN. You don't know whether that answer is correct, do you? You go up to $275,000 and you have an answer that is not sufficient for my vote.

Mr. ROGERS. The answer I don't have is who the contractor was. I can tell you what his responsibilities were.

Mr. PASSMAN. You have eight men. How many men did you contemplate for when you asked for the $50,000?

Mr. ROGERS. Twelve short-term contractors.

Mr. PASSMAN. Under the $275,000, you have eight long-term contract personnel?

Mr. PASSMAN. You better go back to the short terms.

Mr. ROGERS. Two teams.

Mr. PASSMAN. Your justification for money there is zero.

Mr. ROGERS. Have I made it clear how vital we feel this improvement of the public sector financial——

Mr. PASSMAN. I know it is vital.

You asked for one thing and you ignored that completely.

Mr. ROGERS. The fact that we expanded the contract services——

Mr. PASSMAN. You allocated 5½ times.

Mr. ROONEY. There may be a good and valid reason for this, Mr. Chairman, but apparently the gentleman doesn't have it.

Mr. MANN. We would like to put that in the record. I am sure there is a good reason.

Mr. PASSMAN. Put it in the record.

(The information supplied follows:)

GOVERNMENT MANAGEMENT ASSISTANCE PROJECT CONTRACT SERVICES—BOLIVIA

The increase in requested funding for contract services from $50,000 to $275,000 in fiscal year 1964 is due to proposed implementation of a major effort in fiscal reform. This effort, involving 12 contract technicians, is to help the Government of Brazil to adopt the recommendations contained in the U.S. Bureau of the Budget team report of March 1963 and the Ellis Report on Bolivian Government Accounting Procedures produced by the U.N.

This project encompasses centralization and control of budgets of the Central Government and State-owned enterprises; improved Central Government budget procedure; elimination of duplicate accounting now performed by both the Controller General's Office and the Ministry of Finance; and conversion of Government accounting from preaudit to postaudit.

Coupled with efforts now underway in customs improvement and tax reform, the Government management assistance project is making progress in helping the Government of Bolivia to become financially self-sufficient. The doubling of customs revenues in the past 4 years and the nearly equal increase in internal tax collections attest to its value. Recently concluded contracts for tax administration improvement with the U.S. Internal Revenue Service, and for assistance on improving the urban real property tax and inaugurating an agricultural land tax are still further efforts to reduce and eliminate U.S. budget support by providing the means for Bolivia to raise sufficient revenues.

The major contract in fiscal reform calls for six technicians. Fiscal year 1964 funding will provide 1 year of financing for the six. In addition, the Internal Revenue Service will provide two technicians in tax administration improvement. Also, private contractors will assist in improving the urban real property tax (two technicians) and helping to inaugurate an agricultural land tax (two technicians).

MANPOWER DEVELOPMENT PROJECT

Mr. PASSMAN. I note you allocated $37,000 to the manpower development project on page 44, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this last year?

Mr. ROGERS. Nothing in last year's budget request.

Mr. PASSMAN. How much will this project cost to complete?

Mr. ROGERS. $155,000.

SPECIAL DEVELOPMENT ASSISTANCE PROJECT

Mr. PASSMAN. I note you have allocated $50,000 to the special development assistance project on page 47, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. This was not justified in last year's book.

Mr. PASSMAN. This is kind of a slush fund arrangement, isn't it, sometimes referred to as a contingency fund?

Mr. ROGERS. No; this is not a contingency.

Mr. PASSMAN (reading):

This project will provide the ability to respond rapidly in certain circumstances with regard to special assistance.

If that isn't a contingency, how would you describe it?

Mr. ROGERS. What this project involves, Mr. Chairman, is the capacity of the Ambassador and the mission director to meet the need for very small projects for current development, other kinds of things which support the self-help efforts of a people in a small community.

Mr. PASSMAN. For which you have no planned program.

Mr. ROGERS. That is correct.

Mr. PASSMAN. So it is a contingency fund. It may or may not be used.

Mr. ROGERS. This will be used. We know the ways in which this kind of money can be effectively used, and the ways are enormous. They have a small community in the mountains who want to build a bridge. We have had this example. A small community has been working on a road for a long time. They have to get through a small chunk of rock. They have been working on the road with their own muscle for 6 months, and they need a jackhammer, at a total cost of $250. We can file papers for this, call it a separate project, bureaucratize it to death and by the time you finish the operation, you are not going to get the jackhammer up there in time to help these people help themselves.

Mr. PASSMAN. But you are dealing with unforeseen requirements.

Mr. ROGERS. This description of this project relates to needs right now.

Mr. PASSMAN. It is to take care of contingencies, to take care of emergencies or immediate needs, is that right?

Mr. ROGERS. Immediate needs.

Mr. PASSMAN. Do you agree?

Mr. ROGERS. Immediate needs, certainly.

Mr. PASSMAN. It is a standby fund. Would you accept that? It is to be used in the event—and you anticipate there will be a need——

Mr. ROGERS. We know there will be.

Mr. PASSMAN. Tell us what projects.

Mr. ROGERS. I have given you an illustration of the kind of projects we run into.

Mr. PASSMAN. Specifically you have no projects at this time?

Mr. ROGERS. There are hundreds of requests that come into a mission every day.

Mr. PASSMAN. Mention one of them that you have presently pending for use of this money.

Mr. ROGERS. For this one here?

Mr. PASSMAN. Yes.

Mr. ROGERS. I don't know, because this will be done by the mission director, but the kind of requests for pumps we get——

Mr. PASSMAN. It is undetermined, isn't it?

Mr. MANN. We can get that for you. We will have to get it from the area.

Mr. PASSMAN. It is the same as the President's contingency fund. He doesn't know what he is going to use it for, but he anticipates a need is going to arise.

Mr. MANN. I think, Mr. Chairman, that wherever they find a community which is trying to do something to help itself and they need a very small kind of assistance—it may be a bulldozer or a jack-

hammer, or something of this kind—they make up a list of these things that they know about. They don't necessarily forward those to Washington, project by project. They inform us over the signature of the Ambassador that this project is worthwhile. We rely on his advice and he administers the program.

Mr. PASSMAN. I am not quarreling with that. I understand that perfectly. But it is undetermined as to what you will find with this money?

Mr. MANN. No, sir. Undetermined as far as we are concerned right here, today, but we can send a telegram to LaPaz and——

COMMODITY BREAKDOWN FOR FISCAL YEAR 1965

Mr. PASSMAN. I will tell you what you do: Since you insist, it seems, on making it hard on yourself, get us a list of the commodities and the costs of each that you are going to spend the $50,000 for.

Mr. MANN. I think we can do that, sir.

Mr. PASSMAN. Would you tell us how much you have in this same type of contingency fund project for each one of the nations in your region? I was only trying to establish the type of fund. All businesses have petty cash items. I have them in my own business. But you always feel that I am trying to trap you, and you just don't want to give the correct answer, so let's just find out what you are going to spend this $50,000 for in fiscal year 1965.

Could you do that?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Of course, my request is pending for all countries.

Mr. MANN. We can do that.

(The information follows:)

SPECIAL DEVELOPMENT ASSISTANCE PROJECT—BOLIVIA

The commodity breakdown for the special development assistance project for fiscal year 1965 is expected to be approximately as follows:

(1) Textbooks and inexpensive pieces of laboratory equipment for four Bolivian universities (San Andres, Cochabamba, Santa Cruz, and Sucre), $10,000.

(2) Schoolroom equipment (blackboards, pencils, and chalk) and assistance in drilling water wells (pipes and operating costs or rental of drilling equipment) for selected rural and urban primary schools, $15,000.

(3) Hand tools (picks, shovels, and machetes), roofing material, and heavy equipment rental for selected "Alianza" self-help committees in small towns and villages, $12,000.

(4) Bulldozer operating costs or rental for small self-help road projects, $8,000.

(5) Fruit sorting and packing equipment, other small commodities for cooperatives, $5,000.

Mr. PASSMAN. You already have a list made up of what you are going to spend the money for, and you don't even have an authorization. Congratulations. You are moving rapidly.

Mr. ROGERS. I don't want our silence to indicate that we have made some commitments with respect to these things.

Mr. PASSMAN. Now I have two answers.

Mr. ROGERS. That we have committed ourselves.

Mr. PASSMAN. You already have the regional fund and the contingency fund. I can understand where there may be a need for a petty cash account like this in each country.

TECHNICAL SUPPORT PROJECT

I note you have allocated $735,000 for the technical support project at page 48.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much was the request last year?

Mr. ROGERS. $554,000.

Mr. PASSMAN. I think I better make this note, because this is a pattern throughout the entire world: Out of a $5 billion request, you wanted $500,000?

Mr. ROGERS. $554,000.

Mr. PASSMAN. Out of the $2,865,000 appropriation, you can fund $735,000?

Mr. MANN. This is the world figure, again.

Mr. PASSMAN. We have run into millions in other areas of the world.

Mr. STERNFELD. Mr. Chairman, this was a program where we had estimated and justified to the Congress $5.5 million for fiscal year 1964 and that is the level of the program we expect to carry out.

Mr. PASSMAN. I was merely indicating for the record this is a pattern, worldwide. In some instances it is $7, $8, $9, $10 million more on regional projects in other parts of the world. You wanted $500,000 for this project out of a $5 billion request, but you were able to allocate $735,000 out of the $2,865 million appropriation.

SALARIES AND ALLOWANCES OF U.S. TECHNICIANS

Last year you requested $344,000 to finance salaries and allowances of 19 U.S. technicians under this project, is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. This year page 48 indicates that you allocated $385,000 for this purpose, and that you want $373,000 in fiscal year 1965 to finance the salaries and allowances of 16 direct-hire personnel, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Again, it indicates in one instance direct-hire is cheaper and in another instance it is contract personnel. Now, are you dealing with the same type of technicians, here, or have you changed——

Mr. ROGERS. These are all U.S. direct-hire technicians, Mr. Chairman.

Mr. PASSMAN. Now, if you estimated 19 technicians for $344,000 last year, and actually allocated $385,000, why would you need $373,000 in 1965 for 16 technicians when the average salary is $20,000?

Mr. ROGERS. There isn't a direct correlation here. The cost here is the full cost, and not strictly technician salaries, so you can't divide the number of technicians into the figures we give you for U.S. technicians.

Mr. PASSMAN. You said the average salary and related costs was $20,000 to $21,000. You stated that early in the record. If you were able to fund 19 technicians with $385,000, why do you need within $373,000 to fund 16 technicians in fiscal year 1965?

Mr. STERNFELD. We would have to examine this a little more closely, Mr. Chairman. There may be some people who are returning home

during this period, and heretofore the cost might be higher in 1965. They finish their second 2-year tour.

INCREASED COST FOR EL ALTO AIRPORT CONSTRUCTION PROJECT LOAN

Mr. PASSMAN. I note that we have another one of these very carefully scrutinized development credits at page 49 in the amount of $2,700,000 for the El Alto Airport construction project, which was originally authorized June 17, 1959, in the amount of $1,500,000, and the present cost, in this instance, not including the terminal building cargo area, and additional communication facilities, is up to $3,300,000, is that correct?

Mr. ROGERS. That is correct.

SUGAR MILL LOAN PROJECT IN DEFAULT

Mr. PASSMAN. I note that the sugar mill project at page 52 received a development credit of $1,750,000 in February 1961, and has had disbursements stopped twice, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. The loan was increased once in November 1963, by $650,000, and AID declared the loan in default as of January 27, 1964. Would you care to comment on just one of these carefully reviewed projects that we have heard so much about?

Mr. ROGERS. This is a part of a general problem for getting them back on their feet. The original plan was to increase the capacity of this mill, which is one of the major elements in the private sector in Bolivia and benefits some 4,000 people. To get that mill's capacity up to a very substantial figure—I think it was originally proposed to get 2,000 tons per day—the mill expansion program was begun. We had dealings with the mill when it had substantial private ownership. Private ownership failed to meet their $750,000 equity obligation required under the loan agreement. We wanted to keep this piece of the private sector alive, and we are now negotiating for other private owners to come in and take this over. There is a serious problem of allowing this thing to go under, damaging the private sector in Bolivia—which is not too strong anyway—and eventually throwing all these people out of work.

Mr. PASSMAN. Is it just a question that the private companies just did not raise their part of the capital prior to the approval of the loan?

Mr. ROGERS. That is correct. They did not come up with the equity contribution required.

Mr. PASSMAN. It is just another instance of haste and because of that haste, the U.S. taxpayer picks up the check. And the additional amount that you did approve is already in default, isn't it? The loan is in default, isn't it?

Mr. ROGERS. The repayments are in default; that is correct.

INDUSTRIAL BANK PROJECT

Mr. PASSMAN. I note that AID has provided $2,400,000 as a development credit to the Industrial Bank project at page 57, and that Public Law 480, title I, proceeds provide an additional $300,000 to the bank, leaving the rest to be provided by Bolivian banks and private investors.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Inasmuch as the bank was inaugurated July 5, 1963, would you furnish for the record the date this development credit was received by the AID agency?

(The information supplied follows:)

INDUSTRIAL BANK LOAN

The loan application was sent from La Paz to Washington on December 20, 1962, under cover of a letter from the president of the Industrial Bank and arrived in Washington on December 28, 1962. The Industrial Bank had been organized during 1962 and Bolivian commercial banks and private investors had subscribed $300,000. However, it was not until July 1963 that the bank actually opened its doors for business.

Mr. PASSMAN. The bank was inaugurated in July 1963; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. The loan was authorized 5 days later, July 10, 1963?

Mr. ROGERS. Did you ask when the loan was approved? It was July 29, I think.

Mr. PASSMAN. Page 2291 of last year's hearings indicated it was authorized July 10, 1963, 5 days after the inauguration of the bank. This is practically a U.S.-owned bank, isn't it?

Mr. ROGERS. We have provided very substantial seed capital.

Mr. PASSMAN. The local people put up $300,000 and we put up $2.4 million plus $300,000 in local currency; is that right?

Mr. ROGERS. That is correct.

Mr. MANN. There is just not much there to work with, Mr. Chairman.

Mr. PASSMAN. It is rather evident.

Mr. ROGERS. The effort is to get some movement in the private enterprise sector in Bolivia.

Mr. MANN. To built it up. It almost doesn't exist, Mr. Chairman. You can't find private money.

Mr. PASSMAN. Let's buy them out and just take over. With participation like this, it is a wonder you can get into your office every morning, it could be so filled with applications.

Now, we have about seven more pages of questions on Bolivia covering a lot of projects pertinent to the program. In the main, if we asked about the same questions, about the same type of projects, we would get similiar answers, would we not, to those we have gotten previously?

Mr. ROGERS. Yes.

Mr. PASSMAN. Thank you very much, sir.

Mr. ROONEY. Are you asking him whether he knows anything more about anything else——

Mr. PASSMAN. Exactly. I am putting it in diplomatic terms.

Mr. Rooney, Bolivia?

Mr. ROONEY. I have no further questions, Mr. Chairman.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. I have no questions.

BRAZIL

TOTAL FOREIGN AID

Mr. PASSMAN. What has been our total aid to Brazil since the inception of the program?

Mr. ROGERS. $2,332,400,000.
Mr. PASSMAN. You said "billion," did you?
Mr. ROGERS. Yes, sir.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What do you have in the pipeline?
Mr. ROGERS. $271,992,000.
Mr. MANN. The great majority of this is Export-Import Bank, Mr. Chairman, as you know.
Mr. PASSMAN. Does that include Public Law 480?
Mr. ROGERS. And Eximbank.
Mr. PASSMAN. How much is Public Law 480?
Mr. ROGERS. $499.7 million.
Mr. PASSMAN. The pipeline is only $271,992,000. What part of that is Public Law 480?
Mr. ROGERS. $98,730,000.

REQUEST FOR 1964

Mr. PASSMAN. How much did you request for Brazil in fiscal 1964? Give us the total.
Mr. ROGERS. $——— to $———.
Mr. PASSMAN. Let us not confuse the record. It is $———. The second figure is an imaginary one. ——— is correct, is it not?
Mr. ROGERS. That is correct.
Mr. PASSMAN. Let us not get off into the wide blue yonder and use specifically the dollar estimate.
What did you allocate, or what do you propose to allocate total?
Mr. ROGERS. ———.
Mr. PASSMAN. I think we have had a rather frank discussion about the shortcomings of the Goulart administration and the chances of Brazil going forward. Unless you want to discuss this policy further I will not ask questions. Other members may.
Mr. MANN. I have nothing to add, Mr. Chairman, unless the members have additional questions.
Mr. PASSMAN. The program for Latin America must work. It will not work if we don't stop kidding ourselves about what they have accomplished. I want to help you get the program off the ground. I don't want to get anything in this record which would hurt our efforts.
Mr. MANN. It has to work, Mr. Chairman.
(Discussion held off the record.)

U.S. TECHNICIANS

Mr. PASSMAN. I note you had a total of 195 U.S. technicians on duty at the end of the 1964. Is that correct?
Mr. ROGERS. That is correct.
Mr. PASSMAN. How many technicians did you justify last year for this country?
Mr. ROGERS. 146.
Mr. PASSMAN. How are you able to fund these hundreds of projects, if not thousands, all over the world with such large reductions made in the appropriation?

AGRICULTURAL MARKETING PROJECT

The agricultural marketing project on page 61 was initiated in fiscal 1963 and through June 30, 1964, you have obligated $2,279,000. Is that correct?

Mr. ROGERS. Yes, that is the obligation.

Mr. PASSMAN. The expenditures have been only $247,000. Is that correct?

Mr. ROGERS. That is correct, sir.

Mr. PASSMAN. Leaving an unexpended balance of $2,032,000; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Do you expect to deobligate any part of this?

Mr. ROGERS. No.

Mr. PASSMAN. Are you requesting any additional funds for 1965?

Mr. ROGERS. We have obligations in 1965 of $1,221,000.

Mr. PASSMAN. You do not have obligations in 1965 because you do not have your money yet. The question is whether you are requesting additional money for fiscal 1965; if so, how much?

Mr. ROGERS. We propose obligations for next year of $1,221,000.

Mr. PASSMAN. You cannot obligate until you get the money, can you?

Mr. ROGERS. Clearly correct.

NATURAL RESOURCES SURVEY PROJECT

Mr. PASSMAN. I note you have allocated $647,000 for the cost of U.S. technicians under the natural resources survey project shown on page 62; is that correct?

Mr. ROGERS. $647,000 for U.S. technicians.

Mr. PASSMAN. How much did you request for this project last year? Put it in the record.

(The information supplied follows:)

NATURAL RESOURCES SURVEY

(Fiscal year 1964 program in fiscal year 1964 presentation)

[In thousands of dollars]

Name of project	U.S. technicians	Participants	Contract services	Commodities	Local costs	Total
Water resources survey (northeast)	60	75	100	135	30	400
Fisheries			300	50	10	360
Mineral resources survey	40	26	78	18	19	181
Total	100	101	478	203	59	941

NOTE.—Funds programed above to finance participating agency service agreements with other U.S. Government agencies are shown under contract services. In the fiscal year 1965 presentation, funding for the participating agency service agreements is shown under U.S. technicians.

Mr. PASSMAN. How much did you request for U.S. technicians last year under the old projects, the three old projects?

Mr. ROGERS. $100,000 for the three projects combined.

Mr. PASSMAN. And you allocated $647,000?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Congratulations.

Last year you requested——

Mr. ROGERS. We might add, Mr. Chairman, that last year we proposed substantial contract services to support this project.

Mr. PASSMAN. I am going only by what you specifically requested.

Mr. ROGERS. Yes.

Mr. PASSMAN. $100,000 for technicians for the three projects. You consolidated the projects and allocated $647,000.

Mr. ROGERS. I wanted it to be clear that you did not misunderstand. Although our technicians' costs went up the proposed projected contract costs were substantially reduced.

Mr. PASSMAN. You justify one figure and when you get the money you do what you want to.

Mr. PASSETT. All we did was to substitute direct-hire engineers for a contract for the hire of engineers.

Mr. PASSMAN. What is the cost of contract services under the three projects?

Mr. PASSETT. We never did the contract services.

Mr. PASSMAN. What did you ask for?

Mr. PASSETT. $478,000 for the three projects.

Mr. PASSMAN. Even on that basis you are still up about 50 percent; are you not?

Mr. PASSETT. No. There would be a total for personnel of——

Mr. PASSMAN. Take $647,000. Subtract the original figure. What is the difference.

Mr. PASSETT. $79,000 difference.

Mr. PASSMAN. You had better do better subtracting than that. Take $647,000 and subtract $478,000, and it would appear that you would have about $169,000.

Mr. ROGERS. You have to take off the $100,000.

Mr. MANN. $169,000, Mr. Chairman.

Mr. PASSMAN. Let us take off the contract, too, $118,000. That will make it worse.

Mr. ROGERS. No contract service provided this year. That is commodities shown on page 62.

Mr. PASSMAN. You are still above, are you not?

Mr. ROGERS. That is right.

Mr. PASSMAN. Can we move to another project now?

Mr. ROGERS. Yes.

FRONTIER DEVELOPMENT PROJECT

Mr. PASSMAN. Last year you requested $25,000 for the frontier development project shown on page 63 for U.S. technicians. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I notice you have allocated $125,000 for this purpose in 1964.

Mr. ROGERS. Same story here, Mr. Chairman, reduction in contract services, reducing U.S. technicians.

Mr. PASSMAN. The overall cost is up?

Mr. ROGERS Overall cost is reduced from $365,000, to $161,000.

Mr. PASSMAN. Why are you requesting $70,000 for U.S. technicians in 1965 which include costs of transportation expenses incident to the moving of personnel to Brazil and phasing out costs for one direct-hire technician?

Mr. ROGERS. $70,000 for U.S. technicians includes transportation expenses incident to moving personnel to Brazil and phase out costs for one direct-hire technician.

Mr. PASSMAN. Tell us what the $125,000 allocation in 1964 is for.

Mr. ROGERS. It also includes two research technicians.

Mr. PASSMAN. You asked for $25,000 and you allocated $125,000. You had to transport them to Brazil in 1964, did you not?

Mr. ROGERS. For the U.S. technicians portion of the contract. There was a substantial overall reduction in the cost of the contract.

Mr. PASSMAN. That does not enter into it at all. We are dealing with the U.S. technicians of last year. You requested $25,000 and you funded $125,000. Is that a statement of fact?

Mr. ROGERS. That is correct.

Mr. PASSMAN. And did the personnel go to Brazil?

Mr. STERNFELD. They have not yet arrived in Brazil, Mr. Chairman. This is a project where people are still being recruited.

Mr. PASSMAN. The $125,000 includes transportation costs?

Mr. STERNFELD. That is correct.

TRANSPORTATION OF U.S. PERSONNEL

Mr. PASSMAN. Let us go to your statement on the righthand side.

Cost includes transportation expenses incident to the movement of personnel to Brazil and phase out costs for one direct hire technician.

When do you anticipate the personnel will go?

Mr. STERNFELD. I saw a telegram 2 days ago on this subject which was sent out to Brazil. This indicated that people are on their way. I would have to refresh my memory, to go back to that particular telegram.

Mr. PASSMAN. Transportation costs would be funded out of 1964 or 1965 funds?

Mr. STERNFELD. If they will leave this fiscal year it will be funded out of 1964.

Mr. PASSMAN. Then you do not need the amount that you are requesting for fiscal 1965, do you?

Mr. STERNFELD. There are going to be expenses related to these technicians.

Mr. PASSMAN. You are including transportation expenses in your fiscal 1965 estimate. If you are going to pay it out of fiscal 1964——

Mr. STERNFELD. But there will be costs connected with two research technicians in fiscal 1965. They will have salaries in 1965 which will have to be covered.

Mr. PASSMAN. I will read the complete sentence:

Costs include transportation expenses incident to the movement of personnel to Brazil and phase out costs of one direct hire technician.

That is in the 1965 estimate.

Mr. STERNFELD. That is correct.

Mr. PASSMAN. If you are taking them down and paying them in 1964 why would you include the cost of transportation expense in 1965?

Mr. STERNFELD. There will be somebody else. As the sentence before states there will be two research technicians to be provided by the Department of Agriculture.

If we were to take the average cost of the two research technicians, the figures we gave you will show $42,000.

The next sentence states there will be costs, including transportation——

Mr. PASSMAN. There is no such thing as "there will be." I read it completely. It says "cost includes."

Mr. STERNFELD. This is 1965. This is a request. If we do not have the funds we couldn't——

Mr. PASSMAN. How much is included for transportation under this heading?

Mr. STERNFELD. We would have to check that specifically to give you the direct answer as to how much of that $70,000 is for transportation.

Mr. PASSMAN. If you move them to Brazil in 1964, pay the transportation in 1964, actually you would not need any transportation costs in 1965, would you?

Mr. STERNFELD. The only transportation cost you would need, if all the movement took place in 1964, would be the cost for this one technician to come back.

Mr. PASSMAN. You made the allocation to cover all the costs in 1964, have you not?

Mr. STERNFELD. The estimate would include cost for all technicians estimated to move in 1964. This is an estimate.

Mr. PASSMAN. Give us a breakdown on the $70,000.

Mr. STERNFELD. I think we can supply that for the record, sir.

Frontier development—Breakdown of $70,000 programed for technicians in fiscal year 1965

Estimated costs:	
Direct-hire U.S. personnel	$20,000
Technical services to be provided by U.S. Department of Agriculture	45,000
Return to United States of 1 direct-hire U.S. technician	3,000
Transportation of U.S. Department of Agriculture short-term personnel	2,000
Total	70,000

Mr. PASSMAN. Have you information on it, Mr. Rogers?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Your telegram indicates they are going down in 1964. The book indicates you will need money to pay for the transportation in 1965.

Mr. STERNFELD. That is right.

Mr. PASSMAN. The point is well made. This is the pattern.

Sometimes we get into millions of dollars and it is the same type of justification.

Mr. STERNFELD. Sometimes these estimates do not work out to be exactly as estimated, sir.

Mr. PASSMAN. We always seem to give you more money than you need and that is why you have all these kittys built up.

LIVESTOCK PRODUCTION PROJECT-BUDGET VERSUS EXISTING PIPELINE

The unexpended funds on June 30, 1964, for the livestock production project are estimated at $4,383,000.

Mr. ROGERS. That is correct.

Mr. PASSMAN. In view of that extraordinarily high pipeline why do you request an additional $1,144,000 for the same project for fiscal 1965?

Mr. ROGERS. The pipeline as of the year end 1963 was primarily for the services to be provided by the U.S. Department of Agriculture and commodities ordered but not delivered.

In 1965, as it is set out in the book, we propose to do substantial funding of technicians, participants, contract services, and commodities.

Mr. PASSMAN. Look at the pipeline.

Mr. ROGERS. This is a large pipeline, I agree, Mr. Chairman.

Mr. PASSMAN. $4,383,000. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This is a project scheduled for completion in 1970.

DURATION OF PROJECT WITH CURRENT PIPELINE

If you did not get any funds in 1965 how long could you run the project out of the pipeline?

Take you time in answering that now.

Mr. ROGERS. I think the point is that we have already incurred obligations.

Mr. PASSMAN. I know that. That is not what I asked. I asked how long you could run this project out of this pipeline?

Mr. ROGERS. We could fund all the obligations we have presently incurred.

Mr. PASSMAN. How long?

Mr. ROGERS. I don't know how long it would take for commodities to be delivered on which we have incurred obligations.

Mr. PASSMAN. How about the contract with the Research Institute?

Mr. ROGERS. The contract goes for 2 years.

Mr. PASSMAN. If you did not get any more money for this project you could go for 2 years, could you not?

Mr. ROGERS. With respect to that contract.

Mr. PASSMAN. How about the other items?

Mr. STERNFELD. You could not finance the U.S. technicians cost. You are only obligating that on an annual basis.

Mr. PASSMAN. That makes it worse.

Mr. STERNFELD. Yes; but in order to keep these 10 people, who I pointed out are necessary for the project——

Mr. PASSMAN. Let us pin this one project down.

Take the previous year withdrawals. When did you start this project?

Mr. STERNFELD. The book states 1963.

Mr. PASSMAN. Can we take the word of the book for it?

Mr. STERNFELD. I would.

Mr. PASSMAN. In this instance I will, then. How much have you expended on this project in fiscal 1963 and 1964? First, fiscal 1963.

Mr. STERNFELD. The book for 1963 shows $455,000.

Mr. PASSMAN. What will you spend on the project in fiscal 1964?

Mr. STERNFELD. Project for fiscal 1964 is an estimate of $500,000.

Mr. PASSMAN. So your average——

Mr. STERNFELD. It might be higher; it might be lower.

Mr. PASSMAN. That is understandable. I always indicate the looseness of this program.

On that basis, using your high figure, you would have about eight and a half years funding, taking your figures?

Mr. STERNFELD. That is on the assumption that we would be spending at the rate we intended in fiscal 1964.

Mr. PASSMAN. You said it could be up or down.

Mr. STERNFELD. I am saying the contract which is the biggest part of this pipeline, as the book indicates, that contract was signed late in fiscal year 1963, so that the expenses——

Mr. PASSMAN. You managed to spend $455,000 in fiscal year 1963 and $500,000 in fiscal year 1964. You have had a 2-year project and your average expenditure has been less than $500,000, and you have a pipeline on June 30, 1964, of $4,383,000.

Have I stated it correctly for the record?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Thank you very much.

DEVELOPMENT BANKS PROJECT

Last year I note you started the Development Banks project on page 65 with an allocation of $50,000. Total cost of the project to completion in fiscal 1970 will be $387,000. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. However, page 65 of this year's project book indicates that through June 30, 1964, you have allocated $11,715,000 of U.S.-owned local currencies. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Your estimate for fiscal 1965 obligations of U.S.-owned local currencies is $17,401,000; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. That is not peanuts either, is it?

Mr. MANN. It is a big country, Mr. Chairman.

(Discussion held off the record.)

Mr. PASSMAN. We have already acquired these dollar equivalents which are the property of the United States, is that right?

Mr. ROGERS. Yes, sir.

POWER PROJECT

Mr. PASSMAN. I note you have allocated $137,000 for the power projects shown on page 66. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. $105,000.

Mr. PASSMAN. I don't know how in the world you can make a request, have it cut by $2 billion, and raise every project. It is a beautiful piece of work.

Mr. ROGERS. I will tell you we have not, Mr. Chairman. We have reduced.

Mr. MANN. We have reduced many projects, obviously, Mr. Chairman.

Mr. PASSMAN. You had sufficient funds to operate all projects in 1964. You had sufficient funds——

Mr. ROGERS. In Brazil——

Mr. PASSMAN. I am talking about worldwide. In your region you testified time and time again you had an adequate program. You do not allocate less funds to one project unless there is no need for those funds. That doesn't give you license, then, to find some way to obligate what you save, plus a lot of additional money.

Mr. ROGERS. We originally presented a program of $20 million for Brazil.

Mr. PASSMAN. I am just showing that you asked for a certain sum of money for a project, and simply because you allocate less money to that project because you do not need all the money you requested, that does not mean you have to find some way to allocate it.

PROGRAM FLEXIBILITY

I point out that you are not violating any law. The program is that flexible and that loose. I only want to caution you that if you go to some other branch of Government, don't get careless. Because if you did this in any other U.S. agency, you never would serve out all your time.

Mr. ROGERS. The total grant program request for Brazil last year was $20 million. We had to reduce it to $16 million.

Mr. PASSMAN. And had a satisfactory program. Did you have sufficient money to fund all your projects? Did you have a satisfactory program?

You said you did.

Mr. ROGERS. We have stated, and I made it clear, the reductions last year did not thwart the objectives of the Alliance for Progress. The primary reason was as a result of what happened in Brazil.

Mr. PASSMAN. This is a pattern around the world where hundreds of projects are funded far in excess of the justifications of last year. The amazing thing about it is that it was out of a substantially reduced appropriation.

I certainly will grant to you that you needed less money in many instances than you testified for.

I want to commend you for not finding some way to waste money on a project. But you turn round and inflate other projects.

Mr. MANN. Don't you think the question is whether we misspent the money? Flexibility is good if you can take advantage of new opportunities you did not foresee. If you can lop off projects and reduce these in the light of experience, I think this is the kind of flexibility this committee should welcome.

Mr. PASSMAN. This will break America. We are going broke pretty fast in many respects.

If this is good operating procedure why don't we just cut loose and let other departments and agencies operate that way?

If this is so good, to have a program so loose and wild, so uncontrolled and uncontrollable, let us bring it home and let our own folks enjoy these luscious and great programs.

I believe I am getting through to you.

Mr. MANN. The difference obviously is that you are dealing with foreign governments that are not always as efficient as ours. Plans are not as well drawn sometimes. There are political changes and other unforeseen events.

Mr. PASSMAN. You could talk all day and couldn't make a better statement than that.

LOCAL CURRENCIES OBLIGATED FOR POWER PROJECT

I note through June 30, 1964, you have obligated $79,619,000 of U.S.-owned local currencies for this project. Is that correct?

Mr. ROGERS. For the power project, that is correct, Mr. Chairman.

LOCAL CURRENCY ESTIMATE FOR 1965

Mr. PASSMAN. You estimate an additional $8.120 million of obligations in local currency for fiscal 1965, is that correct?

Mr. ROGERS. That is correct, sir.

EXTENSION OF MANAGEMENT DEVELOPMENT PROJECT

I note that the management development project completion date has been changed to 1970, an increase of 5 years in the life of the project. Is that right, sir?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Is any additional cost involved in extending its life for 5 years?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much?

Mr. ROGERS. An increase of $512,000.

Mr. PASSMAN. You do know there is no law against terminating these projects on the date you originally contemplated? I want to indicate you cannot be prosecuted if you let them terminate.

Mr. ROGERS. I know also there is a law that says we must——

Mr. PASSMAN. I wanted to be sure. The way we have been pinning this stuff down, you would think it was against the law to let one of these projects terminate, and I want to assure you again there is positively no law against it.

INDUSTRY AND COMMERCE PROJECT

Page 68 indicates that you have allocated $1.131 million to the industry and commerce project. Is that correct?

Mr. ROGERS. Obligation for fiscal year 1964, that is correct.

Mr. PASSMAN. How much did you request for these two projects last year?

Mr. ROGERS. $970,000.

Mr. PASSMAN. Gentlemen, I think it is the most commendable thing in the world that you can increase the allocations to these projects, with an appropriation reduced by $2 billion.

Mr. ROGERS. A number of projects were reduced, Mr. Chairman.

Mr. PASSMAN. That is just an indication that you requested more money than you needed for most of these projects.

Mr. ROGERS. No, I do not think it is.

Mr. PASSMAN. Are any of them underfunded? Would you underfund a project just so you could overfund another?

Mr. ROGERS. A number of projects are not included in this year's program.

ALL PROGRAMS ADEQUATELY FUNDED IN FISCAL YEAR 1964

Mr. PASSMAN. You cannot point out any projects that are underfunded as we go through the books, can you?

Mr. ROGERS. No.

Mr. PASSMAN. Thank you. I did not think you could.

Last year you requested a total of $570,000 for contract services under the two old projects. Is that correct?

Mr. ROGERS. Yes.

BREAKDOWN OF PROGRAM FINANCING FOR CONTRACT SERVICES

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. $987,000 for contract services.

Mr. PASSMAN. That is $417,000 more than you testified for. Could you furnish for the record a breakdown as to how you allocated the $987,000, Mr. Rogers?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

INDUSTRY AND COMMERCE

BREAKDOWN OF $987,000 PROGRAMED FOR CONTRACT SERVICES

The amount of $987,000 is principally for the purpose of financing contracts between U.S. universities and Brazilian universities in the northeast, whereby technical assistance is provided in the establishment of small, locally owned industries in rural areas. Two-year contracts totaling approximately $909,000 are currently under negotiation with San Francisco State College, Colorado State University, and Los Angeles State College. Funds for these contracts have been obligated by project agreement.

Each contractor-university will provide a group of professors and graduate engineers to work in separate areas of northeast Brazil. Additionally, each contractor-university will conduct a training program for 32 graduate engineers and Brazilian plant managers for varying periods at its U.S. headquarters and in industrial plants in the United States.

Feasibility studies will be conducted for various types of industries. Projects will be initially selected on the basis of availability of raw materials, water, power, transportation, markets, and financial and manpower resources needed for the establishment of five plants which are expected to be completed by 1965.

During the first year of the project, each contractor-university will send to Brazil a team of six U.S. professors and six graduate engineers who will work on feasibility studies and in the selection of five plants. When the work has been completed they will devote their attention to the design of the plants, including such factors as recommended types of equipment, floor plans, and work flow. This aspect of the project will involve backstop work at the contractor-university's headquarters.

Concurrently, part of the group will also attempt to raise the interest in the project of local residents, business people, banks, and other institutions who might be able to provide the financial support needed for the construction of the plants. When the financial support is obtained, construction work will commence, and equipment will be ordered. The contractor-university will offer technical assistance in the organization and management phases of the plants. It will also train Brazilian personnel. The six U.S. professors will additionally assist by offering technical instructions to local industry as requested,

and will make feasibility studies with a view toward introducing still additional manufacturing plants in the area of operations.

In the second year of the project similar work will be undertaken by the contractor-university with respect to other new plants which can be financed by local funds.

OTHER CONTRACT SERVICES PROGRAMED

The remaining $78,000 programed in fiscal year 1964 for contract services for this project is for the purpose of conducting surveys in the northeast as well as in Mato Grosso. These surveys will identify industries which, on the basis of existing human and material resources, merit specific feasibility studies in order to induce private investment. Contractors for these surveys have not thus far been selected.

MALARIA ERADICATION PROJECT

Mr. PASSMAN. Did you request any funds last year for contract services under the malaria eradication project on page 72?

PROJECT NOT JUSTIFIED FOR FISCAL YEAR 1964

Mr. ROGERS. There was no request for contract services under the malaria eradication project last year.

Mr. PASSMAN. Did you allocate any funds for this purpose?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much?

Mr. ROGERS. $42,000.

NATIONAL WATER SUPPLY AND SEWAGE PROJECT

Mr. PASSMAN. Last year you requested a total of $722,000 for two projects that have now been consolidated into the national water supply and sewage project on page 73. Is that correct?

Mr. ROGERS. Is the figure $722,000? The answer is "Yes."

Mr. PASSMAN. How much have you allocated to this project in fiscal 1964?

Mr. ROGERS. $996,000.

INDUSTRIAL VOCATIONAL EDUCATION PROJECT

Mr. PASSMAN. I note you have allocated $330,000 to the industrial vocational education project on page 75. Is that correct?

Mr. ROGERS. Yes, $330,000.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. The answer is $175,000.

AGRICULTURE EDUCATION PROJECT

Mr. PASSMAN. I note you have $4,382,000 in unliquidated obligations as of June 30, 1964, under the agriculture education project, which is primarily for forward funding of university contracts. Why do you estimate you will require an additional $955,000 for additional forward funding of existing university contracts, Mr. Rogers?

Mr. ROGERS. We already have obligations with respect to these. We have a breakdown of the pipeline with respect to this project, Mr. Chairman. There was $3,848,000 in the pipeline as of March 30, 1963, $3,762,000 of which represented forward funding for contracts

with the following universities: Arizona, $800,000; Ohio, $965,000; Wisconsin, $900,000; Purdue, $577,000, and Purdue amendment, $520,000.

These amounts, with the exception of the $577,000 for the Purdue contract, represent new obligations during the second half of fiscal year 1963 for new contracts, except in the case of Purdue where we had an amendment.

Two of these were signed only in December of 1963, and the Wisconsin contract we expect to sign fairly soon.

Mr. PASSMAN. Let us get to the record on page 76. You have in the pipeline $4,382,000. How much did you pull out of the pipeline last year?

Mr. ROGERS. Expenditures of $800,000.

Mr. PASSMAN. This project was begun in 1957. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Upon that basis, you would have on hand about a 5½-year supply of money; would you not?

Mr. ROGERS. Yes, if you solely divided——

Mr. PASSMAN. Let us follow it through to the conclusion now. The project has been in effect since 1957, to 1964, inclusive, which is 7 years. That is about $500,000 a year. We are dealing with an old project. Your biggest withdrawal was last year, $800,000. You have a pipeline of $4,382,000, a 5-year supply of money.

Mr. ROGERS. Two of the contracts, as I indicated, were signed in December 1963.

Mr. PASSMAN. Did I cite those statistics accurately?

Mr. ROGERS. Yes, the data are correct.

Mr. PASSMAN. And the largest withdrawal has been $800,000, which was last year?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Your average for the 7 years' life of the contract has been about $600,000.

Mr. ROGERS. That is correct.

Mr. PASSMAN. You do have $4.382 million in the pipeline?

Mr. ROGERS. That is correct.

ANTICIPATED NEW CONTRACTS

Mr. PASSMAN. How much are you requesting for fiscal 1965, if any?

Mr. ROGERS. $1.097 million.

Mr. PASSMAN. Then you can only say that you need this money for additional forward funding of existing university contracts.

Mr. STERNFELD. These new contracts were quite late in fiscal year 1963.

Mr. PASSMAN. It does not say anything about it in the books.

Mr. STERNFELD. But the books do not cover that.

Mr. PASSMAN. I have cited the statistics correctly, have I not?

Mr. STERNFELD. Those statistics you cited correctly.

Mr. PASSMAN. If I were to go by the books, not only would we not give you any new money, but we would withdraw some of the old.

Mr. STERNFELD. I think we have to look at this that the program started in 1957 in terms of agricultural education was confined to one university contract with one university in Brazil. That was the Purdue contract with the rural university.

What has happened was that in late 1963 we began expanding the use of university contracts with other agricultural schools in Brazil. Brazil is a large country. We now have the University of Arizona up in the State of Ceara, in the northeast.

Mr. PASSMAN. Let us deal specifically with this project and move on to another question.

Page 76, activity: education. Project and title number: Agriculture education, No. 512-11-110-094. Prior reference, volume III, pages 77 and 107. Initial obligation, fiscal 1957. Your total expenditures for 7 years under this project were $3,805,000 through 1963. Estimated fiscal 1964, $800,000.

In the justifications, I note particularly at the bottom of page 76, right-hand column, next to the closing paragraph: "Contract services: Additional forward funding of the existing university contracts."

FIVE-YEAR PIPELINE BASED ON FISCAL YEAR 1964 PROGRAM

There are no new contracts proposed, and were we considering your request upon what is in these books, then you would have about a 5-year pipeline, would you not, taking just what you state in the books?

Mr. STERNFELD. If you were to take the expenditure rate in fiscal year 1964, your calculation is correct.

Mr. PASSMAN. And take what you have said in the right-hand column of the page?

Mr. STERNFELD. Yes. But I think you have to take into account what we said in the right-hand upper second paragraph, that we did not begin with these other two universities; the people just began to arrive in fiscal year 1964. So, the expenditure rate in fiscal year 1965 will be much higher than the $800,000 expenditure rate in fiscal 1964. So, the calculation of dividing the $800,000 into $4,382 million, which gets the 5 years, is correct if you were to use the 1964 rate, but since the 1965 expenditure rate will be much higher, you will probably find the pipeline will be less in 5 years.

Mr. PASSMAN. What did you do, run into this fantastically high pipeline and you had to get some new contracts to keep this pipeline from looking so suspicious?

Mr. STERNFELD. We knew one of the basic problems in Brazil was agriculture. We knew we had a successful operation with the Purdue-administered contract. We knew there was a need. It is a large country, half of the South American continent. We knew we had to work in this area. It took a year and a half of work on the part of Arizona, Ohio, Wisconsin, to get together with their——

Mr. PASSMAN. That is a beautiful lecture, and I am grateful you are giving it to us, but I am talking specifically about the amount of money you have in the pipeline and what you state specifically. I believe you would like to follow me into this.

What you put in this book does not even balance out with what you had in your prior year justification which is volume III, pages 77 and 107. Now I invite your attention to page 77 of last year's book. That page shows the project was started in fiscal year 1963. Am I correct?

Mr. STERNFELD. That is what that project page shows; yes, sir.

Mr. PASSMAN. Let us now go to page 107 of last year's book, if we may.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Does that not show the project started in 1964?

Mr. STERNFELD. Yes, that is correct.

Mr. PASSMAN. I do not think we can get the record more confused. Let's don't try.

Mr. STERNFELD. The only thing I can say——

Mr. PASSMAN. We could not get it messed up any further if we tried.

Mr. STERNFELD. The Purdue-administered contract goes back——

Mr. PASSMAN. Have I stated the presentation data correctly?

Mr. STERNFELD. Yes, sir.

We are trying to give you more accurate information. We made the mistake last year.

ENGINEERING EDUCATION PROJECT

Mr. PASSMAN. Would you furnish for the record a breakdown of the unliquidated obligations as of June 30, 1964, in the amount of $1.046 million under the engineering education project on page 77?

(The information supplied follows:)

Engineering education—Brazil

Estimated Pipeline of June 30, 1964:	
University of Michigan	$900,000
University of Houston	137,000
Participants	9,000
Total	1,046,000

Funds for the above contracts were obligated for 2-year periods. The estimated balances shown are those which will exist as of June 30, 1964, for the funding of salaries and allowances of a total of 13 full-time and 3 short-term professors and of supporting staffs in the United States; travel between Brazil and the United States of the contractors' personnel and the transportation of their effects; the contractor's overhead; procurement of laboratory equipment, teaching aids, library materials, and supplies required in connection with the contracts.

CONTRACT SERVICES COSTS FOR FISCAL YEAR 1965

Mr. PASSMAN. Would you also furnish for the record a breakdown of how you propose to utilize the $970,000 you are requesting for contract services in fiscal 1965.

Mr. ROGERS. Yes, sir.

(The requested information follows:)

ENGINEERING EDUCATION—BRAZIL, FISCAL YEAR 1965 CONTRACT COSTS

Under the engineering education project assistance is planned for two additional universities in fiscal year 1965. These are the University of Parana and the University of Minas Gerais. U.S. contractors who will provide this assistance have not yet been selected.

For each institution the amount programed is estimated to be required to cover 2-year funding for the salaries and allowances of four full-time professors of engineering to be provided by the contractor; the salaries of on-campus personnel in the United States assigned to the contract; the travel between Brazil and the United States of the contractors' personnel and their effects; other direct costs related to the contract; the contractor's overhead; and procurement of laboratory equipment, teaching aids, library materials and supplies required in connection with the contract.

ELEMENTARY EDUCATION PROJECT

Mr. PASSMAN. I notice on page 80 you have allocated $1.934 million for fiscal 1964 to the elementary education project. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request last year for each of the two projects that you have now consolidated?

Mr. ROGERS. $918,000.

Mr. PASSMAN. You allocated how much?

Mr. ROGERS. $1.934 million.

Mr. PASSMAN. Congratulations.

I note on page 80 you allocated $1.424 million for contract services in fiscal 1964. Would you furnish for the record a breakdown of how you allocated these funds?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

Elementary education—$1.4 million for contract services in fiscal year 1964

The following amounts were programed:

Norman M. Giller & Associates, construction supervision	$111,000
Leo A. Daly Co., construction supervision	916,000
Establishment of regional centers for educaitonal research	280,000
Elementary education survey contracts	117,000
Total	1,424,000

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. I note that you have allocated $2.688 million to the technical support project on page 84, is that correct?

Mr. ROGERS. $2.688 million; yes, sir.

Mr. PASSMAN. How much did you request for these projects last year?

Mr. ROGERS. $2.450 million.

Mr. PASSMAN. That is an increase of how much?

Mr. ROGERS. $238,000.

Mr. PASSMAN. If you were operating on a line item bill, you could not do these things, could you?

Mr. ROGERS. No, sir.

Mr. PASSMAN. We have eight other pages of questions on Brazil. If we asked similar questions dealing with similar projects, we would get similar answers to what we have already gotten today?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. In the interest of time, we will—the taxpayers should not forgive us for it, dispense with asking further questions on Brazil, and I yield to Mr. Conte for the questions on Brazil.

Mr. CONTE. I think you have covered every one of them.

Mr. PASSMAN. Next is the ROCAP program.

Gentlemen, unless there is violent objection, we shall now take a brief respite from our labors and we shall return to our labors tomorrow at 1 o'clock.

WEDNESDAY, MAY 20, 1964.

Mr. PASSMAN. The subcommittee will come to order.

Gentlemen, let's praise America a little before we begin the examination this afternoon. I think it is the greatest, the freest, and the wealthiest nation on the face of the earth.

Do you agree with me?

Mr. MANN. Yes, sir.

Mr. PASSMAN. And we have become great, primarily on account of our ingenuity, our willingness to work, and we have accomplished most of these things in 175 years.

Would you agree to that?

Mr. MANN. Yes, sir.

Mr. PASSMAN. Do all of you agree to that?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I doubt if the mind of man ever devised a system of government that would even approach this Government in greatness, and in fairness to its people, and for that matter, in fairness to other peoples around the world. Would you agree to that?

Mr. MANN. Yes, sir; I would.

Mr. PASSMAN. I believe we are doing as much for our people in the 50 States of the Union with respect to public works projects, reclamation, soil conservation, and the other things that make a great country. I think we are doing an excellent job.

Would you agree to that?

Mr. MANN. Yes, sir.

APPROPRIATIONS BY LINE ITEM

Mr. PASSMAN. Now, I will tell you why I asked if you agreed with me on those questions. This country, by following those procedures, has become great, free, and wealthy, and without exception, our governmental departments and agencies receive their appropriations in a line item bill. We have the great Defense Department, where, in the interest of security, we have programs in about 70 nations of the world. They still have a line item bill. Every department of Government, even J. Edgar Hoover's Bureau, receives their appropriations on a line-item basis.

This Government operates on line item appropriation bills. This is the first time in the history of America that any Congress or any committee of Congress has ever been asked to take a great big lump-sum package of $3.4 billion on a take-it-or-leave-it basis. I know you will agree that our processes have been correct for 175 years and that here there should not be a double standard, one for projects in America, another standard for one of the most flexible programs ever created by the mind of man.

I don't know whether we are going to be able to accomplish anything in the direction of making the program less flexible this year. It may be a little late in the year for the committee to accomplish that objective, but I can assure you that we intend to give that objective earnest consideration next year.

The one part of the world that we should be vitally interested in—the countries we should be vitally interested in—is that of our good neighbors south of the border.

REGIONAL OFFICE OF CENTRAL AMERICA AND PANAMA

The next program is ROCAP, Regional Office of Central America and Panama.

Mr. MANN. These are only regional projects for the Central American area, Mr. Chairman.

Mr. PASSMAN. Why do you add Panama?

Mr. MANN. Historically Panama was not a member of the Republic of Central America. We add them because geographically and economically it makes sense, but historically it has never been a part.

Mr. PASSMAN. If you had a regional program for Latin America, wouldn't that automatically include Panama?

Mr. MANN. No, sir, because they have a common market in Central America.

Mr. PASSMAN. In other words, we are going to consider a request to fund a regional program for a limited number of Latin American countries?

Mr. MANN. The five Central American countries and Panama.

ROCAP PROGRAM FOR FISCAL YEAR 1964

Mr. PASSMAN. What did you ask for this program in fiscal year 1964.

Mr. ROGERS. ———.

MAINTENANCE OF SATISFACTORY PROGRAM DESPITE REDUCED AVAILABILITIES

Mr. PASSMAN. Do you have a satisfactory program?

Mr. ROGERS. Yes, sir, a very good program, Mr. Chairman.

Mr. PASSMAN. That is wonderful. How much did you allocate to that program?

Mr. ROGERS. ———.

Mr. PASSMAN. The difference between the asking price and the taking for a satisfactory program was $2,300,000; is that correct?

Mr. ROGERS. ——— was not an asking price. That was our best judgment at the time.

Mr. PASSMAN. That is what you requested?

Mr. ROGERS. That is right.

Mr. PASSMAN. You allocated $2.3 million less and you have a satisfactory program?

Mr. ROGERS. That's right, because we were reduced in terms of availabilities, as you know.

ROCAP PROGRAM FOR FISCAL YEAR 1965

Mr. PASSMAN. It wouldn't make any difference. Chances are, we didn't reduce you enough. If you could have had a satisfactory program on $2 million, that would have still been better. We don't know whether we got far enough toward the bottom of the barrel or not. We know what we reduced the estimate and that still left you a satisfactory program. So we have to, this year, consider your asking price, again, as well as your taking price. We will take all that into account when we get to the markup.

You are requesting ——— for fiscal year 1965, is that correct?

Mr. ROGERS. That is correct.

AGRICULTURAL POLICY AND DEVELOPMENT

Mr. PASSMAN. What did you allocate to the agricultural policy and development project on page 95 for fiscal year 1964?

Mr. ROGERS. $305,000.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $90,000.

Mr. PASSMAN. The $90,000 was your request in the original January budget of last year?

Mr. ROGERS. Yes, for that project.

Mr. PASSMAN. But it was encompassed in the budget that came down last January.

Mr. ROGERS. That's right.

Mr. PASSMAN. That was a $5 billion budget. You wound up getting $3 billion and you increased this project from $90,000 up to $305,000. We just like to note a few of those things for the record as we go along.

INDUSTRIAL DEVELOPMENT AND TRADE PROMOTION

What did you allocate to the industrial investment and trade promotion project at page 96, in fiscal year 1964?

Mr. ROGERS. We allocated $242,000.

Mr. PASSMAN. What did you request for the project?

Mr. ROGERS. $442,000. We are reducing it by almost half.

Mr. PASSMAN. I wanted the record to show that you do have a reduction, occasionally.

Mr. ROGERS. The overall reductions for ROCAP——

Mr. PASSMAN. We are getting into that. You have already established that as $2 million. We reduced it ourselves.

Mr. ROGERS. I was just limiting my answer to the grant program, Mr. Chairman.

Mr. PASSMAN. We are dealing with that complete lump-sum matter, and we are getting to the individual projects.

Are you requesting any money for this project in fiscal year 1965?

Mr. ROGERS. $200,000, Mr. Chairman. The primary interest is in private sector development: publicizing investment opportunities and short-term assistance in specific industries. It is a part of our general overall program to insure the revitalization and strengthening of the private sector in Central America, as well as the rest of Latin America.

Mr. PASSMAN. There is going to be a skip between the question and your answer in your statement, so let me do it this way:

I note that you allocated $242,000 to the industrial investment and trade promotion project at page 96, in fiscal year 1964, is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. And that you are requesting $200,000 for this project in 1965, is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Mr. PASSMAN. Why is this project necessary, especially in view of the fact that the United States has approved, otherwise, on either a grant or loan basis, $17,500,000 for the Central American Bank for Economic Integration?

Mr. ROGERS. The Central American Bank for Economic Integration, as you know, Mr. Chairman, is a primary vehicle for the lending, on a regional basis—for the fundamental purposes of providing capi-

tal to the private sector in an area where private sector growth and invigoration is essential for really effective development, and where there is a substantial capital shortage. This is the fundamental purpose of the loan program that we have going through this very important, very new Central American Economic Integration Bank. Now in this case, with respect to the technical assistance program——

Mr. PASSMAN. Where are you reading from?

Mr. ROGERS. I am giving you an answer that is not in the book.

Now, in this case, with respect to this grant program of $242,000 for this year, it is primarily related to support for the growth of regional investment——

U.S. CAPITALIZATION OF BANK

Mr. PASSMAN. Let me ask a question in that connection: We set up the bank and financed it to the extent of $17.5 million, is that correct?

Mr. ROGERS. Well, we didn't set up the bank in a strict sense, but we have supplied——

Mr. PASSMAN. Let's put it in an "unstrict" sense. We supplied the capital of $17,500,000?

Mr. ROGERS. Yes, but that is not the only capital.

Mr. PASSMAN. Let's say it is 20 times that much. All I want to know is, did we put $17,500,000 of capital in this bank?

Mr. ROGERS. That is correct.

INDUSTRIAL INVESTMENT TRAINING PROJECT

Mr. PASSMAN. The $242,000 is to train the people how to make applications for loans, is that correct?

Mr. ROGERS. No, sir. The establishment of the Industrial Development Division within——

Mr. PASSMAN. Let's go to page 96:

Contract service continuation, U.S. consultant services, in identifying and publicizing investment opportunities.

Mr. ROGERS. This doesn't relate to loans to us, you have to understand.

Mr. PASSMAN. I didn't say it was to us.

Mr. ROGERS. From us, excuse me. Or loan applications filed with us. It has to do with——

Mr. PASSMAN. It goes to this bank in the region.

Mr. ROGERS. It has to do with the identification——

Mr. PASSMAN. It goes to the bank we helped capitalized, does it not? It trains these people how to make applications to the bank where we furnished a capital amount of $17,500,000?

Mr. ROGERS. It identifies the investment opportunities in the Central American region.

Mr. PASSMAN. What is the difference between identifying investment opportunities and the applications?

Mr. ROGERS. I think quite a lot.

Mr. PASSMAN. Do you have two windows in the bank?

Mr. ROGERS. No. It isn't a question of windows.

What we want to be sure is that the bank understands where it can

effectively use capital in order to get maximum growth and leverage in terms of development.

Mr. PASSMAN. We set the bank up.

Mr. ROGERS. That is correct in that we provided part of the capital.

Mr. PASSMAN. And then we provide this money to tell the bank where they can find places to invest the capital we provided.

Mr. ROGERS. That is correct. We want to be sure the capital we provide goes to the areas where we are going to get the maximum private sector growth.

Mr. PASSMAN. Which one came first, the $17,500,000 capital or the $242,000 to tell the bank where they can find people to borrow the money?

Mr. ROGERS. Our original capital predates the institution of this project.

Mr. PASSMAN. Let's get the date. When did you approve the capital?

Mr. ROGERS. The first capital loan to CABEI was—

Mr. PASSMAN. Let's document it, now. It was 1961, is that correct?

Mr. ROGERS. It was approved then. It was signed August 16, 1962.

Mr. PASSMAN. The date of approval was June 26, 1961. The date signed was August 16, 1962.

Let's go back to the promotion project, which is to tell the bank where to find the investors. That came along in 1963, is that correct?

Mr. ROGERS. Yes, about the same time as the first step——

Mr. PASSMAN. Let's see how bad your recollection is, or how good it is. When did you first obligate money to this project?

Mr. ROGERS. Fiscal year 1963.

Mr. PASSMAN. When did you capitalize the bank?

Mr. ROGERS. The loan was signed in fiscal year 1962.

Mr. PASSMAN. But it was authorized or approved in fiscal year 1961, is that correct?

Mr. ROGERS. It was approved on the 28th of June 1961, which is in fiscal year 1961.

Mr. PASSMAN. That is correct.

Mr. ROGERS. The loan was signed on the 16th of August.

Mr. PASSMAN. 1962?

Mr. ROGERS. 1962, which is a part of——

Mr. PASSMAN. Fiscal year 1963?

Mr. ROGERS. That is correct, which is the same——

Mr. PASSMAN. Then you actually approved the loan 2 years prior to setting up the industrial investment trade promotion project that we referred to at page 96, is that correct?

Mr. ROGERS. Two fiscal years, that is correct.

Mr. PASSMAN. Two years after you had capitalized the bank. What if you had found that this promotion project wouldn't bring them investment opportunities, then what would have happened? I thought you provided training prior to approving the capital. In this instance, you approved the capital first, and then started a project to tell them where they could find investment opportunities, is that correct?

Mr. ROGERS. Well, there was a lot of training——

Mr. PASSMAN. Is that correct, though?

Mr. ROGERS. No.

Mr. PASSMAN. The training program followed the capital grant to the bank, is that correct?

Mr. ROGERS. This training program followed the capital grant to the bank, that is correct.

Mr. PASSMAN. That is the exception and not the rule, though, isn't it?

Mr. ROGERS. There was a lot of institution building that went into this bank, in addition to and prior——

Mr. PASSMAN. Is this the exception to the rule, in that you capitalized the bank before you had the training program, and whether or not investment opportunities were available in the community?

Mr. ROGERS. I would say yes, as a general proposition, certainly we want——

Mr. PASSMAN. Would you say your ascertainment as to whether or not investment opportunities are available should come before you capitalize or would you capitalize and determine that fact later?

Mr. ROGERS. The reason I have trouble with the question is that this obviously is not the only institution building that is going on in the bank. The bank was organized during this period, there were a number of officers who were being trained during this period. There was a specific kind of training which occurred in 2 fiscal years, maybe 14 or 16 months after the first capital loan, that is correct. Generally speaking, we make loans when we are sure we have an institution which is qualified to handle those and when we are sure that that institution has enough familiarity with potential lending areas to be able to handle loans effectively.

Mr. PASSMAN. Is this a bank that is operating in this community?

Mr. ROGERS. Oh, yes.

Mr. PASSMAN. Is the bank staffed by local people who understand the community and the need for it?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Then why do you have to go in with a training program to tell them where to find places to invest funds or tell people where to borrow funds?

Mr. ROGERS. Well, surely——

Mr. PASSMAN. Wouldn't that be up to the bank?

Mr. MANN. Mr. Chairman, maybe I can help on this question.

Mr. PASSMAN. I wish you would. I am just about as confused as I can be as to why you have to have a training program after you have capitalized the bank.

Mr. MANN. I have lived in two of these countries, myself. We found the domestic markets were so small that it was impossible for any of them to support any efficient industry. Out of that grew this idea of a common market, very similar to the Common Market in Europe, with the free movement of capital goods and labor across frontiers.

The bank followed, really, to help speed up this process of regional development, and this implied negotiations with the six governments. It implied planning the infrastructure—meaning by that the roads, the fuel and so forth that the region needed to develop internally, economically.

It implied the elimination of certain inefficient industries and their replacement with more efficient, more highly competitive industries in other countries.

I think this is really one of the grandest jobs that has been done—even more so than has happened in Europe—spurt forward in terms of growth. This bank was really set up to stimulate and facilitate that kind of regional approach to their development and social problem.

Mr. PASSMAN. I thought the people had the know-how and it was only a question of the capital.

Mr. MANN. You find know-how in the countries. The Salvadoreans, for example, know their country very well.

Mr. PASSMAN. This covers six nations.

Mr. MANN. Yes, it does, although Panama is not yet a full member.

Mr. PASSMAN. Are you training the local personnel in these countries under this industrial investment and trade promotion project?

Mr. MANN. Yes, we are; and the bank itself draws on nationals of all six countries for staff.

Mr. MONTOYA. Will the gentleman yield?

Mr. PASSMAN. Yes.

BANK LOCATION

Mr. MONTOYA. Where is the bank located?

Mr. MANN. Tegucigalpa, Honduras.

CAPITAL LOAN TERMS

Mr. MONTOYA. Under this loan agreement, is the United States going to get its money back, and if so, in what manner, and what is the repayment schedule?

Mr. MANN. It is a 15-year loan. It carries interest at the rate of four percent, repayable in dollars.

Mr. PASSMAN. Payable to the U.S. Treasury, or to the foreign aid account?

Mr. MANN. The Development Loan Fund.

Mr. PASSMAN. It doesn't go to the U.S. Treasury?

Mr. STERNFELD. The Development Loan Fund.

Mr. PASSMAN. You didn't answer my question. It does not go into the U.S. Treasury?

Mr. STERNFELD. I assume it is deposited in the U.S. Treasury.

Mr. PASSMAN. I am not talking about that. Does it go back into the miscellaneous receipts of the Treasury, or does it go back into the foreign aid revolving fund?

Mr. TENNANT. This is out of the old development loan corporate account, and those receipts go back to the Treasury and are not usable by AID.

Mr. PASSMAN. That is no longer true under the new legislation?

When you abolished the old fund, you abolished this system along with it?

Mr. TENNANT. Repayments coming into the new account—and this is not such a transaction—come back into the revolving account.

Mr. PASSMAN. That is what I said. Under the legislation we have today, repayments do not go back ot the U.S. Treasury?

Mr. TENNANT. Under the legislation today, repayments come into the AID account, but have to be reappropriated, sir.

Mr. PASSMAN. Your legislation calls for the reuse of it, doesn't it?

Mr. MONTOYA. Subject to appropriation, is that it?

Mr. TENNANT. That is correct.

Mr. MONTOYA. May I ask one followup question?

Mr. PASSMAN. Yes, surely.

Mr. MONTOYA. What are the terms of repayment of this particular original capital investment, and have any repayments been made?

Mr. MANN. As I say, it is a 15-year term, with a grace period of 1 year, carrying interest at the rate of 4 percent per annum, repayable in dollars.

Mr. MONTOYA. Have we been repaid for the first year?

Mr. MANN. I don't know when the first installment comes due. I assume within a year——

Mr. MONTOYA. It was September 1962, when it was——

Mr. ROGERS. We can get that.

Mr. MONTOYA. Two years would have to expire before the payment would be due?

Mr. ROGERS. A year from disbursement the arranged amortization begins.

Mr. MONTOYA. You say there have been no disbursements. What do you mean by that?

Mr. ROGERS. That the money has not been disbursed. The loan agreement was signed on the 16th of August 1962. The method of disbursement, you see, is, Congressman, that the bank makes, in effect, a loan against the money before it is disbursed. The borrower then puts in his order for an import from the United States.

The commodity imported moves from the U.S. manufacturer to the port of shipment. At such time as the invoice and documentary evidence of shipment—that is, the bill of lading—are presented, disbursement is made against that order.

Mr. MONTOYA. Let me get this clear, at this point:

In other words, this original commitment to capitalize this bank to the tune of $19 million——

INDUSTRIAL CREDIT LOAN

Mr. ROGERS. This is a $5 million loan. This is the first one.

Mr. MONTOYA. The total commitment is for how much?

Mr. ROGERS. $17.5 million for various purposes.

Mr. MONTOYA. That is the total commitment of which you have only disbursed $5 million, is that it?

Mr. ROGERS. No. With respect to the first loan, which was the one on page 108, which was signed August 16, 1962, in the amount of $5 million, there have been no disbursements as of the 31st of December of last year, although $4.2 million of subloans have been authorized by the bank against that $5 million.

Mr. MONTOYA. How much in actual dollars has gone into the bank from the United States up to now?

Mr. ROGERS. Actual disbursements?

Mr. MONTOYA. Yes.

Mr. ROGERS. The answer is "Zero."

Mr. MONTOYA. You have not expended that, but it is appropriated?

Mr. ROGERS. It is appropriated and loans have been made against our obligation, orders have been placed, and in effect, we are going to begin to make disbursements now that the commodities have been moved in, and borrowers have——

Mr. MONTOYA. Now, I am going to ask you this question:

Assuming that the $5 million is disbursed that will not be an actual contribution into the bank, but will be a fund in this country that can be drawn upon for the purchase of goods in this country for export to these others; is that correct?

Mr. ROGERS. That is correct.

Mr. MONTOYA. It is a sort of an Export-Import Bank arrangement, financing exports from this country; is that correct?

Mr. ROGERS. Yes, it says so on page 108.

Mr. MONTOYA. Is that original agreement where you committed the $17.5 million confined to this kind of a transaction; namely, financing exports?

CABEI FEASIBILITY STUDIES

Mr. ROGERS. No. The first loan we have been talking about is for that. For example, $2.5 million of the $17.5 million was for feasibility studies. That is on page 109.

Your description is accurate with respect to the first loan we have been talking about this morning, the one signed on August 16, 1962.

Mr. MONTOYA. What can we expect of the other disbursements? Will they by strictly capital outlays into that country, or rather financial transactions financing exports to that country?

Mr. ROGERS. The feasibility study loan which was signed on the 29th of November 1963, will be for the funding of feasibility studies.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. MONTOYA. Then any disbursements remaining over and above the $5 million out of the original commitment will not be confined to the financing of exports from this country?

Mr. ROGERS. That is correct generally.

Mr. MONTOYA. So chances are that any subsequent disbursements may be or could be utilized to finance inter-Central American country transactions?

Mr. ROGERS. Yes.

Mr. MONTOYA. All right.

ADDITIONAL INDUSTRIAL CREDIT LOANS

Mr. ROGERS. The next two loans, in addition to the first $5 million we have talked about, are as follows:

A loan of $10 million signed last November 29, 1963. This is limited to procurement either in the United States or in Central America.

Where there is procurement in Central America, the money is disbursed pursuant to what we call the special letter of credit procedure, which means that the local currencies are generated, for purposes of Central American procurement, only on the basis of exports from the

United States. Commercial importers put up the local currencies in order to acquire the dollars to import commodities from the United States.

The other loan is a $2.5 million feasibility study loan, also signed the 29th of last November. This is for paying for the services of experts—people to study an engineering project, people who can study a chemical plant, its proper location, and source of the raw materials.

Mr. MONTOYA. With respect to those feasibility studies on which you will expend $2½ million, who is borrowing that money and who is obligated to begin the repayment?

Mr. ROGERS. The borrower is the Central American Bank for Economic Integration, which then makes loans to prospective industrialists in the Central American area to make the feasibility study.

Mr. MONTOYA. That is all, Mr. Chairman.

Mr. PASSMAN. I want everyone to understand this program. We went into this project in 1962 to find out whether or not you were furnishing capital prior to having a firm loan application.

This is on page 976 of the hearings, Development Loan Fund funds made available to banks.

Mr. PASSMAN. Did you make any other funds available to the bank?

Mr. BELL. $5 million of loans from the Development Loan Fund were agreed to be made when the proper application and forms had been submitted and the need for the funds established.

Mr. PASSMAN. Have they been established yet?

Mr. BELL. I am not sure.

Mr. PASSMAN. You agreed to give them a loan before they submitted their papers; is that it?

Mr. BELL. I think that is one way of describing it.

UNOBLIGATED FUNDS

I will not go further into it, but I want to ask this question: Of the $17.5 million, how much have you tapped what we call unobligated funds as such?

Mr. ROGERS. All of it.

Mr. PASSMAN. $17.5 million?

Mr. ROGERS. Yes.

Mr. PASSMAN. That is what I thought you had done. If you just want to be halfway fair with us, as we think of proper accounting, you would put at least $12 million back in the pipeline because you have not even disbursed one dime out of the first $5 million yet, have you?

Is that a statement of fact?

Mr. ROGERS. The Bank already authorized——

Mr. PASSMAN. I didn't say anything about authorized. You have not disbursed any part of the $5 million, but you did several years ago debit the unobligated to the extent of $17.5 million; is that correct?

Mr. ROGERS. In August of 1962, only by $5 million.

Mr. PASSMAN. I refer to as of now.

Mr. ROGERS. As of now, yes.

Mr. PASSMAN. And you don't know when you will ever need the other $12.5 million?

Mr. ROGERS. Indeed we do. The Bank has authorized loans of $41½ million.

Mr. PASSMAN. And this has been going on now since 1961, the date of approval of the original loan, so they have had plenty of time to start development.

Are you proceeding all the way through on the same basis as the original Development Loan Fund loan? Can you tell us whether or not all $17.5 million will come back into the U.S. Treasury or whether it is only the first $5 million?

Mr. TENNANT. The first $5 million was made out of the old Development Loan Fund corporate account, the remaining two out of the Alliance for Progress account for development loans.

Mr. PASSMAN. Do you see how confused a record can get? We are looking for the $17.5 million repayment to go back into the U.S. Treasury. If we get anything we will get only the $5 million. Is that correct?

Mr. TENNANT. Yes. I thought we were talking about the $5 million in the first discussion.

Mr. PASSMAN. I don't think as fast as you do. If we get back anything, and we hope to, we will get only $5 million back into the U.S. Treasury. The other will go back into the Development Loan revolving fund; is that correct?

Mr. TENNANT. The Alliance for Progress loan account.

Mr. PASSMAN. It does not go back into the Treasury except for the $5 million then.

Mr. TENNANT. Collections in this account come into our possession, but subject to reappropriation, sir.

Mr. PASSMAN. That is exactly what I will bring to your attention now. The committee put this language in the bill last year and you people didn't want this language. It was not in your bill.

Mr. TENNANT. That is correct.

REQUIREMENTS UNDER SECTIONS 116 AND 117

Mr. PASSMAN. The Committee on Appropriations put this provision in the Appropriation Act last year:

SEC. 116. None of the administrative expense or other funds herein appropriated shall be available in connection with the use of receipts of United States dollars, derived from loan repayments and interest collections, in the Development Loan Fund and Alliance for Progress revolving funds.

SEC. 117. Receipts of United States dollars in the Development Loan Fund and Alliance for Progress revolving funds, derived from loan repayments and interest collections, may hereafter, when so specified in appropriation acts, be used for the purposes for which such revolving funds are available.

You are living with this language?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Do you think you can live without section 117?

Mr. TENNANT. Without section 117?

Mr. PASSMAN. Yes. We may want to give it to you piecemeal.

Mr. TENNANT. There is a relation between sections 116 and 117 which becomes a highly technical point. Our budget proposal for this year is consistent with sections 116 and 117.

Mr. PASSMAN. Did you add any language to your bill this year over and above what we gave you last year?

Mr. TENNANT. We requested in our bill that you reappropriate the sums accruing in this account.

Mr. PASSMAN. You can live with the legislation as it is now defined in the appropriation act, can you not?

Mr. TENNANT. Our requirements include use of repayments.

Mr. PASSMAN. You have changed last year's bill, then, have you not? You are adding language in two different sections of the bill, are you not, specifically, on pages 11 and 15?

Mr. TENNANT. Off the record.

(Discussion held off the record.)

Mr. TENNANT. We have asked for reappropriation of the collections in accordance with section 117.

CABEI LOANS

Mr. PASSMAN. Now as to this particular account, when did you make your $5 million allocation? When did you make the $12.5 million allocation?

Mr. ROGERS. $5 million, August 16, 1962.

Mr. PASSMAN. Now the other.

Mr. ROGERS. $2.5 million on November 29, 1963. Another $10 million——

Mr. PASSMAN. At what dates did you tap the unobligated fund and it ceased to be available for obligation anywhere on the face of the earth?

Mr. ROGERS. I misunderstood the question.

Mr. PASSMAN. When did you first tap this unobligated? That was July 28, 1961?

Mr. ROGERS. June 28, 1961.

Mr. PASSMAN. For $5 million?

Mr. ROGERS. That is correct.

Mr. PASSMAN. When did you tap it again? Go ahead.

Mr. ROGERS. May 31, 1963.

Mr. PASSMAN. 1963?

Mr. ROGERS. Yes, and November 18, 1963.

Mr. PASSMAN. You did not give the amounts. You said you tapped it.

Mr. ROGERS. Respectively $5, $2.5, and $10 million.

GRANTS TO CABEI FROM THE CONTINGENCY FUND

Mr. PASSMAN. How much money, if any, did you take out of the contingency fund during this tapping process?

Mr. ROGERS. None.

Mr. PASSMAN. In 1961?

(Discussion off the record.)

Mr. ROGERS. None of these are contingency funds, Mr. Chairman.

Mr. TENNANT. These transactions we are talking about are all Development Loans.

I believe that before the time——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. TENNANT. I believe there was a contingency grant.

Mr. ROGERS. That is another question.

Mr. PASSMAN. Surely it is.

Mr. ROGERS. The question you asked, Mr. Chairman, was, were any of these loans we have talked about out of the contingency fund.

Mr. PASSMAN. You funded $2 million out of the contingency fund.
Mr. ROGERS. That is another question.
Mr. PASSMAN. I know that.
Mr. ROGERS. The answer is "Yes."
Mr. PASSMAN. Thank you very much.
That was an outright grant?
Mr. ROGERS. That is correct.
Mr. PASSMAN. At a subsequent date you did the other tappings to bring it up to $17.5 million?
Mr. ROGERS. That is correct.
Mr. PASSMAN. At the time you debited the unobligated funds you still had not disbursed one dime of the first $5 million which you approved back in 1961; is that correct?
Mr. ROGERS. There had been no disbursements——
Mr. PASSMAN. At the time you tapped the unobligated funds for the additional amount to take it from $5 million up to $17.5 million, you still had not disbursed any of the funds out of the original allocation; that is, the allocation of $5 million made June 28, 1961; is that right?
Mr. ROGERS. That is correct.
(The information follows:)

CONTINGENCY FUNDS USE FOR CABEI

A grant of $2 million from the fiscal year 1961 contingency fund was made to CABEI under an agreement signed June 22, 1961. The bulk of this amount was for relending by the bank to industrial projects; $100,000 was made available for establishment costs of the bank. The entire $2 million grant has been disbursed.

REQUEST FOR ADDITIONAL CAPITAL DESPITE LOW DISBURSEMENT LEVEL

Mr. PASSMAN. Good. The next question: Even at this time you do not have sufficient approved applications, to disburse the first $5 million, do you?
Mr. ROGERS. The applications approved against this are less than $5 million.
Mr. PASSMAN. That is right.
Mr. ROGERS. $4.2 million as of March 31, 1964.
Mr. PASSMAN. Thank you very much. That is far enough on that one. It just gives you an idea how loose this program is. I think it is just a question of trying to get funds out of the unobligated status into some kind of reservation status.
That is why we need to tighten up this bill, for the good of the recipent as well as the taxpayer.
You wouldn't approve of this kind of business yourself. This is about as premature as it could be, tapping unobligated funds for an additional $12.5 million when you had not disbursed a dime out of the first $5 million, and even on April 1 of this year you didn't have enough applications to dispose of the first $5 million.
Mr. MANN. These three loans were all for different purposes: industrial projects, feasibility studies, and housing.
Mr. PASSMAN. You don't even have applications but for $4.2 million for the first $5 million.
Did you answer in the affirmative there, Mr. Rogers?

Mr. ROGERS. That is correct, as of March 31, $4.2 million had been authorized. This is not the limit of the bank's activities.

Mr. PASSMAN. I didn't say that.

Mr. ROGERS. The bank has been active in other things in terms of sublending.

Mr. PASSMAN. But there has not been a dime of disbursement and you have approved applications of $4.2 million?

Mr. TENNANT. The disbursements were as of December 31.

Mr. PASSMAN. How about now?

Mr. TENNANT. As of March 31, out of the $5 million amount, it is $758,000 in round numbers.

Mr. PASSMAN. Disbursements?

Mr. TENNANT. Yes.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

CIVIL AVIATION PROJECT

Mr. PASSMAN. How much did you request for the civil aviation project last year?

Mr. ROGERS. $125,000 request.

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. $372,000.

REGIONAL TEXTBOOK DEVELOPMENT PROJECT

Mr. PASSMAN. What did you request for the regional textbook development project on page 98?

Mr. ROGERS. Request, $565,000.

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. $803,000.

EXTENDED PROJECT TERMINATION DATE

Mr. PASSMAN. I note you have extended the termination date by 2 years for this project; is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. Does that involve any additional cost?

Mr. ROGERS. This represented a very substantial reduction, Mr. Chairman.

Mr. PASSMAN. I asked if this involved any additional cost by extending it 2 years.

Mr. ROGERS. The answer is that the cost to completion is now substantially reduced, even though it will run until 1970. It is less than the cost to completion formerly programed to 1968.

Mr. PASSMAN. I asked you whether there was any additional cost to bring it to completion.

If you had said "No" the next question would have been: How much have you been able to reduce it?

Mr. ROGERS. The answer to that question is a reduction of $875,000.

Mr. PASSMAN. What is the total cost to completion of the project?

Mr. ROGERS. $2,700,000.

Mr. PASSMAN. Have you consolidated any other projects in this project?

Mr. ROGERS. No, sir.

"BREAKOUT" OF NEW PROJECTS

Mr. PASSMAN. Have you broken out and created any new projects out of this project?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. If I had not asked that question we would have had people fooled; wouldn't we? How many projects did you take out of this project to reduce the completion cost?

Mr. ROGERS. This is not a matter of fooling anybody, Mr. Chairman.

Mr. PASSMAN. They would have been fooled automatically. How many projects did you break out of it?

Mr. ROGERS. Five projects in each of the five Central American countries.

Mr. PASSMAN. Put the five projects together and get the cost.

Mr. ROGERS. $760,000 for fiscal year 1965.

Mr. PASSMAN. For the five projects?

Mr. ROGERS. That is six projects, including the one we are looking at here, including $340,000 of obligations.

Mr. PASSMAN. I want the completion cost of the five projects.

Mr. ROGERS. I will have to add it.

Mr. PASSMAN. That is what I want you to do.

It is a lot of monkey business so far as I am concerned to take some project and indicate the completion cost is being reduced, and then we find out you have created an additional five other projects from it.

TOTAL COST TO COMPLETION

Let us get these five projects now and what they amount to.

Mr. ROGERS. The answer, cost to completion, ROCAP plus the five——

Mr. PASSMAN. No; let us not muddle it up. These five new projects you broke out of the big project, how much is it costing? What is the total to completion?

Mr. ROGERS. $777,000.

Mr. PASSMAN. How much did you reduce ROCAP?

Mr. ROGERS. $875,000.

Mr. PASSMAN. Then it is only a savings of only $98,000?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Rather than the $875,000 as the record would have indicated if we hadn't pursued the matter.

REGIONAL SCHOLARSHIP INSTITUTION PROJECT

I note you have allocated $50,000 to the regional scholarship institution project on page 99. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. None.

Mr. PASSMAN. What will it cost to bring this project to completion?

Mr. ROGERS. $100,000.

Mr. PASSMAN. How do you originate these projects? Incidentally, I have not been quite fair to you. There is an award we offer. If you can think up any project that ever has been conceived by the mind of man in America that we have not started in the aid programs in these 100 nations you get the award. Competition is very strong. They

have been doing tremendous research for 4 years but so far there have been no takers.

You might want to participate and try to win the prize.

Mr. ROGERS. To define development projects in the countries themselves?

Mr. PASSMAN. No. To find a project that has ever been conceived by the mind of man that you didn't start in one or more other nations.

Mr. STERNFELD. What is the award?

Mr. PASSMAN. That is a secret.

Mr. ROGERS. It should be explained that it was recognized at the time President Kennedy went down to Central America and the Delaration of Central America was signed in March of 1963, that this problem of manpower resources was a crucial limiting factor with respect to development in this area.

This is an attempt to establish the possibility of regional administration of this program for substantial upgrading of the manpower which will be required for effective development in this area.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. What is the proposed amount of development credit that you are contemplating financing in 1965 for the scholarship and student loan category?

Mr. ROGERS. May I ask, Mr. Chairman, is that for all Central America?

Mr. PASSMAN. It is under ROCAP. Do you not have one of these project books over there?

Mr. ROGERS. The answer, Mr. Chairman, is that we have a possible loan application in the amount of ——— at the present time.

Mr. PASSMAN. A possible loan?

Mr. ROGERS. A possible loan application, yes. We have discussed this. It has not matured into a final loan.

Mr. PASSMAN. Have you any other applictions pending applicable to fiscal 1964 in the same area?

Mr. ROGERS. The one I just mentioned would be out of fiscal year 1965 funds. Fiscal year 1964 is all booked up, and that does not include a regional scholarship loan.

Mr. PASSMAN. If you look at page 99—and I think about 90 percent of the program is just about as weak as this—you state:

> U.S. financial assistance through the institution for scholarship and student loans is planned through an AID loan in fiscal 1965.

You say there is a possibility there will be an application.

Mr. ROGERS. No, I am sorry if I mislead you. We do plan to make a loan.

Mr. PASSMAN. You said it was possible that you would. That does not mean it is final.

Mr. ROGERS. I meant to hedge a little bit on the precise amount. We want to be sure, Mr. Chairman, before we make this loan that it will be effectively administered. We do not want——

Mr. PASSMAN. That would be the exception in this program. I would want to watch it very carefully. I have never heard of that

criteria before, but congratulations. I want to stay in touch with you on that one. You state a loan is planned. I do not want to read in a different meaning, but you do not know whether or not you will even have an application, do you?

Mr. ROGERS. We will have an application.

Mr. PASSMAN. You do not know whether you will approve it, though, do you?

Mr. ROGERS. We are going to be very sure before we approve it——

Mr. PASSMAN. I say you do not know at this time whether you will approve it. It is not certain.

Mr. ROGERS. That is correct.

CLARIFICATION AND IDENTIFICATION OF LOAN APPLICANT ORGANIZATION

Mr. PASSMAN. From whom would you receive this application?

Mr. ROGERS. The borrower, I think, would be the regional scholarship institution.

Mr. STERNFELD. It is an organization with the initials FIRME.

Mr. PASSMAN. State for the record what that means. You have 1,813 of these abbreviations in the Federal Government. Spell it out.

Mr. STERNFELD. This is the initials of the Spanish words.

Mr. PASSMAN. Do you have words to describe those initials that you used? What is the name?

Mr. STERNFELD. The Federation of International Regional—Mr. Chairman, we will have to check that.

Mr. PASSMAN. You go to the foot of the class. Let us go back to Mr. Rogers.

Can you help out? This indicates how familiar you are with it.

Mr. STERNFELD. It is easier to remember the initials than the full name.

Mr. PASSMAN. What do you call it, Mr. Rogers?

Mr. ROGERS. Mr. Chairman, I do not testify about names I am not quite sure about. I did not give you the name because I was not sure about it.

Mr. PASSMAN. That certainly indicates the soundness of this proposal. You do not even know what outfit.

Mr. ROGERS. Names are not the easiest things in the world to remember. There is going to be an institution——

Mr. PASSMAN. You have made a terrific case for this ———. Let us move along to some other project that is not quite so sound. Thank you very much. What a program.

Mr. ROGERS. Should we talk about the desirability of lending money for scholarships?

Mr. PASSMAN. You do not even know the name of the institution. You gave some abbreviation, and when I asked you the name, you do not even know. Mr. Sternfeld, will you call the agency and see if they can tell you?

Mr. STERNFELD. Yes, sir.

FIRME

BACKGROUND

In San Jose, in March 1963, the Presidents of the Central American countries and Panama endorsed a proposal of President Kennedy that a regional program be undertaken to train the personnel needed for economic integration. Thereafter, Central American regional organizations prepared plans for a regional

scholarship organization to be known as Fondo de Inversion Regional para Mejoramiento Educacional (FIRME), which would serve as a regional unit in selecting and financing students for training both within and outside the area.

PROPOSED ORGANIZATION OF FIRME

The FIRME program is expected to evolve around the creation and establishment of a regional scholarship fund for the administration of education and training in Central America. (The proposed organization FIRME is expected to be patterned after that of a Colombian educational institution, ICETEX.) The organization and operation of this fund will be under the direction of a representative body of the Central American regional organizations, as well as the public and private sectors of the region. Scholarships from this fund will be awarded as (*a*) nonreimbursable scholarships for study and training abroad, within the region, or in the participant's own country, either total or partial; (*b*) reimbursable scholarships or loans, total or partial; and (*c*) in special cases, revocable loans dependent on academic achievement. FIRME resources will come from contributions made by the Central American governments, by other governments, and by public and private institutions. The fund may receive loans from the U.S. Government.

Mr. PASSMAN. All of the witnesses here are experts in the program, and you do not even know who is going to be the borrower.

Is this program to cover the entire region?

Mr. ROGERS. Yes.

Mr. PASSMAN. Is this a takeoff from some similar program we have in the United States?

Mr. ROGERS. Not that I know of.

Mr. PASSMAN. Have you a similar program in the United States?

Mr. ROGERS. This is adapted——

Mr. PASSMAN. I know what it is. It states on page 99:

Financial assistance through the institution for scholarships and student loans is planned by AID in the amount of $———.

Is this a takeoff from some similar program we have here in America?

Mr. ROGERS. It is designed to meet the needs and requirements of Central America.

Mr. PASSMAN. I know that, but do we have a similar program in the United States for student loans?

Mr. ROGERS. I do not know about that.

Mr. PASSMAN. I hope you do not recommend some program for some foreign nation when we do not have anything like it in America.

TERMINATION DATE

Page 99 states that the project will terminate in fiscal 1965 with the establishment of a regional institution. Is that correct?

Mr. ROGERS. That is correct. This grant project on page 99——

Mr. PASSMAN. I know. That is what I am reading from, right from your own language. You may terminate the project before you get it started with the uncertainty that you have indicated about the project. You do not even know the name of the institution.

REGIONAL INFRASTRUCTURE PLANNING PROJECT

Last year you requested $145,000 for the regional infrastructure planning and development project on page 196. Is that correct?

Mr. ROGERS. That is correct, $145,000.

Mr. PASSMAN. How much did you allocate to this project in 1964?

Mr. ROGERS. $245,000.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. While there is an apparent increase of only $37,000 in your estimate for 1965 over your current program for $500,000 for the technical support project on page 107, would you tell the committee how much you requested for this project last year?

Mr. ROGERS. $241,000.

Mr. PASSMAN. All of these 1964 requests were to be funded out of the original $5 billion budget request which came down in January, is that right, and these allocations were made out of the $3 billion appropriations?

Mr. ROGERS. That is correct.

RURAL MOBILE HEALTH PROJECT

Mr. PASSMAN. Last year you requested $1.565 million to finance the rural mobile health project under the ROCAP program. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I note that this year the rural mobile health program has been split up and is now being funded under the individual country programs. Is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. How much have you allocated to the rural mobile health project in the six countries?

Mr. ROGERS. $1.447 million.

RECOMMENDATIONS OF THE HOUSE FOREIGN AFFAIRS COMMITTEE

Mr. PASSMAN. The survey team of the House Foreign Affairs Committee recently reviewed the mobile health project in Panama and had this recommendation as to the program in Panama. I would assume the recommendation would apply to the other countries that have similar programs:

> It would seem, however, that the Government of Panama should assume a larger share of the support of a project of that nature. The continuing U.S. assistance is largely to cover the cost of drugs and to augment salaries of the drivers and medical officers, fuel, spare parts, and travel costs. It would appear that costs of this nature, once the United States has supplied the initial equipment and medical supplies, could be budgeted and paid for by the country, and unless the Government of Panama is able and willing to assume financial responsibility, the U.S. investment will be wasted.

What are these countries doing financially to take over this type of project and follow the recommendations of the Foreign Affairs Committee?

Mr. ROGERS. We agree with the recommendations of the Foreign Affairs Committee, Mr. Chairman.

Mr. PASSMAN. You agree with it, but are you carrying it out?

Mr. ROGERS. Yes, sir.

REQUEST FOR FISCAL YEAR 1965

Mr. PASSMAN. How much are you requesting for fiscal year 1965?

Mr. ROGERS. $1.278 million for 1965 in contrast with $1.447 million in 1964, and for future year obligations it will be down to $482,000, indicating——

Mr. PASSMAN. What do you mean by down to that? Let us get the grand total.

Mr. ROGERS. The total from inception——

Mr. PASSMAN. To completion, all projects.

Mr. ROGERS. The total cost to completion will be $4.991 million. The countries will assume the carrying on of this operation.

Mr. PASSMAN. Assume what?

Mr. ROGERS. The cost of carrying on the operation.

Mr. PASSMAN. Will they reimburse us for this $4.991 million?

Mr. ROGERS. No, sir.

Mr. PASSMAN. What do you mean "assume it"?

Mr. ROGERS. The continuing costs of carrying on the program as we phase out.

PROJECT PHASEOUT COSTS

Mr. PASSMAN. At what time do you propose to phase out? Give us just one country. It looks like you are phasing in.

Mr. ROGERS. Panama will end in 1965.

Mr. PASSMAN. At a cost of what?

Mr. ROGERS. Total cost to completion, $636,000.

Mr. PASSMAN. How much have they put in?

Mr. ROGERS. They will be picking up the full cost of this program at that point, Mr. Chairman.

Mr. PASSMAN. Have you made any adjustments to the completion dates of these projects after publishing these books, or are you sticking by these dates as printed? I do not want to lead you into a trap on this. You said in 1965. The first one we pick up here is Panama, and it says 1966. We hope you are cutting it.

Mr. ROGERS. There will be small phaseout costs in 1966.

Mr. PASSMAN. Why did you not say 1966 rather than 1965, so we do not have to extract this information from you? If you will, put the same information on the other nations in this region in the record at this point, and the amount and the year they will be phased out. By phasing out, do you mean that will be the last year you will obligate funds for the projects?

Mr. ROGERS. Obligate funds for the project; that is correct.

Mr. PASSMAN. But the pipeline could go many years in the future?

Mr. ROGERS. The pipeline runs out pretty rapidly.

Mr. PASSMAN. It could, though. You may build up a backlog or pipeline from which you will make disbursements in years after 1966; is that correct?

Mr. ROGERS. The leadtime on these is very rapid. It is the purchase of commodities.

Mr. PASSMAN. Are you saying, then, when you phase out the project you are going to phase out the pipeline at the same time?

Mr. ROGERS. The pipeline will not be very long in this case. The money will be disbursed very soon after it is obligated.

Mr. PASSMAN. Thank you.

(The information supplied follows:)

Central America mobile rural health projects (all initiated fiscal year 1963)

	Estimated cost to completion	Fiscal year of completion
Guatemala	$708,000	1966
El Salvador [1]	725,000	1966
Honduras	643,000	1967
Nicaragua [1]	735,000	1967
Costa Rica	723,000	1967
Panama	636,000	1966
ROCAP	821,000	1964
Total	4,991,000	

[1] Included within broader project.

Mr. PASSMAN. Before getting into Costa Rica, I would like to yield to members now on the ROCAP program, which is the Regional Organization for Central America and Panama. Five Central American countries plus Panama are included.

POLITICAL SITUATION IN PANAMA

Mr. GARY. Mr. Secretary, what is the political situation in Panama now?

Mr. MANN. They have just had an election, Mr. Congressman. A man named Robles has been unofficially declared to be the winner of the election. He was the candidate of the Government coalition. Another candidate, whose name is Arnulfo Arias, claims to have received a majority of the votes and to have been "counted out." The atmosphere is still a little tense.

The official returns will not be announced for some days yet, I believe the 25th, in 5 days.

Mr. GARY. What is the attitude of the winner, as it now appears, toward the United States?

Mr. MANN. I think reasonably friendly on everything except the common desire, which all candidates shared, for treaty revision in some form which is as yet unknown to us.

Mr. GARY. Did I not read that he was not as friendly as the present President?

Mr. MANN. You may have, Mr. Congressman. We consider him, ——— friendly to the United States.

Mr. GARY. You consider him as friendly as the government that he is supplanting?

Mr. MANN. Yes, sir.

(Discussion off the record.)

Mr. MANN. He believes in our social, political, and economic system. Put it that way. He was Minister of the Interior and has a long record of anticommunism.

STATUS OF PANAMA CANAL NEGOTIATIONS

Mr. GARY. What is the status now of the negotiations over the canal?

Mr. MANN. They really have not started yet. A special Ambassador for Panama has been appointed and has been received by President Johnson. Bob Anderson, as you know, was appointed President Johnson's representative to conduct these investigations. Mr. Anderson has been in Europe the last 10 days. We expect them to get started either the latter part of this week or the early part of next week, but as of now there have been no talks on substance.

Mr. GARY. There has been absolutely no agreement reached at all?

Mr. MANN. No, sir; other than the agreement which was announced, that the United States and Panama would resume relations and agree to discuss all problems between themselves without any preconditions. That is our interpretation of the language of the agreement.

As you know, we had some difficulty with the language.

CONSIDERATION OF PROPOSED NEW CANAL

Mr. GARY. What is the progress now of the proposed new canal which would relieve the situation?

Mr. MANN. The Senate Finance Committee and the Senate have both approved an authorization to cover the cost of at least two on-site surveys. This is only an authorization, not an appropriation. We were before Mrs. Sullivan's committee yesterday morning. I believe it has a different name in the House, Merchant Marine and Fisheries.

A number of Congressmen were present. We discussed for about 2 hours the whole subject of Panama and the canal. We will undertake to keep them informed during the course of the discussions which will take place. We shall be happy to keep you informed, too, if you are interested.

I might finish up on the on-site surveys. We have conducted certain aerial surveys. We know where the likely sites are.

(Discussion off the record.)

Mr. GARY. One prospective site is in another part of Panama. What would be the advantage of building another canal in Panama? Would you not run into the same difficulties with that?

Mr. MANN. We might well. This is something, of course, we have not reached any decision on. There are only 1 million Panamanians and, as you know, they are dependent on the present canal. When you build a sea level canal, it will no longer be economically feasible to operate this one. It has 14,000 employees, a very complicated series of locks, and is therefore much more expensive to operate. A sea level canal can get by with an estimated 500 people, no locks, no maintenance. So, our operating costs are much lower.

(Discussion off the record.)

Mr. PASSMAN. Mr. Rhodes, do you have any questions on ROCAP?

STATUS AND EXPANSION OF ROCAP

Mr. RHODES. Mr. Rogers, this looks like a rapidly expanding organization. Do you have any projections to show how big ROCAP is likely to get, and how big our expenditures are likely to be within the next 5 years?

Mr. ROGERS. In terms of numbers of people in the organization?

Mr. RHODES. In terms of dollars. If you want to use numbers of people, you can translate it. The costs have gone up—our appropriations for ROCAP have gone up from $8.3 million in fiscal year 1963 to an estimate of $——— for fiscal year 1964, and to $——— in fiscal year 1965.

Mr. ROGERS. That is correct. This represents substantial new development lending. We are trying to support the growth of the regional institutions because we think the real salvation over the long pull is the integration of these responsibilities——

Mr. ROGERS. I merely asked you how much money you are going to spend in future years. If you don't know, just say so.

Mr. ROGERS. Our best estimate is for 1965.

Mr. RHODES. Do you have any projection beyond that?

Mr. ROGERS. No.

INFRASTRUCTURE

Mr. RHODES. This is mainly made up of capital funds for the Central American Bank for Economic Integration, but there are also various projects beginning, here. This regional infrastructure planning and development project interests me. That word "infrastructure" creates a very expensive image. Those of us who have dealt with the NATO infrastructure realize you can get $1 billion tied up in this sort of thing without trying very hard.

How large an infrastructure will ROCAP have? What are its plans for this type of expenditure?

Mr. ROGERS. Two things are happening in that area. No. 1, they are now conducting studies with respect to the question of transportation and the infrastructure required for transportation for the integration of the five countries. This transportation study is still going on, and we have no definitive results on it.

The emphasis under this project in the transportation field in 1965 is strongly on highway maintenance and also the establishment, in effect, of a Central American Authority for Highway Maintenance, which will improve and upgrade and standardize the maintenance of already existing roads in the five countries.

Mr. RHODES. How much in the way of local funds are used in the infrastructure planning? Is this completely at U.S. expense, or is there participation by other countries.

Mr. ROGERS. There is heavy participation in all infrastructure projects.

Mr. RHODES. How about the rest of ROCAP? How do you divide the expenditures of ROCAP as between U.S. participation and participation of the other nations?

Mr. ROGERS. There are substantial contributions on the part of the countries, for example, the five Central American countries have capitalized the Central American Bank which has been the recipient of some of our loans: $4 million a piece; paid in, $2 million each.

Mr. RHODES. $4 million a piece?

Mr. ROGERS. Capitalization contribution by the countries themselves.

Mr. RHODES. Each of the countries contributes an equal amount?

Mr. ROGERS. That is correct.

Mr. RHODES. Is this true of all the ROCAP activities?

Mr. ROGERS. All the ROCAP——

Mr. RHODES. Or do they have proportional contributions for some of their other activities?

Mr. ROGERS. Offhand, I can't tell you whether there are any which are proportional to the population or something similar. There may be a different structure in some of the technical cooperation projects, but I am not sure. I rather doubt it. All that comes to mind now is the equal contribution from each one of the countries.

HOME LOAN DIVISION

Mr. RHODES. We are going to get into such things, I see, as establishing a home loan division. This will be under the Central American Bank?

Mr. ROGERS. That's right.

Mr. RHODES. Do you know how much capital will be put into it in the next 2 or 3 years, or how big it is apt to become?

Mr. ROGERS. Our basic strategy here, Congressman, is to get $10 million of seed capital into the operation.

The idea is to provide a basis on which we can get local contributions, first, to the fund, and then by prospective homeowners; so that we can start the same process of owner-occupied premises—and the push that that gives to growth—that we had in the United States in the thirties. This is designed to provide a device for secondary mortgage financing of home mortgages, so that home mortgage savings can be stimulated in Central American countries. The housing gap is very serious in this region, as you probably know, and the sources of capital are very limited.

Mr. RHODES. How much capital do you think the $10 million of American seed capital will generate?

Mr. ROGERS. Much more than $10 million.

Mr. RHODES. Well, $20 million would be a drop in the bucket, as far as need is concerned.

Mr. ROGERS. Surely.

Mr. RHODES. How big is this going to get?

Mr. ROGERS. What we are trying to do here is what we have tried to do in other countries, provide a small amount of seed capital which will, in effect, give the beginning push to an institution which will later be able to grow and move forward on its own momentum, with its own resources, and with the savings accumulated from the people, themselves.

This case, for example, is about 2 years behind what has already happened in Chile, where we did provide, now, the second and prob-

ably the last seed capital loan. The savings and loan institutions in Chile are now building some 10,000 houses per year, and this has resulted in very much larger savings already by the members of the savings and loan associations.

Mr. RHODES. Isn't that the country in South America where the vote for the Communist Party has gone up rather remarkably in the last few elections?

Mr. ROGERS. It was pretty high in the last election.

Mr. RHODES. I don't intend to blame the Communist increase on AID, but it doesn't appear that the Alliance for Progress has been very efficacious in halting that trend.

Mr. MANN. Mr. Congressman, the Communist Party in Chile has always been one of the three or four strongest parties there. They polled 255,776 votes in the last municipal election, throughout the country.

Mr. RHODES. As compared to what total vote?

Mr. MANN. As compared with about, my memory is 1.9 million, conservatives, liberals, radicals, Christian democrats. The Communists are now in an alliance with the Socialists and are certainly a contender for the presidential election.

Mr. MANN. In September.

(Discussion off the record.)

TECHNICAL SUPPORT

On page 107 I see we have a technical support project going under ROCAP, also. This must be in addition to other technical support programs under the Alliance for Progress. Perhaps we could call this another spigot for foreign aid. Of maybe this could be a subspigot. This is a spigot off of a spigot, a "leak in the faucet," as my friend from Ohio puts it.

Seriously, how far do you expect to go in this technical support, under ROCAP?

Mr. ROGERS. Probably up to 1970.

Mr. RHODES. And the total cost will be about $3,263,000 by that time?

Mr. ROGERS. That is correct.

Mr. RHODES. Would you supply for the record the probable amount of technical support which will be furnished through all of the Alliance for Progress in the South and Central American areas during that period of time, so we may have some idea of the total outflow of this particular spigot?

Mr. ROGERS. Yes, sir; we will provide technical support totals for the period.

(The information follows:)

Estimated cost from beginning through fiscal year 1970 of technical support projects in Latin America

[In millions]

Argentina	$1.7
Bolivia	6.4
Brazil	22.7
ROCAP	3.3
Costa Rica	2.0
El Salvador	1.7
Guatemala	2.8
Honduras	.7
Nicaragua	1.4
Chile	7.0
Colombia	5.4
Dominican Republic	1.6
Ecuador	4.6
Mexico	1.3
Panama	2.5
Paraguay	3.4
Peru	4.3
Uruguay	.6
Venezuela	1.4
British Guiana	1.0
Jamaica	.7
Total	76.5

Mr. RHODES. I think that is all, Mr. Chairman.

Mr. PASSMAN. Mr. Minshall, ROCAP?

Mr. MINSHALL. Didn't ROCAP just come into existence last year? Isn't this a new creature of the Department of State?

Mr. ROGERS It started in fiscal year 1963.

Mr. MINSHALL. What was the reason for starting it? What was the advantage of giving away our dollars this way, rather than on a country-by-country basis? Are we saving the taxpayers money, or are we costing them more? It doesn't seem like we are saving a red cent.

Mr. MANN. I served in Salvador and in Guatemala. I suppose I talked to at least a dozen Americans who wanted to invest $1 million or more in industrial enterprises, until they found out the market was so small it wouldn't support anything. They were dependent on tariff walls and nobody could guarantee them what the tariff would be a year hence. So, starting about 10 years ago, really, we began to work on the idea of a Central American Common Market, so they would have the free movement of goods, capital and labor inside the five countries, just the same as we have in the United States between our States, and just the same as they have in Western Europe, now. This is working very well, and I think ultimately it is the only way that we can hope to get a decent rate of growth and eliminating aid to them. I think it will save us money.

(Discussion off the record.)

CIVIL AVIATION

Mr. MINSHALL. We have already covered the general subject pretty well, Mr. Secretary, but one thing I don't understand in examining the various data that you have given us on different items—industry and mining, transportation, and education, for example—there is one thing

that occurs to me that we have spent an unusual amount of money in the transportation field, especially for navigation aids, airports, and the like, and it seems we are throwing away tens of millions of dollars, along the line. Isn't this just subsidizing our American airlines by the backdoor method?

Mr. MANN. No, I think lack of communications is—I would give this No. 1 priority in the region. If they are going to integrate they have to be able to move their goods. It is a mountainous area as you know. There are five capitals, and our own airlines fly through there. They need to have these communication aids to avoid flying through clouds with rocks in them.

Mr. MINSHALL. How much have we put in there in the way of air navigation dollars?

Mr. MANN. I would have to submit that for the record. I don't have it.

Mr. ROGERS. The obligations through fiscal year 1964 will be $790,000 for the whole program.

Mr. MINSHALL. This is the total cost of the whole program?

Mr. ROGERS. The ROCAP program for civil aviation.

Mr. MINSHALL. This will be the end of it, after $790,000?

Mr. ROGERS. No, that was the amount of ROCAP. The obligations up through this year. The total cost to complete will be $1.5 million.

Mr. MINSHALL. That will wind up the air navigation program. How about the airports? How much will you put in airports and landing strips?

Mr. ROGERS. That is hard to project, Mr. Congressman.

Mr. RHODES. It seems to me you ought to be doing some harder thinking about ROCAP than you have indicated to us so far. I hope you have some idea of where we are going. This could be one of the most expensive things that Uncle Sam ever got caught with. Unless we have some better idea of what you have planned for this in the next 3 or 4 or 5 years, it seems to me we are working in the dark. This may be something that we want to take a very good, hard look at.

Mr. MANN. If you divide this by 6, because we are dealing with six countries, it then is the cheapest way to do it. If you don't do it on a regional basis, you would be doing it on a country basis.

Mr. RHODES. I am not talking about what we are spending now, I am talking about where we are going. I asked Mr. Rogers if he had any projections beyond next year, and the answer is "No." I can't imagine that being the situation. I think you have to know where you are going.

Mr. MANN. If you are saying you are afraid of a new superstructure, or a new organization developing, I agree with you, sir.

Mr. RHODES. That is exactly what I have in mind, sir, and I hope before we talk about this again that some of you have a better idea of what shape this animal is going to take when it is built, and the proportions of it.

Mr. PASSMAN. I wish you would take a look at the record. This is just another regional program. You have a regional program in the four areas of the world—the Far East, Near East, and south Asia,

Africa, and Latin America, not for economic aid but you also have a regional program for the four areas in the military assistance program. I have been fighting this type of program for years, and renewed interest, Mr. Minshall, is indeed an inspiration. You inspire me, Mr. Minshall. And you, too, Mr. Rhodes.

I want to just read this colloquy from last year's hearing into the record at this point. It is right in connection with what Mr. Minshall and Mr. Rhodes said:

Mr. PASSMAN. On yesterday we were able to develop that the purpose of the regional program was, for one major objective, to reduce personnel and also to make a far more manageable program. But we found that instead of creating an organization capable of administering this vast program more effectively on a regional basis, rather than a country-by-country basis, there has been an increase in the personnel overall, and that instead of really being an organizational proposition, it was one involving many millions of dollars in supplemental aid to the programs in the countries in which you are considering ——— for the regional setup which was organized only last year.

Mr. MOSCOSO. That is right.

Mr. PASSMAN. This plan is supplementing the country programs in the limited regions.

Mr. MOSCOSO. You could call it that, Mr. Chairman.

Now, that is exactly what it is, and the man who administered the program last year admitted that is a supplemental and that you increase the personnel with this procedure, rather than reduce the personnel.

Thank you for yielding.

PERSONNEL IN ROCAP

Mr. MINSHALL. As to personnel, how does the personnel compare today, from last year, and how do you project it? Could you give us some background on this?

Mr. MANN. I think we have reduced this year, haven't we?

Mr. MINSHALL. You just started.

Mr. ROGERS. ROCAP, fiscal year 1963, 15 people; fiscal year 1964, 27; fiscal year 1965, 25.

That was just the ROCAP.

Mr. MINSHALL. But the other countries in ROCAP, you have this in addition. We went into this last year.

Mr. ROGERS. All the five Central American countries, plus ROCAP personnel, are the numbers I am reading now. Fiscal year 1963, total, 153; fiscal year 1964, total, 135.

Mr. MINSHALL. Are you reducing them in other countries—Guatemala, for example?

Mr. ROGERS. Yes. Guatemala, from 41 to 28. Reductions from fiscal year 1963 to fiscal year 1964.

Mr. MINSHALL. But overall, you have increased?

Mr. ROGERS. No. I am trying to give you the numbers. Overall represents a reduction in each of the 3 years; fiscal year 1963, 153 people for the 5 countries, plus ROCAP; fiscal year 1964, total for the 5-country missions, plus ROCAP, 135; fiscal year 1965, 5-country mission plus ROCAP, 125.

CONTRACTOR PERSONNEL

Mr. MINSHALL. Would you also supply the contractor personnel for all of these organizations for the same period of time?

Mr. ROGERS. Yes.

Mr. MINSHALL. Do you have that handy, right now? I'd like to hear it.

Mr. ROGERS. I think we will have to add it up from the pages in the book.

Mr. MINSHALL. This program sort of grew like Topsy. The first thing you know, you are way ahead of yourself.

Mr. ROGERS. Shall we add these up and supply them for the record?

Mr. MINSHALL. I wish you would, rather than take the time now.

(The information supplied follows:)

Employment levels in AID missions—Central America

	Fiscal year 1963			Fiscal year 1964			Fiscal year 1965		
	Contract	PASA [1]	Direct hire	Contract	PASA [1]	Direct hire	Contract	PASA [1]	Direct hire
Costa Rica	20	1	20	16	2	23	12	2	19
El Salvador	20	3	30	32	3	29	20	3	20
Guatemala	7	2	41	10	3	28	16	3	28
Honduras	2		28	4		12	4		18
Nicaragua	5	6	19	12	6	16	13	9	15
ROCAP	8	10	15	25	19	27	26	22	25
Total	62	22	153	99	33	135	91	39	125

[1] Employees under participating agency service agreements.

Mr. MINSHALL. I have no further questions, Mr. Chairman.

Mr. PASSMAN. You may have time to refer to the hearings last year and see just how many regional programs you have. They certainly supplement the country aid programs, and there is no way to know what you are giving to each country actually, until you find out how much they are going to get out of the regional program. Again, you have to put the two together and every year it becomes more confusing. Mr. Secretary, we keep reading about this country, that we want other countries to move in and make loans and help carry this load, do we not?

Mr. MANN. By other nations, you mean Western Europe?

Mr. PASSMAN. I am talking about other nations who are willing to make legitimate loans.

Mr. MANN. Capital exporting nations, Japan, Western Europe?

Mr. PASSMAN. Any nation willing to make a loan with no strings attached to it.

Mr. MANN. That is our policy; yes, sir.

(Discussion off the record.)

COSTA RICA

TOTAL AID FOR COSTA RICA

Mr. PASSMAN. What has been the total amount of aid to Costa Rica since the inception of the program from all 16 spigots?

Mr. ROGERS. $117.8 million.

Mr. PASSMAN. What do you have in the pipeline yet to be disbursed to the credit of Costa Rica?

Mr. ROGERS. $29.18 million.

Mr. PASSMAN. What is the population of Costa Rica?

Mr. ROGERS. 1.3 million.

Mr. PASSMAN. This is one country which had no income tax whatsoever when I visited there some years ago. Do they now have an income tax law?

Mr. ROGERS. Yes, sir.

FUNDING FOR FISCAL YEAR 1964

Mr. PASSMAN. What did you request for Costa Rica in fiscal 1964?

Mr. ROGERS. $2 million.

Mr. PASSMAN. What did you allocate?

Mr. ROGERS. ———.

Mr. PASSMAN. A slight increase?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. And your $2 million was in the $5 billion budget?

Mr. ROGERS. That is right.

Mr. PASSMAN. You got the $——— out of the $3 billion appropriation; is that right?

Mr. ROGERS. Yes.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. ROGERS. We should supplement the answer that I just gave you, Mr. Chairman. Our presentation of Costa Rica was one of those in which we indicated under Alliance for Progress loans that they would all be included in a sum of some $32 million but there was an unspecified loan amount indicated by an asterisk in the presentation of last year.

Mr. PASSMAN. But nevertheless you requested for Costa Rica—name that figure again.

Mr. ROGERS. Indicated firm request for grants was $2 million.

Mr. PASSMAN. You allocated $———.

Mr. ROGERS. We also indicated——

Mr. PASSMAN. You are using the range category?

Mr. ROGERS. No.

Mr. PASSMAN. You indicated what? You had no estimate; $2 million was all you requested, the firm request?

Mr. ROGERS. The dollars specified were $2 million for grants.

Mr. PASSMAN. You allocated $———?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How about the Public Law 480?

I know you are in a tight spot.

Mr. ROGERS. Nothing tight about it. I wanted to explain it fully for you on the record.

Mr. PASSMAN. I want to go by what you requested out of the $5 billion budget and what you allocated out of the $3 billion budget. You have a lot of notes as to the need for additional money, but I am speaking of the specific request.

Mr. ROGERS. There was a firm indication——

Mr. PASSMAN. Of $2 million.

Mr. ROGERS (continuing). In the program book, page reference is page 11, if you will notice opposite Costa Rica, as well as opposite a number of other countries, we added in an asterisk. The total of the asterisks was $32 million.

Mr. PASSMAN. For the entire area?

Mr. ROGERS. For the countries in which the asterisks were set down.

Mr. PASSMAN. You requested only $2 million for Costa Rica so far as the firm request in dollars is concerned.

Mr. ROGERS. Plus $32 million for a group of countries including Costa Rica.

Mr. PASSMAN. In other words, it is one of those semiregional package deals where you do not know whether X country or B country gets it; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. You requested $2 million as such for Costa Rica. You allocated for Costa Rica $——— million but you also had a regional kitty of $32 million from which you also could disburse funds into a given number of countries; is that correct?

Mr. ROGERS. It was not regional. There was a group of countries.

Mr. PASSMAN. I don't know the difference between regional and group. How many in this group?

Mr. ROGERS. Eight countries.

Mr. PASSMAN. You didn't know whether you would allocate $2 million only or whether you would go into this $32 million fund for Costa Rica?

Mr. ROGERS. That is correct.

Mr. PASSMAN. After you allocated the specific request of $2 million then you went into what we shall call a kitty, in addition to the regular appropriation, and allocated how much to Costa Rica?

Mr. ROGERS. Total of ———.

Mr. PASSMAN. Did the rest come out of this kitty?

Mr. ROGERS. Yes.

Mr. PASSMAN. I don't care how complicated you get the program, we will get into it and uncover it.

Did you dispose of the entire kitty to the eight countries?

Mr. ROGERS. Yes.

Mr. PASSMAN. As we go along will you supplement what I asked you and give the amount you took out of the kitty for those other seven countries when we get to them?

Mr. ROGERS. Yes, sir.

TEXTBOOK IMPROVEMENT SUPPORT

Mr. PASSMAN. You are proposing to initiate the textbook improvement support project on page 117 in fiscal 1965; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Why are you proposing to start this project?

Mr. ROGERS. This represents publication cost of 74,000 textbooks and 3,500 teachers' guides.

Mr. PASSMAN. This is a supplement to the other educational programs?

Mr. ROGERS. Publication cost for the books for Costa Rica.

Mr. PASSMAN. What are you getting out of the regular program for Costa Rica for the same purpose?

Mr. ROGERS. The ROCAP program.

Mr. PASSMAN. You are talking about ROCAP now. You said you got it out of ROCAP. We want both appropriations and put them together to get the total.

Mr. ROGERS. I think we had already done that for the record, Mr. Chairman.

Mr. PASSMAN. It is the first time I have asked the question about this new program, improvement support project, page 117. This is as brand new as it can be. It is for 1965.

This is not out of the ROCAP.

Mr. ROGERS. The ROCAP program——

Mr. PASSMAN. This is coming out of ROCAP into an independent project?

Mr. ROGERS. The printing cost is assigned to Costa Rica.

Mr. PASSMAN. This was originally part of the ROCAP project?

Mr. ROGERS. Last year it was.

Mr. PASSMAN. You have broken it out of ROCAP and it is independent?

Mr. ROGERS. We have broken out printing costs and assigned them to the five countries.

Mr. PASSMAN. I am almost ready to give up but I will try again.

How much did you spend on this project before you removed it from ROCAP and made it an independent project?

Mr. ROGERS. I couldn't identify the printing costs.

DEVELOPMENT PLANNING AND ADMINISTRATION

Mr. PASSMAN. I note you have allocated $374,000 to the development planning and administration project on page 120, which represents two old projects entitled "National planning and Government organization and management." Is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you request for these two projects last year?

Mr. ROGERS. $233,000.

Mr. PASSMAN. The $233,000 is what you requested out of a $5 billion budget?

Mr. ROGERS. Yes.

Mr. PASSMAN. You allocated $374,000 out of the $3 billion appropriation?

Mr. ROGERS. That is right.

Mr. PASSMAN. If it was a line item bill you would have stayed with the original figure, would you not?

Mr. ROGERS. Yes, sir, and we would have had a less effective program.

TECHNICAL SUPPORT

Mr. PASSMAN. Last year you requested $165,000 for the technical support project; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you allocate for this project?

Mr. ROGERS. $215,000.

Mr. PASSMAN. If it had been a line item bill you would have stuck with the $165,000?

Mr. ROGERS. Yes, and it would have been a less effective program.

Mr. PASSMAN. If I had your job and you were sitting here I would like you to let me get by with such a statement. I am so much in sympathy with Latin America that I am not following up, as I should, on these projects.

LOAN FOR METROPOLITAN WATER SUPPLY

If I may say sarcastically and with a smile: I note we have another one of these carefully scrutinized and well-planned development credits on page 123 in the amount of $3,500,000 for the metropolitan water supply project.

In addition I note on July 1, 1963, over 2 years after the initial credit had been approved by AID, AID approved another credit of $1,400,000. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Which seems to be necessary so construction can begin on the original contract of June of 1961. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Do you propose to deobligate any of these funds?

Mr. ROGERS. No. As you know, there has been a serious problem with the volcano in Costa Rica. This has changed the watershed conditions substantially in the San Jose area.

We wanted to be sure we did not go ahead and invest our funds, build the project on the basis of engineering analysis which predated volcano conditions. We want to be sure that when it is done it will be right.

Mr. PASSMAN. I understand, Mr. Rogers.

Since you will have the responsibility of approving millions of dollars you should read the criteria by which American projects are processed.

From the time you initiate a public works project in America the average is 10 years before you get an authorization. It takes that long to conduct all of the surveys and to be sure that you have a favorable cost-benefit ratio.

You do have a different standard for projects in other countries.

If I get you a copy of the procedure from the Public Works Committee, would you look it over some time?

Mr. ROGERS. By all means.

Mr. PASSMAN. Here is a place where the money has been set aside and you don't know whether it will be disbursed.

SECOND AGRICULTURAL CREDIT LOAN

I note we have a second agricultural credit in the amount of $5 million described on page 125; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. What happened to the first agricultural credit of $5 million which you approved in 1961?

Mr. ROGERS. It has been disbursed.

Mr. PASSMAN. This is a new credit on the same project?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This is payable to us in colones?

Mr. ROGERS. The first one was.

Mr. PASSMAN. On the second one, is this one of these Dillon credits: "40 years, no interest, three-quarters of 1 percent service charge?"

Mr. ROGERS. That is correct.

Mr. PASSMAN. I have some six or seven other pages of questions on Costa Rica. Similar questions would get similar answers on similar projects?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I shall dispense with asking further questions on Costa Rica and yield to the distinguished gentleman from Virginia, Mr. Gary.

Mr. GARY. I have no questions, Mr. Chairman.

Mr. PASSMAN. Mr. Flynt, Costa Rica.

Mr. FLYNT. I have no questions.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I have no questions.

Mr. PASSMAN. Mr. Minshall?

Mr. MINSHALL. Off the record.

(Discussion held of the record.)

Mr. PASSMAN. Gentlemen, I think the Secretary understands better than any other man I have ever met, and there is nothing personal about this——

Mr. MANN. I understand that.

Mr. PASSMAN. I think you and I agree the program must be tightened up. It is not a fair shake for the American taxpayer, nor the Congress, when we are involved in 100 nations with thousands of projects. We get into a few of them and get into these complications where you know nothing about them—I don't—the person who allocated the money seems to know nothing about them. It is not right to operate on that basis. You people are cooperative but this program is so complicated.

Mr. MANN. Mr. Chairman, I am as anxious as any man here to get the best administration we can out of this program.

Mr. PASSMAN. Right.

Mr. MANN. I have been in office 4 months. We will work on it to try to make it better.

I do not think we have a bad program.

Mr. MINSHALL. That is the standard speech they give up here, Mr. Secretary. I don't mean to be insulting.

Mr. MANN. That is all right. You can say anything you like, Mr. Congressman. I am telling you the facts.

The truth is that I am going to do my best to give this committee and the American people a good administration.

Mr. PASSMAN. I believe you will. But don't say it is a good program now.

Mr. MANN. I don't think it is a bad program now. It is tied into U.S. security.

Mr. PASSMAN. I am not talking about the objective but how the money is allocated to projects. They don't know any more about it than I do about surgery. I will point up weaknesses of these projects until it is straightened out.

(Discussion off the record)

Mr. PASSMAN. We shall take a recess.

(Recess taken.)

Mr. PASSMAN. In going through the justifications we are taking these countries in order, one at a time. Colombia will be the last country we will ask questions on. Is that acceptable to you, Mr. Rogers, as the Director?

Mr. ROGERS. That is fine.

Mr. PASSMAN. And you, Mr. Secretary?

Mr. MANN. That is fine.

EL SALVADOR

TOTAL AID PROGRAM

Mr. PASSMAN. The next country is El Salvador.

What has been the total aid program for El Salvador since the inception of the giveaway program?

Mr. ROGERS. $79.5 million.

Mr. PASSMAN. Is that all spigots?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What do you have in the pipeline to the credit of El Salvador?

Mr. ROGERS. $26,851,000.

Mr. PASSMAN. Does that include Public Law 480?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What is the population of the country?

Mr. ROGERS. 2.6 million.

Mr. PASSMAN. What did you request for El Salvador in your budget last year, the direct request for the country?

Mr. ROGERS. ———.

Mr. PASSMAN. What did you allocate?

Mr. ROGERS. ———.

AGRICULTURAL DEVELOPMENT AND AGRARIAN REFORM PROJECT

Mr. PASSMAN. Why do you need $49,000 for secretarial services and local travel under the agricultural development and agrarian reform project, on page 133?

Mr. ROGERS. This will be support for a much larger team as you can see. It will include three full-time Department of Agriculture technicians, including a team leader, a land economist, a marketing man, and 14 short-term specialists in various fields.

Mr. PASSMAN. Explain the phrase "short term."

Mr. ROGERS. We are defining it as people who are down there for an average of 3 months.

Mr. PASSMAN. Are they on vacation or do they do something for you while they are there?

Mr. ROGERS. They work pretty hard, Mr. Chairman.

Mr. PASSMAN. Work hard doing what?

Mr. ROGERS. In this case, this is primarily specialists working with the Government of El Salvador on various matters for increasing agricultural productivity. As you know, one of the most serious problems

in Latin America is the low state of agricultural productivity. We have methods of increasing agricultural productivity, and this is largely a program for providing that kind of assistance.

Mr. PASSMAN. You started this project in 1955, did you not?

Mr. ROGERS. Yes.

Mr. PASSMAN. When you originally started this project in 1953, when did you have it scheduled for final obligation?

Mr. ROGERS. I don't know that we have an answer to that question, Mr. Chairman. I don't believe that the presentation with respect to old——

Mr. PASSMAN. When did you extend it the last time?

Mr. ROGERS. It is now scheduled for completion in 1969.

Mr. PASSMAN. I know. If you take 1955 through 1969, inclusive, that is 15 years. We are just wondering, in your original estimate, when you scheduled final obligation?

Mr. ROGERS. I can't testify as to what they expected in 1955, Mr. Chairman.

Mr. PASSMAN. I said the latest. Can you give us the last time, then?

Mr. ROGERS. Last year we said 1968 with respect to the program set forth on page 161, of last year's book.

Mr. PASSMAN. 1968?

Mr. ROGERS. That is correct.

Mr. PASSMAN. For what reason did you extend it up 1 year? If you had left it at 1968, you still would have had 3 years to go. Why do you have to step it up 1 year at this time?

Mr. ROGERS. I think primarily this is our effort to assist the Salvadoreans in their land reform, increased agricultural productivity program——

Mr. PASSMAN. Increasing it 1 year doesn't mean you have changed the present program, does it?

Mr. ROGER. No; but we just thought in terms of time—we made a reevaluation of this.

Mr. PASSMAN. Just to keep these things to where they are way out yonder in the future?

Mr. ROGERS. No, sir——

Mr. PASSMAN. I couldn't see this otherwise because you had at least 3 years to go—1965, 1966, 1967, and 1968, and then you just had to add 1 year to the schedule for final obligation. In some of these projects you make expenditures many years after you stop making obligations to them, do you not?

Mr. ROGERS. That is true, in some cases. The leadtime in this one——

Mr. PASSMAN. This project is really 26 years old, isn't it? This is one of the first aid projects ever started anywhere. In fact, it even started before the foreign aid program, as we know it, today. It started in 1944, did it not?

Mr. ROGERS. Mr. Chairman, the relationship of this to the project set forth on page 161 last year I would like to have Mr. Passett say a word about that.

Mr. PASSMAN. Is it the same progressive project?

Mr. PASSETT. It is not the same project. If you will recall, last year we discussed the project on page 161 at great length in these hearings, and we went back to check out to see whether we had possibly made a mistake. We determined that in the project we are pre-

senting in the 1965 book, there are a couple of elements of the old increased agricultural production project——

Mr. PASSMAN. Restate that.

Mr. PASSETT. There are a couple of elements of that old project which have carried over into this new agricultural development——

Mr. PASSMAN. Now, pinpoint those elements. What elements?

Mr. PASSETT. The review of land tenure practices and agrarian reform which was to be done—it was a very small part of that project.

Mr. PASSMAN. All right. Did you advance the final obligation by 1 year?

Mr. PASSETT. That's right, sir.

Mr. PASSMAN. How much did you increase the estimate for the final completion of the project?

Mr. PASSETT. We actually cut back the estimates for the cost to completion, because the future-year obligations in this project have been cut back substantially.

Mr. PASSMAN. Applying geneology to this project, it would take an expert to know the relationship between this one and that one. Does that kind of well explain it? Is that right?

Mr. PASSETT. That is correct.

Mr. PASSMAN. Last year you requested $100,000 for the development banking industrial promotion project on page 134. How much did you allocate to the project?

Mr. ROGERS. $132,000, Mr. Chairman.

EDUCATIONAL PLANNING AND ADMINISTRATION PROJECT

Mr. PASSMAN. The educational planning administration project at page 137 seems to include the textbook production project which was formerly under ROCAP; is that correct?

Mr. ROGERS. That is correct. It includes $130,000 for textbook production in the ROCAP overall.

Mr. PASSMAN. What advantage do you people find changing the numbers of projects each year? Is it to try out new IBM equipment?

Mr. TENNANT. The numbers have to be changed to adapt to a computer system.

Mr. PASSMAN. I thought there was some good reason. Will you change them again next year?

Mr. TENNANT. We hope not.

(Discussion held off the record.)

UNIVERSITY REFORM PROJECT

Mr. PASSMAN. You have allocated $159,000 to the university reform project on page 138. Is that right?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. No reference last year.

Mr. PASSMAN. How much did you request? Was there any request at all?

Mr. ROGERS. None.

SELECTED PARTICIPANT TRAINING PROJECT

Mr. PASSMAN. Did you request any funds last year for the selected participant training project on page 140?

Mr. ROGERS. No, sir.

Mr. PASSMAN. We have four more pages of questions on El Salvador. Similar questions would get similar answers on similar projects, would they not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. This is not a fair shake for the taxpayer but it is impossible to examine on 4,000 projects and subprojects in 100 nations, so we shall dispense with asking further questions on El Salvador and move along to Guatemala.

GUATEMALA

TOTAL AID PROGRAM

What has been total aid to Guatemala since the inception of the program?

Mr. ROGERS. $195.2 million.

(Discussion held off the record.)

Mr. PASSMAN. There may have been other incidental expenses in connection with securing Guatemala's freedom in previous years not included in that figure; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What do you have unliquidated to the credit of Guatemala at this time?

Mr. ROGERS. $22,396,000.

Mr. PASSMAN. What is the population of Guatemala?

Mr. ROGERS. 4.1 million.

Mr. PASSMAN. What did you ask for Guatemala in fiscal 1964?

Mr. ROGERS. $4.5 million.

Mr. PASSMAN. What did you allocate?

Mr. ROGERS. There again this was also a country included in the asterisked list.

Mr. PASSMAN. Please answer the first question.

Mr. ROGERS. ——— million.

Mr. PASSMAN. What is the first figure you gave?

Mr. ROGERS. $4.5 million.

Mr. PASSMAN. So far as you knew at the time you justified the funds, $4.5 million could have been all.

What did you finally allocate?

Mr. ROGERS. ——— million.

Mr. PASSMAN. What part of the ——— came out of this kitty where you had funds for eight nations which you may or may not have used? What part came out of the special kitty?

Mr. ROGERS. ——— development lending.

(Discussion off the record.)

Mr. PASSMAN. This is a kitty whereby eight countries may or may not participate; is that correct?

Mr. ROGERS. That is a correct definition.

Mr. PASSMAN. That is in addition to the region, ROCAP?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. I think we are impressing the Secretary tremendously with the simplicity of this program.

We are playing games with each other, Mr. Rhodes. You have a direct request, a request for a specific amount of money for, we will say, eight of these Latin American countries.

Then you have what we established as ROCAP, a region from which funds come.

Now we have, in addition, a kitty of $32 million whereby eight Latin American countries also may supplement what they get out of ROCAP and what they get directly out of the kitty.

Have I stated that correctly?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Is this $32 million in ROCAP?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Let us get back to Guatemala, then.

How much did you ask for? What was the request for direct funds?

Mr. ROGERS. $4.5 million for technical assistance.

Mr. PASSMAN. You supplemented that out of the $32 million kitty which was set up for eight nations by what amount?

Mr. ROGERS. ——— for development lending.

Mr. PASSMAN. Did they get anything from ROCAP?

Mr. ROGERS. Yes; they were advantaged by the ROCAP operation.

Mr. PASSMAN. How much?

Mr. ROGERS. We didn't separate it by country.

Mr. PASSMAN. The $32 million kitty is to supplement eight countries over and above the regular request. That is not ROCAP, is it?

Mr. ROGERS. The specific request with respect to those countries had to do with technical cooperation.

We also indicated we were programing some $32 million——

Mr. PASSMAN. Not earmarked for any country.

Mr. ROGERS. For eight countries.

Mr. PASSMAN. Not for any particular country.

Mr. ROGERS. That is right.

Mr. PASSMAN. But put in a kitty by which eight countries might participate. Is that right.

Mr. ROGERS. Yes, for development lending.

Mr. PASSMAN. In other words, you said it is undetermined as to what each country will need. After that has been determined you allocate out of the $32 million which is set up in a kitty for eight countries. This was in 1964.

Mr. ROGERS. Last year's presentation, yes.

Mr. STERNFELD. Page 11 of last year's presentation.

Mr. RHODES. Is there a comparable request this year?

Mr. ROGERS. We have broken it down more by countries this year.

Mr. PASSMAN. Then there is not a comparable request.

Mr. ROGERS. Not in this sense of a kitty that the chairman is talking about.

Mr. RHODES. Did they testify it was a kitty last year?

Mr. ROGERS. It was in the book.

Mr. RHODES. What did we call it?

Mr. PASSMAN. The real significance hit me only this year. If you just run through these countries you don't see them.

If you don't have it this year there is no use wasting the Secretary's time.

Mr. ROGERS. It was called unprogramed development loans. It was made quite clear this was $32 million for unprogramed development credits.

We indicated this was for these eight different countries. Those are the countries where we did not try to be overly specific and mislead the committee in the sense we knew precisely how much they would get. We programed $32 million there.

Allocation of the unprogramed loans contained in the fiscal year 1964 congressional presentation

[In millions of dollars as of May 20, 1964]

	Current allocation	Authorized
Costa Rica	8	8.0
Guatemala	——	2.0
Honduras	——	——
Nicaragua	——	.45
Dominican Republic	——	——
Uruguay	——	2.4
Jamaica	——	1.5
Surinam	——	——
Total	32	14.4

Mr. PASSMAN. Again this is illustrative.

Mr. ROGERS. I think that is a fair statement.

IMPROVEMENT OF SAN CARLOS UNIVERSITY

Mr. PASSMAN. For what purpose did you utilize the $100,000 for contract services for the Improvement of San Carlos University project shown on page 155?

Mr. ROGERS. This was for the purpose of funding a U.S. university contract to assume primary responsibility——

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. ROGERS. We shall supply the information, Mr. Chairman.

Mr. PASSMAN. Do any of your supporting people know this?

Mr. STERNFELD. I can tell you, sir, that discussions were held with the University of Pittsburgh and Michigan State with regard to undertaking this particular project.

I don't know whether the contract finally has been consummated.

Mr. PASSMAN. Have you allocated any funds to it?

Mr. STERNFELD. Did we?

Mr. PASSMAN. Yes.

Mr. STERNFELD. We have $100,000 programed.

Mr. PASSMAN. You don't know whether the contract has been finalized or not.

Mr. STERNFELD. We would have to check with the mission and the embassy.

Mr. PASSMAN. It may or may not have been?

Mr. STERNFELD. That is right.

Mr. PASSMAN. Why are you allocating funds to it?

Mr. STERNFELD. This is an estimate for fiscal 1964, sir.

Mr. PASSMAN. You did debit the unobligated funds by this amount, did you not? That is reduced by this amount on account of that allocation; is that correct?

Mr. STERNFELD. This will take place when the contract is signed. If we have not signed a contract we will not debit the unobligated balance.

Mr. PASSMAN. Is that your understanding of the way you handle this, Mr. Comptroller General—you do not debit the unobligated funds or reserve out of it until the contract has been finally signed?

Mr. STERNFELD. Until project agreement has been signed.

Mr. PASSMAN. Wait a minute. Four are trying to answer the same question. We will get four answers if we are not careful.

Do you know of any instances where you debit, technically or otherwise, this purely unencumbered unobligated fund until you have actually signed the contract? Do you obligate, reserve, set aside anything before you get to the signing?

Mr. TENNANT. That is a little different from development loans. On development loans we take the money out at the time——

Mr. PASSMAN. Take it out of the kitty before the contract is signed?

Mr. TENNANT. On development loans when we authorize the loan we are committed to the cooperating country.

Mr. PASSMAN. And debit the unobligated?

Mr. TENNANT. Yes.

Mr. PASSMAN. Then the contract can be signed at some subsequent date. Is that right?

Mr. TENNANT. That is correct. However, that is——

Mr. PASSMAN. Let us get into this one. In this case, development grants, when do you debit the unencumbered, unobligated account?

Mr. TENNANT. At the time we sign a project agreement with the cooperating country for the amount of the total project.

It is estimated this project agreement will be signed in fiscal 1964.

Mr. PASSMAN. It was signed in 1963. Have you obligated the $100,000? Does it come out of unobligated? Has it been debited?

Mr. TENNANT. My understanding is that it is estimated we will sign an obligation of $269,000 in this fiscal year and the $100,000 will be part of that transaction. I don't know whether it is signed as of today or not.

Mr. PASSMAN. You don't know whether this is in or out of the kitty at this stage?

Mr. STERNFELD. We don't know.

As I indicated, we would have to check——

Mr. PASSMAN. How many other projects will we find in a similar category?

Mr. TENNANT. We estimate that these transactions will occur during this fiscal year.

Mr. PASSMAN. But it all depends on what account, whether it is development credit, development grants, supporting assistance, as to whether or not you debit the unobligated at the time you authorize it or at the time you sign it; is that correct? One is before and some are after?

I am not trying to mislead you. In development credits you debit the unobligated at the time of the——

Mr. TENNANT. Authorization.

Mr. PASSMAN. So it is before the fact and not after in that instance?

Mr. TENNANT. Before the loan agreement is actually signed.

Mr. PASSMAN. Then in the development grant it could be either.

Mr. TENNANT. In development grants, we obligate at the time we sign the agreement with the country.

Mr. PASSMAN. You signed the agreement on this project in 1963.

Mr. TENNANT. I see. There are annual amendments to the agreement or——

Mr. PASSMAN. Would it take an amendment to the original agreement for you to allocate funds to it?

Mr. TENNANT. Additional funds, yes.

Mr. PASSMAN. Would it take an amendment to the original agreement before you could allocate the $269,000?

Mr. TENNANT. Yes.

Mr. PASSMAN. Then from that you move into the subobligations of the total account; is that correct?

Mr. TENNANT. That is correct.

CONTRACT SERVICES

Mr. PASSMAN. How much of your estimate of $460,000 for contract services in fiscal 1965 will be allocated to the university contract?

Mr. ROGERS. This will be all university contracts, Mr. Chairman. There will be a number of activities going on under it, as you can see, including quite a number of things.

Mr. PASSMAN. That is why I want to know, on account of those several activities. You have it broken down. Go to page 155, participants program, including 24 faculty members, and so on. This shows contract commodities, and what is included in that area, and so on.

We want to break it down.

Mr. ROGERS. We can break it down and submit it.

(The information supplied follows:)

GUATEMALA, SAN CARLOS UNIVERSITY PROJECT

A project agreement signed April 27, 1964, with San Carlos University provided for $100,000 in contract services. No contracts have yet been concluded to implement this agreement. It is intended, however, to utilize a number of separate individual personal service contracts with professors and technicians from various U.S. universities at this stage of project development, rather than a single U.S. university contract.

Fiscal year 1965 proposed contract component of $460,000 includes $360,000 for personal and related services and $100,000 for contract participants. (Commodities procured under contract would be a small amount for demonstration texts and teaching aids.) No decision has yet been made on whether to implement fiscal year 1965 program through a single U.S. university contract, a combination of universities, or participation of individual contractors from various U.S. campuses.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. How many vehicles do you propose to furnish Guatemala under the public safety project shown on page 159?

Mr. ROGERS. We will have to break it out of the commodities.

Mr. PASSMAN. You don't know how much for vehicles?

Mr. ROGERS. A portion of the——
Mr. PASSMAN. You don't know the amount at this time?
Mr. ROGERS. I do not.

PUBLIC SAFETY PROJECT VEHICLES

Fiscal year 1965 commodity element of $72,000 includes $50,000 for 18 patrol cars, 1 jeep, and vehicle parts. This represents a minor portion of total equipment needs to be financed by Government of Guatemala under police reorganization plan which emphasizes increased mobility.

SPECIAL DEVELOPMENT ACTIVITY

Mr. PASSMAN. What was the date of the $50,000 obligation to the special development activity project in fiscal 1963?
Mr. STERNFELD. We will have to supply that.

SPECIAL DEVELOPMENT ACTIVITY

Fiscal year 1963 funds in amount of $50,000 were obligated for this activity by project agreement signed with the Government of Guatemala Minister of Economy on June 24, 1963. The agreement provides that the funds will be employed in procuring services and commodities to be used in Guatemala for private, community, or Government of Guatemala sponsored projects which help to generate public awareness and support of the Alliance for Progress, and which have special value in terms of their visibility and speed of execution. As of April 30, 1964, $15,225 had been applied from the project agreement for the purchase of excess U.S. schoolbuses, sewing machines, livestock, and building materials.

Mr. PASSMAN. Did you justify the $5,000 allocation to this project last year?
Mr. ROGERS. We did not, Mr. Chairman.

TECHNICAL SUPPORT

Mr. PASSMAN. Last year you requested $25,000 for commodities under the technical support project to provide office machinery, furniture, spare parts and tires for motor vehicles, and six vehicles this year. Page 162 indicates that you allocated $65,000 for this purpose in 1964, and your estimate for fiscal 1965 is $85,000 for the purpose of office furniture and equipment, vehicles, and furnishings.

It would appear to me we are going to have so much office furniture and equipment, vehicles, and furnishings in Guatemala that the technicians will not be able to move around. Do you agree with that statement or do you prefer to comment?

Mr. ROGERS. No, sir; I do not agree with it.

Mr. PASSMAN. Comment on it, then.

Mr. ROGERS. This program represents a reduction from our request last year of $392,000 down to $355,000.

Mr. PASSMAN. I am referring to what you allocated and what you are asking for this year for commodities. You went from $25,000 to $65,000. Is that a statement of fact?

Mr. ROGERS. The commodity element within the total project was increased.

Mr. PASSMAN. Now you are asking for an $85,000 amount in addition to that?

Mr. ROGERS. That is right.

Mr. PASSMAN. That is for the things I just enumerated; is that rrect?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Do you have to store this stuff or do you find a place to use it?

Mr. ROGERS. This is required.

Mr. PASSMAN. We need more than a blank statement on that. It seems some of the high-powered salesmen are reaching you.

Mr. STERNFELD. The reason for the increase on this commodity item, both for fiscal 1964 and 1965 is this: In fiscal 1964 Guatemala was classified as a limited home furnishing post in the terminology of the administrative people. They are now providing homefurnishings for these technicians, some basic elementary furnishings. This was a decision made on an overall basis by the Agency.

Therefore this element of the cost of these commodities has gone up.

Mr. PASSMAN. They have gone up?

Mr. STERNFELD. Yes.

Mr. PASSMAN. It goes up from $25,000 to $65,000 in 1964 which is more than double what you requested. It is going up to $85,000 in fiscal 1965.

Give us a list of the commodities, the number of desks, number of typewriters, number of adding machines, and whatever it is.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. One time for both years.

Mr. ROGERS. Very well.

Mr. PASSMAN. Then the office building in which it is used and the floor space occupied. Can you do that, too?

Mr. ROGERS. Yes.

(The information supplied follows:)

TECHNICAL SUPPORT COMMODITIES

Approximately 85 percent of the commodity component under the technical support project in fiscal years 1964 and 1965 covers costs of residential furnishings for U.S. technicians assigned to Guatemala under the limited post designation applied to that mission early in fiscal year 1964. It is the policy of AID to make such designation and provide Government-owned furnishings to employees where it is clearly in the Government's interest to do so, from the standpoint of unusual conditions at the posts or savings effected over costs of shipping employees' own household effects from the United States. The first 3 to 4 years after a post is designated "limited" is the period of high investment in these furnishings, which are thereafter made available to a succession of mission personnel.

A total of 22 sets of basic furnishings were budgeted for under technical support in fiscal years 1964 and 1965. The current projection of USAID/Guatemala staffing indicates that 14 more sets of furnishings will need to be budgeted for in the future. It is estimated that a net annual savings of $506.40 per employee will accrue to the Government by the fact that this mission is now designated a limited post.

Estimated breakdown of technical support commodity component is as follows:

	Fiscal year 1964		Fiscal year 1965	
	Amount	Number	Amount	Number
"Limited post" residential furnishings	$58,100	[1] 10	$71,000	[1] 12
Vehicles (meeting replacement requirements)			8,200	4
Vehicle spare parts	1,500		1,300	
USAID office machinery and equipment	3,000		2,500	
Office furniture	1,600		1,500	
Office supplies	700		500	
Total	64,900		85,000	

[1] Sets.

Total USAID office floor space currently is estimated at 21,000 square feet, or about 100 usable square feet per employee requiring space.

Mr. PASSMAN. We shall resume tomorrow at 10 o'clock, gentlemen.

THURSDAY, MAY 21, 1964.

Mr. PASSMAN. The committee will come to order.

I shall make two observations before we get back to the examination of the programs for Latin America.

This is one of many letters I receive almost daily from people who are observing our actions with respect to foreign aid. This comes from Alberto V. Roque, of Mexico.

MAY 20, 1964.

HONORABLE SIR: You have recently been briefed on the Vietnamese situation by Mr. McNamara, who is making a superb effort to find a solution to that delicate problem.

You cannot buy friends or respect with money. What we all need to win our battle against communism is your decided and courageous leadership.

The solution to the problems of South Vietnam, Cuba, and many others depends on the enthusiastic cooperation of the local people. We cannot put forth our best efforts when we have lost our faith in your leadership.

Freedom will prevail, only if you should decide to gain our respect, instead of buying our cooperation.

Respectfully yours.

I think that is what I have been saying for a long time. This is complimentary of what our Secretary of Defense is doing, but it is a clear indication we are not gaining their respect. Rather, it indicates that we are trying to buy their cooperation.

BURMA

First, Mr. Controller, what do we have unliquidated to the credit of Burma?

Mr. TENNANT. Unliquidated, for ——— economic, and Public Law 480, ———.

MANDALAY HIGHWAY PROJECT

Mr. PASSMAN. How much of that is for the highway project?

Mr. TENNANT. The Mandalay Road?

Mr. PASSMAN. Yes.

Mr. TENNANT. At the present time, the March 31 figure on the Mandalay highway is $9.297 million.

Mr. PASSMAN. Have you planned to allocate additional funds before June 30 to this project?

Mr. TENNANT. Initially we had planned——

Mr. PASSMAN. How much additional funds out of the fiscal 1964 and prior year funds?

Mr. TENNANT. We had planned to program $625,000. In this year we actually obligated $306,000.

Mr. PASSMAN. But you had planned——

Mr. TENNANT. $625,000.

Mr. PASSMAN. In total or in addition to $306,000?

Mr. TENNANT. No, it includes the $306,000.

WITHDRAWAL OF AID REQUEST BY BURMA

Mr. PASSMAN. I shall read into the record the following press item:

BURMA SPURNS U.S. ROAD GRANT

RANGOON, BURMA, May 20.—In a surprise move that stunned American officials here, Burma's revolutionary government yesterday withdrew its request for a $30 million U.S. grant to rebuild the country's major highways from Rangoon to Mandalay. Foreign Ministry officials politely informed the American Embassy that the Government of General Ne Win had lost interest in what amounted to a $30 million gift. They said Burma's dedication to socialism conflicted with the proposed 450-mile two-lane asphalt highway to have been built by private American construction firms.

(Discussion off the record.)

Mr. PASSMAN. Mr. Controller, in the present estimates before the committee for 1965, do you not have $18.090 million in the supporting assistance category for Burma?

Mr. TENNANT. Yes, sir, we have that in the estimate.

Mr. PASSMAN. For this highway?

Mr. TENNANT. For this highway.

Mr. PASSMAN. These people kicked us out once before. I do not know how far we went, but I am sure as far as we usually do, trying to get them to let us stay in the country with our aid program. If they mean what they say, and we are again kicked out of Burma, would not this amount become available for every other purpose under our present criteria?

DEOBLIGATION OF UNLIQUIDATED BALANCES FOR BURMA

Mr. TENNANT. That is correct. Our present plan, Mr. Chairman, is to deobligate most of the unliquidated transaction except for some residual costs.

Mr. PASSMAN. Had you told us about that until today?

Mr. TENNANT. No, sir.

Mr. PASSMAN. Thank you. I want to let the record show that not only do we have this $9 million of obligations stacked up—and I do not know how it will be disposed of—but you have asked the committee in previous days to appropriate $18.090 million for the Burma highway in fiscal 1965. We have now cleared up the record. Since we have a complete understanding, we want to thank you, Mr. Controller, for your alertness in giving us quick and accurate answers. It will assist us greatly at the time of the markup.

Mr. TENNANT. Mr. Poats asked me to talk to you about this case. The current plans are not to apply any money to this in fiscal 1965 and to deobligate approximately $9 million.

POSSIBILITY OF REDUCTION IN PRESIDENT'S BUDGET REQUEST

Mr. PASSMAN. Do you know whether or not the President sent down a message indicating that this money would become available? First, let me preface my remarks by saying that Mr. Bell and other witnesses stated that there was a possibility that there would be some funds that they did not need and, if so, they would amend the President's request and ask for a reduction. You are familiar with that testimony?

Mr. TENNANT. Yes.

Mr. PASSMAN. Inasmuch as through the record we show where some money will be saved and there will be some deobligations available, money you have requested in the $3.391 billion estimate for fiscal 1965, which you will not need, such as this amount, do you know whether or not we can expect in the next few days an amendment to the original budget request reducing the amount, taking into account that these moneys are becoming available? There is no proposal that you know of presently?

Mr. TENNANT. There is no proposal at the present time.

Mr. PASSMAN. We were promised that. Whether we get it or not, we are going to take into account the tremendous amount of money we are running into that will not be needed, as in the case of Egypt which is estimated to receive $20 million in 1964.

There has been no request for it from Egypt; yet there is every indication it will be marked off.

We do not like to make this kind of record, but the odds are 3 to 1 that my friend, who specialized in the same subjects I did, will prove that he made better grades than I did. We are going to wait and see.

Mr. TENNANT. Mr. Chairman, with respect to this, Mr. Bell did indicate he would be coming up close to the markup time and might be able to give you some supplemental estimates on that.

Mr. PASSMAN. Whatever we need, we will ask for. As far as I am concerned, I am going to discount a lot that some of your witnesses have testified to. I said from the beginning, you may lead some of us into that bear trap, and I have been caught before, but you are not going to lead me in this time. If a man could not read into Mr. Bell's statement and the statements of other witnesses what they had in mind, then that is his business.

PLANS TO REOBLIGATE DEOBLIGATED FUNDS FROM BURMA

Mr. TENNANT. One other quick point on this project. Mr. Poats did indicate that there is a possibility that these deobligations may be reobligated. He had some plans in connection——

Mr. PASSMAN. I would expect that. That is a part of your plan, may I say, and I am wise to it. It comes from the top echelon: "Get those funds obligated."

I have a memorandum indicating the rush act is on, and I am glad you said that for the record. That gives me an opportunity to say I know what the plans are, and that is to stuff funds in this pipeline one way or another, so you can say, "Look, we spent it all."

UNLIQUIDATED OBLIGATIONS

What we are going to go by is how much you have in that pipeline. Do you have that list ready for me?

Mr. TENNANT. No, sir, I do not have that.

Mr. PASSMAN. Have you any idea, just one of these ball park guesses off the top of the head? Anything off the top of your head is good enough for me.

Mr. TENNANT. The unliquidated will be of the magnitude of $6.2 billion.

Mr. PASSMAN. Is that all categories?

Mr. TENNANT. Title I.

Mr. PASSMAN. You have been drawing an awful lot of checks lately, have you not?

Mr. TENNANT. I think the expenditure rate has remained fairly constant.

Mr. PASSMAN. What is the expenditure rate that you anticipate for fiscal 1964?

Mr. TENNANT. While I am looking it up, to get back to the other point, Mr. Poats did feel that during the balance of the year he might have some additional needs on contingencies——

Mr. PASSMAN. I have discussed this with my friend earlier.

Mr. TENNANT. Particularly in Southeast Asia, Laos, and Vietnam, an area where the problems exist.

Mr. RHODES. Could we also have submitted information as to whether or not there is a Public Law 480 program for Burma and, if so, the magnitude of it?

ESTIMATED EXPENDITURES FROM THE PIPELINE IN FISCAL YEAR 1964

Mr. PASSMAN. What will you take out of the pipeline this year? We do want that, also, in the record.

Mr. TENNANT. $8.3 million for programs for 1964 in Public Law 480, I do not know whether it has been signed off yet or not, sir.

Mr. RHODES. If Burma is to be consistent, having turned down $30 million because this is dirty capitalist money, she ought to turn down that capitalist food, also.

Mr. PASSMAN. It looks as if she should. Let the record show at this point, the total aid to Burma since the inception of the program.

Mr. TENNANT. $123 million.

Mr. PASSMAN. That is the total since the inception of the program?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. How much are you going to draw out of the pipeline in fiscal 1964?

Mr. TENNANT. Estimated expenditures worldwide for 1964, military and economic, $3.6 billion.

Mr. PASSMAN. What did you say it would be?

Mr. TENNANT. I said the unliquidated obligations on June 30 were estimated to be $6.3 billion. If you add the new obligational authority on July 1——

Mr. PASSMAN. I am taking what you had in the pipeline, including the new appropriation, of $10,044,714,611. If you take from that $3.6 billion, that would leave $6.4 billion in the pipeline in title I only.

GUATEMALA

CONTRADICTORY PRESENTATIONS ON UTILIZATION OF DLF LOAN FUNDS FOR RUBBER PRODUCTION

On page 163 in connection with the rubber production development credit of $5 million, the following statement appears:

> During the period August 17, 1959, to April 11, 1961, when the original restrictive loan terms were renegotiated, only one production credit of $6,000 was approved.

I have some difficulty reconciling that statement with your statement of last year which is as follows:

As of February 1963, $2,200,000 in subloans have been granted 18 applicants for rubber planting on an estimated 17,000 acres, and 31 applications totaling $2.4 million are under consideration. It is now estimated that an additional credit of $2 million might be required to meet the demands and increased interest of Guatemala producers * * *

How do you reconcile those two statements?

Mr. ROGERS. The first sentence you read related to the period 1959 to 1961, and the second——

Mr. PASSMAN. I gave the dates.

Mr. ROGERS. It was the case then, during that period, that only $6,000 worth of production loans were approved. It is also the case that as of December 31, 1963, that is to say, the period after the first period mentioned in the first sentence, as is set forth in the second sentence that you read, 27 loans totaling $2.7 million had been initiated for disbursement. They are two different periods we are discussing.

Mr. PASSMAN. Reading your statement on page 188 of last year's presentation, it gives a somewhat rosy, sweet-smelling picture as to the utilization of the funds. That is why we did not interrogate too closely last year, but now, going back and taking the facts as they are, rather than the way they sound, we find it brings this project right up to standard with most of the others.

Go to page 163 of this year's book and read your own analysis. I was reading exactly what you said in your statement:

Financial status. During the period August 1959–April 1961, when the original restrictive loan terms were renegotiated, only one production loan of $6,000 was approved.

Why did you not give us the facts last year, rather than giving us this rosy picture that you did?

Mr. ROGERS. Why didn't we tell you in 1963 that up until 1961 only——

Mr. PASSMAN. I will ask the question again. Why didn't you give us the facts as you are giving them to us now, rather than giving us this rosy picture last year when you were here?

Mr. ROGERS. The picture this year is rosier than last year. Last year we told you that as of February 1963, $2.2 million in subloans had been granted 18 applicants for planting on 17,000 acres. This year we are telling you that as of December 31, 1963, the Bank of Guatemala has initiated the disbursement of 27 loans totaling $2.7 million, and 35 new loans totaling $1.6 million have been approved.

Mr. PASSMAN. Did you put this financial status in last year's rosy picture that you have here in the statement in the third paragraph of page 163?

Mr. ROGERS. We did not go back to 1961 in last year's presentation book.

Mr. PASSMAN. Why did you do it this year, then?

Mr. ROGERS. So we could give you as complete information as we could.

Mr. PASSMAN. Why didn't you give it to us last year so we could ask questions about this project? The same information would have been available last year had you decided to give it to the committee?

Mr. ROGERS. There is no question about it, Mr. Chairman.

Mr. PASSMAN. Thank you very much. That is all we want.

AMERICAN SCHOOL LOAN

I note you have made a development credit to the American School in Guatemala in the amount of $700,000. If I recall correctly, this is the first development loan that we have made to this type of organization. Is that true?

Mr. ROGERS. I think that is true with respect to Latin America. I could not testify for the rest of the world.

Mr. PASSMAN. I am talking about Latin America.

Mr. ROGERS. That is true.

Mr. STERNFELD. This loan was not made from the development lending appropriation. The source of the financing is from the "Inter-American program for social progress" appropriation.

Mr. PASSMAN. The 1961 appropriation?

Mr. STERNFELD. Right.

Mr. PASSMAN. When did you make the allocation?

Mr. ROGERS. The loan was approved June 8, 1963.

Mr. PASSMAN. Had this money been held over that long?

Mr. ROGERS. Yes, sir. It was no-year funds.

Mr. PASSMAN. What difference does that make? It is still money, is it not? The fund does not count until you draw the check. You people keep this program in such a status I do not pretend to understand all of it any more. This is an important country—as a matter of fact, all of them are important in some way or another. There are about 11 pages dealing with Guatemala. If I asked similar questions on similar projects, I would get similar answers; would I not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. In the interests of time, I shall dispense with asking any further questions on Guatemala, and yield to the distinguished gentleman from Kentucky, Mr. Natcher.

LOCAL STAFF ASSISTANTS FOR THE DEVELOPMENT AGRICULTURE PROGRAM AND INSTITUTIONS

Mr. NATCHER. What do you have in mind in regard to the statement here on page 151, wherein you state that as far as local expenses are concerned, this will mean the local staff assistants in support of direct-hire and contract technicians and local costs items—what do you have in mind there?

Mr. ROGERS. This means, I think, if this is responsive, Mr. Congressman, that the $25,000 programed for local expenses will pay for local staff assistants. That is to say, Guatemalans hired in support of the direct-hire and contract technicians, in effect, to assist them, and for local travel costs; travel within the country.

Mr. NATCHER. It applies to the local people employed there?

Mr. ROGERS. That is correct, sir.

Mr. NATCHER. Thank you very much, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes.

INVESTMENT PLANNING AND PROMOTION PROJECTS

Mr. RHODES. Mr. Chairman, on page 152 there is a project which is a new project this year, entitled "Investment planning and promotion." This country is a ROCAP country; is it not?

Mr. ROGERS. Yes, sir.

Mr. RHODES. You have expenditures of a similar nature through ROCAP in this general area; do you not?

Mr. ROGERS. Yes, sir.

Mr. RHODES. Do you have projects similar to this in the other ROCAP countries? Supply the amount of money which you have in the general category, in all the ROCAP countries; if you will, please.

(The information supplied follows:)

Investment planning and promotion projects in Central America

[In thousands]

Country	Project title	Fiscal year 1964 estimate	Fiscal year 1965 request
Costa Rica	Industrial development and promotion	$215	$229
El Salvador	Development banking and industrial promotional institutions.	132	53
Guatemala	Investment planning and promotion	162	169
Honduras	Industrial development and training	100	150
Nicaragua	Industrial management, investment, promotion and advisory service.	130	92
ROCAP	Industrial investment and trade promotion	242	200
Total		981	893

IMPROVEMENT OF COMMUNICATIONS—HIGHWAYS PROJECT

Mr. RHODES. At page 153 you have a project which is beginning this year, entitled "Improvement of Communications—Highways."

Does this have anything to do with the Pan American Highway?

Mr. ROGERS. No, sir.

Mr. RHODES. What does it do?

Mr. ROGERS. Actually, the project involves working with the Guatemalan Highway Department to upgrade its highway maintenance capabilities. The Pan American Highway just goes through the country, in effect, from northwest to southeast, on its way from Mexico down to the Panama Canal. But this is designed to assist the people of the country to maintain a good maintenance program on their local highway system and network, and also to expand that highway network out into some of the underdeveloped areas of the country itself.

CIVIC ACTION PROGRAM

Mr. RHODES. At page 160 you have a project called civic action.

Is there a military assistance program in the country?

Mr. ROGERS. Yes, there is.

Mr. RHODES. Ordinarily the type of civic action which you have set forth on this page appears in military assistance. I am wondering why in Guatemala you have it under economic assistance.

Mr. ROGERS. In this case, generally speaking, the MAP, in the commodity area, for example, would not normally involve materials and supplies for pipe, drill points, and pumps. This is primarily a water supply program. Pipe, well drilling, and things like that. Also, dispensaries and medical supplies.

Mr. RHODES. This is hardware?

Mr. ROGERS. The commodities are hardware, as you can see, and they include the kind of things that would not be provided under a MAP program. That is to say, clearly and purely civilian materials, such as drill points, pumps, pipe, printing supplies, and other things in that field.

CIVIC ACTION SUPPORT FOR GUATEMALA UNDER THE MAP

Mr. RHODES. Does your MAP program include any civic action support in Guatemala?

Mr. ROGERS. Yes.

Mr. RHODES. Would you furnish the amount, please?

Mr. ROGERS. $238,000, sir.

Mr. RHODES. For fiscal year 1964?

Mr. ROGERS. Fiscal year 1965. This is primarily for training.

JOINT CIVIC ACTION FUNDING UNDER MAP AND AID

Mr. RHODES. And does that support which is authorized under the MAP program dovetail with this civic action project under economic aid? Are you training and supplying troops to perform the job for which you are furnishing commodities?

Dr. MOUNTAIN. Mr. Congressman, our records show that an engineer unit is equipped under MAP to engage in roadbuilding projects in the isolated northeast area of Guatemala.

$——— for equipment and training was programed for this unit in fiscal year 1964; $——— in fiscal year 1965. A medical company is also supported in the amount of $——— in fiscal year 1964, and $——— in fiscal year 1965.

The Guatemalan Air Force has a medical flying unit in which we have also provided some limited support.

Mr. ROGERS. I think the quick answer to your question, Congressman, is that it does dovetail.

Mr. RHODES. Mr. Chairman, I am somewhat dissatisfied and a little apprehensive about the mushrooming of the civic action category. I am sympathetic with the objectives of it, but it seems to me this is another spigot, and it is fast getting out of control. Apparently AID is putting quite a bit of time, effort, and money into it.

TOTAL COSTS FOR CIVIC ACTION PROGRAM

It seems to me that it might be well worldwide to break out for us the total cost for this type of civic action, in commodities, training, and other categories, so we may know how much this bill is going to be.

Mr. TENNANT. In our presentation books?

Mr. RHODES. Yes. In other words, we would like to have a table showing the country, the MAP expenditure, and the AID expenditure, and then the total.

Can we do that for the presentation this year, also?

Mr. TENNANT. Yes, sir, we can provide an insert.

(The information follows:)

U.S. funds for civic action programs, fiscal year 1962 through fiscal year 1965 [1]

[In thousands of dollars]

	Fiscal year 1962		Fiscal year 1963		Fiscal year 1964		Fiscal year 1965	
	MAP	AID	MAP	AID	MAP	AID	MAP	AID
Worldwide	14,904	5,600	60,406	15,993	19,085	8,862	14,316	7,989
Latin America	5,695	3,300	14,119	7,609	11,030	5,587	9,760	5,219
Argentina					312		1,206	
Bolivia		1,700	1,817	1,990	516	1,378	591	1,095
Brazil	2,200	300	2,156	1,207	2,414	200	2,314	[2]
Chile	860	200	2,019	283	1,413	278	1,096	16
Colombia			1,488	698	1,902	756	1,124	1,400
Costa Rica					238		13	
Dominican Republic			596	451	78		[2]	
Educador	1,500	700	323	160	673	300	573	650
El Salvador			534	100	219	100	91	70
Guatemala			863	325	594	100	238	193
Honduras		100	84	103	1	35	[2]	
Nicaragua			59					
Panama					26		16	
Paraguay		200	840	2,130	1,347	1,810	744	1,560
Peru	1,135	100	2,794	162	899	630	1,703	235
Uruguay			546		457		11	
Venezuela					31		40	
Far East	7,790	2,000	43,954	7,074	6,837	1,695	3,751	1,700
Cambodia			792	174				
Indonesia			2,887	1,200		495		500
Korea	3,140	1,500	385	1,750	500	500	[2]	[3] 500
Laos					23		23	
Philippines			930		42		22	
Thailand			3,617	2,300	1,016	100	2,211	[4] 100
Vietnam	3,900		35,343	1,400	5,256	600	1,495	[4] 600
Regional	750	500		250				
Near East, South Asia, Africa, Miscellaneous	1,419	300	2,333	1,310	1,218	1,580	805	1,070
Ethiopia					6		8	
Greece					4		2	
Iran	1,221	200	404	60	857	130	304	130
Jordan	198	100	1,276	1,250	217	1,450	152	940
Liberia			463		75		73	
Libya					4		4	
Mali					18		29	
Pakistan			7					
Portugal					9			
Senegal			183		26		233	
Tunisia					2			

NOTE.—Estimated AID figures for Latin America include dollar grants, proposed dollar loans, value of title II commodities, and local currency used in each project.

[1] Figures represent only amounts directly programed for civic action—do not include value of equipment provided for other purposes but receiving dual use in civic action.
[2] Estimated total requirement not yet determined.

Mr. PASSMAN. May I say to the distinguished ranking minority member that when you request information, it will always be approved, because you never ask for information that would not be valuable to the committee. You may ask for whatever information you feel we should have to write good legislation, and there will never be an objection from the chairman of this committee.

Mr. RHODES. The chairman has always been more than cooperative and I appreciate it.

Mr. ROGERS. Mr. Congressman, you understand, the major effort with respect to the civic action program is in the area of Guatemala in the north and east. The major settled area, the developed area, is in the south, on the Pacific coast side, where the highways go through. It is up in this northeast area that you get highly un-

settled conditions, vulnerability to infiltration. There are very primitive transportation conditions. It is practically only the Army that makes the presence of the Central Government felt out there. The attempt here is to support the efforts of the Army not only to maintain the security of the area but also to speed its development.

Mr. RHODES. I have tried to make it clear, and I will do it again that I have nothing but sympathy for the objectives of the program. The only thing I want to do is be sure we know what the price tag is.

Mr. PASSMAN. Will the gentleman yield?

Mr. RHODES. Yes, sir.

Mr. PASSMAN. This program is not just in Guatemala. It is pretty generally a worldwide program. We have been concerned about the civic action costs of the military. We find they are doing the identical things that you do out of your economic grant-aid and other spigots of foreign aid.

I believe the gentleman from Arizona asked for a worldwide recapitulation.

Mr. RHODES. Yes, sir.

HONDURAS

TOTAL AID

Mr. PASSMAN. The next country in this area is Honduras. What has been the total amount of aid to Honduras since the inception of the program?

Mr. ROGERS. $63.5 million, Mr. Chairman.

PROGRAM FOR 1964

Mr. PASSMAN. What did you request for Honduras last year?

Mr. ROGERS. $2,500,000.

Mr. PASSMAN. What did you allocate to Honduras last year?

You supplemented that out of the kitty in your area, did you not?

Mr. ROGERS. That is correct.

Mr. PASSMAN. In what amount?

Mr. ROGERS. Unspecified.

Mr. PASSMAN. Unspecified as to what you gave them out of that kitty?

Mr. ROGERS. I thought you meant in terms of the request.

Programed was $——— additional.

Mr. PASSMAN. Out of the kitty?

Mr. ROGERS. That's right.

Mr. PASSMAN. Had you had a line item bill, you would have lived with the original request, would you not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Thank you, very much.

You had this kitty off on the side, and you didn't know at the time you submitted your request for Honduras whether they would get any money out of the kitty or not, did you?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This is one of the countries that experienced a coup last year?

Mr. ROGERS. That is correct.

COSTS FOR SUSPENSION AND RESUMPTION OF ASSISTANCE PROGRAMS

Mr. PASSMAN. Did Secretary Rusk suspend our military and economic assistance to Honduras?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How long did we suspend the foreign aid program?

Mr. ROGERS. Two months.

Mr. PASSMAN. Thank you.

What was the extra cost of pulling out as much of the aid program and personnel as we did, and then going back in?

Mr. ROGERS. Closing costs, $87,550.

Mr. PASSMAN. The reopening cost?

Mr. ROGERS. Projection for reactivation—we haven't incurred most of these expenses yet. Estimated at $86,640.

Mr. PASSMAN. Did they get a new Government?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. We supported the old Government, suspended the aid after the coup, then we went in and started supporting the new Government?

Mr. ROGERS. Only after they committed themselves——

Mr. PASSMAN. They will commit themselves to anything you want. They will offer to cut their arms off to keep this money coming in. We supported the old Government, and then we started supporting the new Government?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Is there such a thing as withdrawing money or drawing vouchers for some expected expenditures and later having those vouchers canceled, or is it true that once they are drawn, they have to be cashed?

Mr. TENNANT. It is conceivable we can draw a check and have a check canceled before delivery, sir.

Mr. PASSMAN. If you draw checks, that action reduces the amount on hand, and increases the expenditures for this year, then at a subsequent date, you had to cancel that check for some reason, then it would reverse that original entry?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. We shall take a short recess.

(Whereupon a short recess was taken.)

PUBLIC SAFETY PROJECT

Mr. PASSMAN. You allocated $120,000 to the public safety project shown on page 176 last year, did you not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $90,000.

Mr. PASSMAN. I have six more pages of questions on Honduras. I would get similar answers to similar questions on similar projects, would I not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I shall dispense with asking further questions on Honduras and yield to the distinguished gentleman from Kentucky, Mr. Natcher.

Mr. NATCHER. I have no questions.

Mr. PASSMAN. The former Lieutenant Governor, and next Senator from New Mexico, Mr. Montoya.

Mr. MONTOYA. I have no questions, Mr. Chairman; thank you.

NICARAGUA

TOTAL AID PROGRAM FOR 1964

Mr. PASSMAN. The next country in this area is Nicaragua.

What did you request for this country in direct aid last year?

Mr. ROGERS. Specific request of $2 million grant.

Mr. PASSMAN. Did you supplement this out of the kitty?

Mr. ROGERS. We indicated by an asterisk——

Mr. PASSMAN. I asked whether you supplemented this out of the kitty of $32 million which could be made available to any of the eight countries.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. By how much?

Mr. ROGERS. ———.

TOTAL AID TO NICARAGUA

Mr. PASSMAN. What is the total amount of aid to Nicaragua since the inception of the program?

Mr. ROGERS. $89.4 million.

Mr. PASSMAN. What do you have in the pipeline to the credit of this country?

INDUSTRIAL MANAGEMENT AND ADVISORY SERVICE

Mr. PASSMAN. I note you have allocated $130,000 for the industrial management project shown on page 186; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $100,000.

MANPOWER PLANNING PROJECT

Mr. PASSMAN. Page 187 indicates you allotted $100,000 to the manpower planning project shown on page 187; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. No justification last year.

Mr. PASSMAN. This is a new project?

Mr. ROGERS. Yes, sir; initial obligation this year.

Mr. PASSMAN. You didn't have even an illustrative justification last year; is that correct?

Mr. ROGERS. That is correct, sir.

HIGHER LEVEL MANPOWER TRAINING PROGRAM

Mr. PASSMAN. I note you have allocated $150,000 to the higher level manpower training project on page 190 for Nicaragua.

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you request last year for this project?

Mr. ROGERS. Nothing. It is a new project this year.

Mr. PASSMAN. That is another one where you did not even have an illustrative justification; is that correct?

Mr. ROGERS. Yes, sir. Here again this is a project set up as a result of President Kennedy's meeting with——

Mr. PASSMAN. Did you have an illustrative justification last year?

Mr. ROGERS. No.

NATIONAL DEVELOPMENT PLANNING

Mr. PASSMAN. Last year you requested $300,000 for the national development planning project shown on page 192; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you testify for this project last year?

Mr. ROGERS. $300,000.

Mr. PASSMAN. The estimated pipeline on June 3, 1964, is $631,000. Have you selected the U.S. consulting firm as yet with whom you are going to contract?

Mr. ROGERS. Final selection will be by the first of June.

Mr. PASSMAN. You have not selected him as of this time?

Mr. ROGERS. That is correct.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $120,000 for the technical support project shown on page 195; is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you allocate last year for this project?

Mr. ROGERS. $205,000.

Mr. PASSMAN. If this had been a line item bill you could have allocated only what you asked for or less?

Mr. ROGERS. Yes.

DEVELOPMENT LOAN FOR HIGHWAY CONSTRUCTION

Mr. PASSMAN. I note another development credit which received very careful consideration prior to approval, the highway construction project shown on page 198, approved originally on May 2, 1961, in the amount of $2,800,000, which apparently was not sufficient to finance the AID portion of the project, and therefore AID had to authorize an additional $900,000 in 1962; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. All these countries are important. I have nine more pages of questions on Nicaragua.

If I asked similar questions on similar projects I would get similar answers; is that correct?

Mr. ROGERS. I think in this case, for example, under the grant projects, the only projects you asked about——

Mr. PASSMAN. I said similar questions on similar projects I would get similar answers?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I shall dispense with asking further questions on this country and yield to the distinguished gentleman from Kentucky, Mr. Natcher.

Mr. NATCHER. I have no questions, Mr. Chairman.

Mr. PASSMAN. Now I yield to my friend from New Mexico.

RIO TUMA HYDROELECTRIC PROJECT

Mr. MONTOYA. I notice you have a hydroelectric project described on page 196 of the justifications. It calls for a loan of $2,500,000 and you have disbursed $1,122,000 as of December 31. Is this a hard dollar loan?

Mr. ROGERS. This is a loan from the old development loan fund. Repayment is in the local currency of the country of Nicaragua, cordobas.

The present rate of disbursements as of April 30, 1964, is actually $1,820,000, a little higher than the December 31 figure.

Mr. MONTOYA. Do we have any local currency to our credit in Nicaragua?

Mr. ROGERS. Nicaragua is not an excess currency country.

As you will recall, we were authorized to accept repayments, the old development loan fund, was authorized to accept——

Mr. MONTOYA. We have no balances in the local currency account with respect to Nicaragua?

Mr. ROGERS. No.

Mr. MONTOYA. The funding for this project is strictly in dollars?

Mr. ROGERS. That is correct.

Mr. MONTOYA. That is all, Mr. Chairman.

Mr. PASSMAN. Thank you, Governor Montoya.

NUMBER OF AID MISSIONS

A question of the Controller. How many AID missions do we have? We know we have undisbursed money to the credit of 99 nations and 9 territories, making a total of 108. How many missions do we have actually?

Mr. TENNANT. I haven't that figure at the tip of my tongue at the moment, Mr. Chairman. The figures you have include military.

Mr. PASSMAN. I understand; undistributed AID funds, one or the other of the many spigots, including military.

The question is how many missions do we have approximately.

Mr. TENNANT. Approximately 75.

Mr. PASSMAN. In each of those countries we have an ambassador, do we not?

Mr TENNANT. Yes, sir.

DISBURSING AUTHORITY

Mr. PASSMAN. The ambassador is always the ranking American in a country, is he not?

Mr. TENNANT. That is correct.

Mr. PASSMAN. These countries carry blank vouchers. After the submission of bills satisfactory to the ambassador, do they have the right in the field to draw checks or vouchers in payment of certified claims, local goods, and so on?

Mr. TENNANT. That is correct. The Treasury Department has an authorized individual in each mission.

Mr. PASSMAN. That is usually the ambassador, is it not?

Mr. TENNANT. The Treasury usually authorizes a U.S. disbursing officer, usually below the ambassadorial level.

Mr. PASSMAN. The embassy has U.S. vouchers whereby local bills can be paid in the field?

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Thank you very much.

(Discussion off the record.)

CHILE

TOTAL AID PROGRAM TO CHILE

Mr. PASSMAN. The next country in this area is Chile. What has been the total amount of aid to Chile since the inception of the program, from all 16 spigots?

Mr. ROGERS. $928.7 million.

Mr. PASSMAN. What is the population?

Mr. ROGERS. 8.1 million.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What is the unliquidated credit to Chile?

Mr. ROGERS. $117.733 million.

PROGRAM FOR 1964

Mr. PASSMAN. What did you request last year for Chile out of the direct request?

Mr. ROGERS. ———.

Mr. PASSMAN. Did you supplement that out of the kitty?

Mr. ROGERS. No, sir, not as we have used that term.

Mr. PASSMAN. What did you allocate to Chile?

Mr. ROGERS. ———.

Mr. PASSMAN. I think we had some evaluation on the political situation in Chile earlier by the Secretary, did we not?

Mr. ROGERS. We did.

(Discussion held off the record.)

Mr. PASSMAN. What did you say you had unliquidated to the credit of Chile?

Mr. ROGERS. $117.7 million.

Mr. PASSMAN. How much are you projecting for 1965?

Mr. ROGERS. Grants and loans.

Mr. PASSMAN. Not including Public Law 480 or international organizations?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Or military?

Mr. ROGERS. That is right.

Mr. PASSMAN. Has that been true of the other answers you have been giving me?

Mr. ROGERS. It included——

Mr. PASSMAN. I always ask for total aid from all 16 spigots. When you go over the transcript be sure to put in all 16 spigots. If you do not have them all, and I will admit this would be a funny looking cow with that many spigots, if you don't know them all I will help familiarize you with all of them.

I imagine the Controller is familiar with the number of spigots.

Mr. TENNANT. The accumulated figures we have given you are all spigots. The unexpended balances we have been giving you are all spigots, including Public Law 480.

When you question us about fiscal 1964 activity—what we requested, what we programed in our estimate, what we are requesting for fiscal year 1965, et cetera, then we have been answering for the AID economic segment only.

Mr. PASSMAN. And not the other spigots?

Mr. TENNANT. That is right.

Mr. PASSMAN. With reference to the amount of money you allocated, it did not include all the spigots, but it dealt only with the economic part?

Mr. TENNANT. That is right.

Mr. PASSMAN. All the other spigots would have to be added to that?

Mr. TENNANT. That is right.

Mr. PASSMAN. That clears it up.

At this time you are thinking in terms of $——— for Chile for fiscal 1964?

Mr. ROGERS. That is right, Mr. Chairman.

EFFECT OF ADVERSE POLITICAL CHANGES ON U.S. AID PROGRAM

Mr. PASSMAN. If they should have an unfriendly government, one which subscribes to a different philosophy, and it is inaugurated into office, would we suspend the aid program, or try to make friends with them and continue disbursements? Have you reached a decision on what you will do with this money?

Mr. ROGERS. ———

(Discussion off the record.)

It would not be deobligated because we have not obligated it yet.

Mr. PASSMAN. Yes, you have. You said you had it unliquidated.

Mr. ROGERS. I thought you meant the ——— of this year.

Mr. PASSMAN. No. Certainly you would not expect to program additional funds?

Mr. ROGERS. ———

Mr. PASSMAN. When is that election?

Mr. ROGERS. September 4 of this year, Mr. Chairman.

Mr. PASSMAN. I am somewhat at a loss to understand your position at the aid level in fiscal 1965:

(Discussion off the record.)

Does that offset what you just said?

Mr. ROGERS. What page is that on?

Mr. PASSMAN. Page 76.

Mr. ROGERS. I don't think so, Mr. Chairman.

Mr. PASSMAN. Will they do these things by decree or by democratic processes?

Mr. ROGERS. This was not meant to indicate that. Quite often in the process of government in a lot of Latin American countries, this happened in Colombia, the legislature will grant to the executive special powers to bring about particular reform measures quickly and in a bundle, which is in effect what happened in Colombia.

Mr. PASSMAN. Believe me, I hope it works.

Mr. ROGERS. We do, too. We regard this as important and vital.

CHILE-CALIFORNIA PROGRAM

Mr. PASSMAN. How much of this total program of $——— will be used to fund a portion of or implement the Chile-California program?

Mr. ROGERS. Approximately $2.1 million.

Mr. PASSMAN. How many projects?

Mr. ROGERS. Seven projects, Mr. Chairman.

Mr. PASSMAN. This is the only country where you have a joint U.S.-State program going?

Mr. ROGERS. The only one where we have a program like this. We have programs in cooperation with organizations, or counties, or——

Mr. PASSMAN. Colleges, universities, trade schools, workshops, if you don't mind my supplementing to save time.

Mr. ROGERS. That is right.

Mr. PASSMAN. Is that a statement of fact?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Do you plan a similar program in the other 49 States?

Mr. ROGERS. No, sir.

ORIGINS OF THE PROGRAM

Mr. PASSMAN. Why did you start this one?

Mr. ROGERS. The match is so good.

Mr. PASSMAN. What was good?

Mr. ROGERS. The match between Chile and California. In both of these areas, California and Chile, you have large central valleys, with water problems which are similar. In California you have substantial resources both in the public and private sectors where they have solved many of the problems and gathered experience and wisdom in solving problems of the same kind Chile faces in its economic development; for example, wine growing, water problems, educational problems, and so on.

Although Chile's central valley is very much like California's, it produces about one-tenth of the food production the California Central Valley produces——

Mr. PASSMAN. California is not getting ready to annex Chile, is it?

Mr. ROGERS. No, sir.

Mr. PASSMAN. You have seven projects?

Mr. ROGERS. There are seven projects here which have an input from California's public or private, university, State government resources.

Mr. PASSMAN. What is the input?

Mr. ROGERS. The element of the project will be provided by California for this program.

Mr. PASSMAN. Let us go further into this program. Start with the first project under this Chile-California program. We don't want California to absorb Chile or vice versa.

When did this start?

Mr. ROGERS. The first project phase was this current fiscal year.

Mr. PASSMAN. 1963. When you were before the committee last year how many projects did you then visualize?

Mr. ROGERS. This project——

Mr. PASSMAN. Was it one, seven, eight, or how many? Didn't you indicate in the hearings last year that there was a possibility that you

would have a project but you had not at that time entered into an actual contract for a project?

Mr. ROGERS. That is right.

AGRICULTURAL MARKETING AND PRODUCTION PROJECT

Mr. PASSMAN. Now we find you have gone in and you have a number of projects. Let us start with the agricultural marketing and production project.

Mr. ROGERS. That is right.

Mr. PASSMAN. What do you estimate it will cost to complete this project?

Mr. ROGERS. $838,000.

Mr. PASSMAN. Let us see if there is another project here.

Mr. ROGERS. That is not exclusively California.

RURAL EXTENSION PROJECT

Mr. PASSMAN. Rural extension, page 204. Is that not a project?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What is the cost of that one?

Mr. ROGERS. $183,000 to continue an activity carried on before.

Mr. PASSMAN. You said you didn't have any activity.

Mr. ROGERS. In this we did.

Mr. PASSMAN. Not a California-Chile project?

Mr. ROGERS. That is right.

Mr. PASSMAN. We are talking about California-Chile. This is one of the projects Chile-California took over; is that correct?

Mr. ROGERS. Yes. They will be running about $280,000.

Mr. PASSMAN. How much?

Mr. ROGERS. $280,000.

TEACHER TRAINING AND INSTRUCTIONAL MATERIALS PRODUCTION PROJECT

Mr. PASSMAN. Here is another one, page 207, teacher training instructional materials production. That is another California-Chile project?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What do you anticipate that will cost to completion?

Mr. ROGERS. $394,000.

MANPOWER PLANNING PROJECT

Mr. PASSMAN. You have another one on page 210, manpower planning. What will it cost to complete this one?

Mr. ROGERS. $168,000.

DEVELOPMENT PLANNING ORGANIZATION AND COORDINATION PROJECT

Mr. PASSMAN. You have another one on page 211, known as the development planning organization and coordination project. What will it cost to complete that one?

Mr. ROGERS. $430,000.

Mr. PASSMAN. I think there is one on page 215.

Mr. ROGERS. That is correct.

SECTORAL PLANNING, HIGHWAY MASTER PLAN

Mr. PASSMAN. Sectoral planning, highway master plan. What will it cost to complete that one?

Mr. ROGERS. $305,000.

REGIONAL PLANNING, RIVER BASIN DEVELOPMENT

Mr. PASSMAN. You have another one on page 217, regional planning, river basin development. That is the one you made your pitch on. What will it cost to complete that one?

Mr. ROGERS. $983,000.

CALIFORNIA-CHILE PROGRAM SUPPORT

Mr. PASSMAN. I think there is another on page 219, Chile-California program support. That is a real "dilly." What will it cost to complete that one?

Mr. ROGERS. $973,000.

Mr. PASSMAN. This is all U.S. money we are talking about so far?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What is California putting in? I am talking now about dollars. What are they spending?

Mr. ROGERS. They are not making any contribution to the U.S. Treasury.

Mr. PASSMAN. Are they making any cash contributions as such?

ESTABLISHMENT OF CHILE-CALIFORNIA FOUNDATION

Mr. ROGERS. There will also be a foundation established in California——

Mr. PASSMAN. What kind of foundation?

Mr. ROGERS. A private foundation which will receive contributions from all kinds of——

Mr. PASSMAN. Who is sponsoring that?

Mr. ROGERS. You see, the history of this, Mr. Chairman, is quite interesting.

Mr. PASSMAN. I bet it is.

Mr. ROGERS. One of the great advantages of this kind of project is the fact it will draw on the resources and energies and interests not only——

Mr. PASSMAN. Resources, energies, and interests of what?

Mr. ROGERS. Not only the U.S. Government but also the State government.

Mr. PASSMAN. Where does the U.S. Government get its subsistence? It is from the States, is it not?

Mr. ROGERS. Yes.

Mr. PASSMAN. We have no other place to get it, do we?

Mr. ROGERS. That is right.

The universities in California have substantial resources, and finally and very important the private sector. There already has been a great deal of interest generated in the private sector among a number of community groups, educational organizations, industrial bodies, and trade associations.

Mr. PASSMAN. This foundation is most interesting. Who set it up?

Mr. ROGERS. Citizens of California.

Mr. PASSMAN. What does the government of California, the present administration, have to do with it? Is this Governor Brown's pet project originally?

Mr. ROGERS. He was interested in the project, yes.

Mr. PASSMAN. Did you confirm that, Mr. Passett?

Mr. PASSETT. Yes.

PROGRAM ADMINISTRATION

Mr. PASSMAN. In all probability this will lead into a foundation, will it not, which will administer this entire program, the Chile-California program?

Mr. ROGERS. No, the program will be administered pursuant to a contract which we have already signed. The public part will be administered as part of the country team administration in Santiago.

CALIFORNIA-CHILE PROJECTS—COSTS TO COMPLETION

Mr. PASSMAN. Will you put in the record the completion date of all these projects and the cost to completion? Do you contemplate starting more programs and projects under this?

Mr. ROGERS. Yes, sir; we will put that in the record.

(The information follows:)

Chile-California prjoects

[Thousands in dollars]

Project	Completion date	Cost to completion
Agricultural marketing and production	1967	[1] 838
Rural extension	1966	[2] 1,183
Teacher training and instruction materials production	1966	[3] 394
Manpower planning	1966	168
Development planning, organization and coordination	1965	430
Sectoral planning, highway master plan	1965	305
Regional planning, river basin development	1967	1,075
Chile-California program support	1967	973

[1] Includes $64,000 of obligations through June 30, 1963 for agricultural marketing prior to the Chile-California program.

[2] Includes $743,000 of obligations through June 30, 1963 for this activity prior to the Chile-California program.

[3] Includes $112,000 of obligations through June 30, 1963 for teacher training prior to the Chile-California program

Mr. PASSMAN. Do you contemplate any more?

Mr. ROGERS. These are our present plans.

Mr. PASSMAN. Is this just a pilot plan?

Mr. ROGERS. No, I think we are at the stage——

Mr. PASSMAN. This program with California is truly the exception in foreign aid, is it?

Mr. ROGERS. We do not have any programs exactly like the California program going.

Mr. PASSMAN. Do you have any nearly like it?

Mr. ROGERS. I suppose the closest thing, Mr. Chairman, is the joint project between the Cauca Valley area of Colombia and Oakland County in Michigan.

Mr. PASSMAN. Is our U.S. Federal Government in on that and subsidizing the county, or is that just between those parties?

Mr. ROGERS. We provide a little support for them, but nothing like this California project. The great bulk of it involves the efforts of the two areas.

Mr. PASSMAN. Are we to phase out our U.S. aid program in Chile since the Chile-California program is taking over?

Mr. ROGERS. No, sir. You have to understand in a number of these projects we have talked about, California resources, California people are picking up things that were previously done by direct hire.

Mr. PASSMAN. You had better describe that so we can understand it.

Mr. ROGERS. Carrying forward. Are carrying forward projects.

Mr. PASSMAN. What projects specifically are they carrying forward that the Chile-California combination developed? You said you did not have any project last year. You told us you did not have any project last year.

Mr. ROGERS. No, sir. We did not specify to you exactly what they were going to do last year. Take, for example, the agricultural marketing and production project.

Mr. PASSMAN. How many California personnel are involved in this?

Mr. ROGERS. Twenty-three people.

Mr. PASSMAN. Who is paying their salaries? The foundation or the State of California?

Mr. ROGERS. These are only the people whose salaries will be paid from the project we are talking about.

Mr. PASSMAN. In other words, they are in the Chile-California program?

Mr. ROGERS. Yes, but there are a lot of others.

Mr. PASSMAN. A lot of others is right. They are not being paid by the foundation, are they?

Mr. ROGERS. These 23 are not paid by the foundation.

Mr. PASSMAN. They are not being paid by California?

Mr. ROGERS. That is correct.

Mr. PASSMAN. But they are in the California-Chile project?

Mr. ROGERS. That is correct.

CONTINUATION OF U.S. FEDERAL GOVERNMENT FINANCING

Mr. PASSMAN. Can you envision a time when the United States can phase out, when California and this foundation that is being set up finally take over, or will we always have to supplement it with dollars and personnel?

Mr. ROGERS. I cannot yet envision the date when California can take over.

Mr. PASSMAN. Are you going to reduce the program for Chile since you have the Chile-California program?

Mr. ROGERS. Was your question concerned with money or people?

Mr. PASSMAN. What is the difference? They are not volunteering their services, are they?

Mr. ROGERS. The answer in terms of people is that we are reducing from 39 to 29 direct hire technicians.

Mr. PASSMAN. How about contract personnel?

Mr. ROGERS. That is the point. It is being picked up.

Mr. PASSMAN. You are raising the contract personnel? That is part of the scheme, is it not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Thank you very much for being abundantly frank with me. I know what the scheme is.

So much for the California-Chile program, which is being financed by the United States.

OTHER STATE-LATIN AMERICAN PROGRAMS

Have you a Louisiana-Guatemala project under consideration?

Mr. STERNFELD. We have the Loyola College of Louisiana.

Mr. PASSMAN. That is what I thought. Do you have a Mississippi-El Salvador combination under consideration?

Mr. ROGERS. I think there are 22 States altogether.

Mr. PASSMAN. That are getting into this?

Mr. ROGERS. Yes.

Mr. PASSMAN. Brother, you people are going to get this thing so completely interwoven around the American people and their selfish financial interests that this thing will break America and we will be absorbed one of these days by some kind of "ism" if we are not careful. It is a scheme that frightens me.

Mr. RHODES. May we have a list?

Mr. PASSMAN. Yes, we would like a list of those 22.

Mr. ROGERS. We shall be delighted to give you a list, and also a description of the activities.

Mr. PASSMAN. And especially this Louisiana-Guatemala one.

Mr. STERNFELD. This is Loyola College, New Orleans.

Mr. PASSMAN. Is that a different type than we have had heretofore? Is that an exception from the regular?

Mr. STERNFELD. It is a different kind of program, not a State-country program.

(The information supplied follows:)

Technical cooperation arrangements between States and local governments and Latin American countries

U.S. organizations, location and type	Type activity within foreign country	Location in foreign country
Oakland County, Mich., private sector	Advisory assistance in municipal administration, primarily taxation and budgeting to city of Cali being provided by Oakland partners.	Cauca Valley, Colombia.
Utah, private sector and State institutions	A program concentrating on private sector promotion and organizational cooperation developed by a special 4-man team of Utah business and educational leaders who visited Bolivia.	Bolivia, countrywide.
Oregon school districts and private sector, spearheaded by Crow-Applegate School District, Eugene, Oreg.	3 months in-service training Costa Rican public school teachers in Oregon public schools over a 3-year period.	Costa Rica, countrywide.
Idaho, private sector, spearheaded statewide by junior chamber of commerce.	A special 4-man team of Idaho business and educational leaders visited Ecuador May 12 to 20 to develop a direct participation program for implementation by Idaho organizations.	Ecuador, countrywide.
Southern Arizona, private sector and State educational institutions.	A special 2-man team representing health and educational institutions are visiting El Salvador to develop a direct partnership program for implementation by southern Arizona organizations.	El Salvador, countrywide.
Pensacola, Fla., private sector	Establishment of a medical clinic and sports and recreation facilities financed through private sector contributions exceeding $20,000 to date.	Chimbote, Peru.
Florida institutions and private sector	Agreement executed between Florida secretary of state and Governor of Colombian State of Atlantico providing for assistance to education, trade relations, tourism, agriculture and livestock and public administration.	State of Atlantico, Colombia.
Texas, private sector	A special 4-man team of Texas business and cultural leaders will visit Peru during June to develop a direct partnership program.	Peru, countrywide.
Alabama, private sector spearheaded by junior chamber of commerce chapters in 64 cities.	Information being exchanged with interested organizations in Guatemala prepatory to a program development visit by an Alabama team.	Guatemala, countrywide.
Southern Nevada, private sector	Among other projects, considering the financing of ⅓ cost of 2 U.S. sanitation trucks to complement ⅔ financing generated by the Ecuadorean community through self-help activity.	Esmeraldas, a coastal town of Ecuador.
Pan American Assembly, Chicago, Ill., private sector.	Organization has offered cooperative effort with partners of the Alliance by serving as a clearing house in the Chicago area for project assistance requests from various Latin American countries not otherwise identified with U.S. organizations.	Various Latin American areas.
San Jose, Calif., private sector	Providing a heavy duty vacuum street sweeper for the city of San Jose, Costa Rica, to provide a measure of relief from the voclanic ash problem.	San Jose, Costa Rica.
Holidays for Humanity, Inc., Evansville, Ind., private sector.	Establishing rural clinics and providing voluntary medical and dental services to the people of backwoods areas who formerly lacked these services.	Minas de Oro, Honduras.
Illinois economic development, State	Considering a direct partnership program with a Brazilian State	Rio Grande do Sul.
State of Wisconsin, State government	The State government is exchanging views with the Government of Nicaragua preparatory to negotiating a partnership program with that country.	Nicaragua, countrywide.
Ohio University, Athens, Ohio, State institution	Exchanging basic information with Parana State institutions preparatory to entering into a direct participation relationship.	State of Parana, Brazil.
California State government and private sector	A contractual arrangement financed by AID to provide broad technical assistance to Chile in Agriculture (rural extension and marketing), regional planning and water resources development, secondary education, development planning, transportation (master highway plan) and manpower resources. Private sector participation will be encouraged and organized through a nonprofit corporation.	Chile, countrywide.

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LOUISIANA-GUATEMALA PROGRAM

Mr. PASSMAN. Every time I make a facetious statement or ask a facetious question hoping I am being a little humorous with it, I uncover something and find out such a program is going on. I think in the future I shall resort to this a little bit more and see how much we can uncover.

Mr. STERNFELD. Mr. Chairman, doctors from Louisiana have been going to Guatemala for a good number of years.

Mr. PASSMAN. I have been coming to Washington for 18, too. You said it was one of those unusual programs.

Mr. STERNFELD. This is another program. There has been a close association between Louisiana and Guatemala in the medical field.

Mr. PASSMAN. There is a lot of water between them, too.

AGRICULTURAL MARKETING PRODUCTION PROJECT

Page 203 indicates that you allocated $111,000 to the agricultural marketing project. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. ROGERS. $61,000.

Mr. PASSMAN. Had you been operating on a line item bill, you would have stuck to the original estimate or less. Is that correct?

Mr. ROGERS. That is correct, sir.

RURAL EXTENSION PROJECT

Mr. PASSMAN. You are requesting $202,000 for contract services to finance three advisers in rural extension. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. For what purpose did you obligate $48,000 for contract services in 1964?

Mr. ROGERS. This provides for 2 years, I think, Mr. Chairman.

The answer is four California consultants, Mr. Chairman, $48,000, as set forth in paragraph 2 of the presentation book.

AVERAGE COST PER CONTRACT TECHNICIAN

Mr. PASSMAN. What is the average annual cost of the three contract advisers, and how does that cost compare with the average annual cost of U.S. technicians in this country?

Mr. ROGERS. The total cost would be about $34,000, on the average.

Mr. PASSMAN. Per man?

Mr. ROGERS. Per man-year.

Mr. PASSMAN. Is that above the average?

Mr. ROGERS. Yes, sir; it is.

Mr. PASSMAN. Why?

Mr. ROGERS. I do not know the answer. May we supply that for the record?

Mr. PASSMAN. Supply it to the committee.

(The information supplied follows:)

CHILE RURAL EXTENSION PROJECT

The average cost per contract technician on this project will be $33,667. This figure is higher than the regional average.

The Chile-California contract employees will have higher qualifications and be at a more senior level generally than the average AID contract technican. California State salaries are generally on a higher scale than Federal salaries, for example, and the salary scale of private institutions in California is generally significantly higher than both the Federal and State scales.

CIVIL AVIATION PROJECT

Mr. PASSMAN. Did you justify last year the $19,000 that you allocated to the civil aviation project on page 205?

Mr. ROGERS. No, sir; we did not.

Mr. PASSMAN. In what year did the President make a grant of $20 million to Chile to finance, among other things, two airports?

Mr. ROGERS. 1960.

Mr. STERNFELD. Mr. Chairman, that was in connection with the Chile earthquake program, when the President made a $20-million grant.

Mr. PASSMAN. Was that in addition to the $100 million that the committee approved along with the $500 million Bogotá Conference implementation?

Mr. STERNFELD. That is correct, Mr. Chairman.

Mr. PASSMAN. Of this $20 million, how much has been disbursed?

Mr. ROGERS. It has all been distributed.

U.S. FINANCING OF NEW AIRPORTS

Mr. PASSMAN. Were these new airports or replacements?

Mr. STERNFELD. My understanding is that it rehabilitated existing airports.

Mr. PASSMAN. That is your understanding. Has it been confirmed?

Mr. STERNFELD. I can get it confirmed.

Mr. PASSMAN. Please do so.

When did you have that earthquake?

Mr. ROGERS. 1960, May 21 and 22.

Mr. PASSMAN. Did they have jet airports down in Chile then?

Mr. STERNFELD. Santiago might have had.

Mr. PASSMAN. What do you say, Mr. Rogers? Did they have jet airports in Chile then, as far as you know?

Mr. ROGERS. I do not know.

Mr. PASSMAN. Then you could not be rehabilitating something that you did not have, could you?

Mr. ROGERS. No. Was the question rehabilitating jet airports with the grants?

Mr. PASSMAN. Airports, and I think now it has been said that they were jet airports.

Mr. STERNFELD. No, sir. I think the statement in the presentation says that two other airports of medium size were financed under the $20 million Presidential grant. I do not believe a jet airport was financed by it.

Mr. PASSMAN. Did you not volunteer that only after you previously said you believed it was for rehabilitation?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. How much did these entirely new airports take of the $20 million?

Mr. STERNFELD. The two new airports, Mr. Chairman, did not tap the $20 million, and you will find descriptions of these airports later on in the book as part of the AID loan program.

Mr. PASSMAN. Out of the $100 million or out of the Treasury stand-by credit?

Mr. STERNFELD. The other airport loans were made by the Development Loan Fund.

TRAINING IN ECONOMIC AND SOCIAL SCIENCES

Mr. PASSMAN. Did you justify the $75,000 that you have allocated to the economic and social science project on page 208?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Not even on an illustrative basis; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. What is the completion cost?

Mr. ROGERS. $525,000.

INDUSTRIAL TRAINING PROJECT

Mr. PASSMAN. Page 209 indicates that you allocated $144,000 to the industrial training project on page 209. Is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. Did you request any money for this project last year?

Mr. ROGERS. No; but, as you know, Mr. Chairman, it is a continuing project with the initial obligation in 1958.

Mr. PASSMAN. Let us see what that is. Page 209 indicates that you allocated $144,000 to the industrial training project. My question is, How much money did you request for this project last year?

Mr. ROGERS. We made no request last year, Mr. Chairman.

Mr. PASSMAN. In a line item bill, you could not have allocated this money, could you?

Mr. ROGERS. No, sir.

MANPOWER PLANNING PROJECT

Mr. PASSMAN. Did you justify last year the $8,000 that you are allocating to the manpower planning project on page 210?

Mr. ROGERS. No, sir.

DEVELOPMENT PLANNING PROJECT

Mr. PASSMAN. Did you justify the $228,000 that you allocated for contract services under development planning project on page 211?

Mr. ROGERS. No, sir; these are both part of the Chile-California activity.

Mr. PASSMAN. But you did not justify any money for them last year. You have answered correctly, have you not?

Mr. ROGERS. Yes, sir.

SECTORAL PLANNING PROJECT

Mr. PASSMAN. Page 215 indicates that you have allocated $86,000 to sectoral planning project; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Did you request any money for this project last year?

Mr. ROGERS. No, sir.

REGIONAL PLANNING, RIVER BASIN DEVELOPMENT

Mr. PASSMAN. Did you justify last year the $106,000 that you have allocated to the regional planning project on page 217?

Mr. ROGERS. No, sir.

LETHARGIC AIRPORT CONSTRUCTION PROJECT, PUDAHUEL

Mr. PASSMAN. I note the airport construction credit to Pudahuel which was approved on June 29, 1960, in the amount of $10.5 million, has had disbursements as of December 31, 1963, 2½ years later, of only $380,000; is that correct?

Mr. ROGERS. That is correct, sir. I can report to you, though, to bring up to date the information in this report in the presentation book, that 20 percent of the runway construction is now completed, and that the contractor's schedule calls for completion by the 1st of June of 1965.

Mr. PASSMAN. How long did you go without any disbursements on this project?

Mr. ROGERS. This was quite a while.

Mr. PASSMAN. From the time you made the allocation until you started disbursing, 5 years?

Mr. ROGERS. We disbursed only $380,000 in the first 4 years.

Mr. PASSMAN. Is this cost estimate holding good?

Mr. ROGERS. I think the answer is this, Mr. Chairman: The price in escudos of some of the materials, for example, cement, has increased. We are providing dollars. That ought to buy the same amount of cement. My judgment, however—and I can certainly confirm this to you—is that our obligation is limited to $10.5 million, and regardless of any increase in the total cost of the project, that will be picked up by the Chileans and it will not be an additional burden.

Mr. PASSMAN. Is that in the contract?

Mr. ROGERS. I believe that that is a provision in the contract.

Mr. PASSMAN. You have other grant aid programs with this country, have you not?

Mr. ROGERS. Yes.

Mr. PASSMAN. So, it is the same thing, is it not?

Mr. ROGERS. No, sir. We are not providing that kind of general budget support of Chile so we pay out of one for another.

Mr. PASSMAN. But we have many other aid programs in Chile, have we not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Even though it may be necessary for Chile to take out of her budget certain funds to complete this project, we are supplementing her total budget at least indirectly, are we not, by providing these credits by which she could buy commodities?

Mr. ROGERS. I think you have to remember the Chilean budget is an area in which the Chileans themselves have made substantial progress in recent years.

Mr. PASSMAN. I hope so.

Mr. ROGERS. They are providing, for example, in a case like this, substantial contributions to projects, and they are improving their own budget collections, largely through a number of self-help and reform measures instituted in recent years, including more effective tax administration.

Mr. PASSMAN. The country contribution to this project is only $760,000. Is that right?

Mr. ROGERS. That is correct.

Mr. PASSMAN. That does not sound very substantial to me, when we are putting up $10.5 million. Can you ascertain whether or not there is a firm contract that this is the maximum that we would expend on this project?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I still say that it is not important because you have various other aid programs going into Chile, and when you provide money for them to pay for other necessities and commodities, that releases what they earn from their exports, foreign exchange, to do whatever they want to.

(Discussion off the record.)

Mr. PASSMAN. This $10.5 million account was dormant for about 4 years?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. If I recall correctly, we had testimony on this project before. This is one that we do not like very well, is that right, what we have referred to as a "sick" project?

Mr. ROGERS. I think that is fair, Mr. Chairman.

Mr. PASSMAN. Are you giving it any treatment?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. To the extent you may deobligate the funds? Encourage us, if you can.

Mr. ROGERS. They are now going out and building a runway.

Mr. PASSMAN. I think that is enough on that. Whoever diagnosed this case in the beginning evidently did not know that they had a diseased patient at the time, but that is not the exception, so please do not let it worry you.

I have a lot of other questions on this country. Similar questions would get similar answers on similar projects, would they not?

Mr. ROGERS. Yes, Mr. Chairman.

Mr. PASSMAN. Inasmuch as we are in 108 nations and territories with over 4,000 prime projects and subprojects and it is impossible to ask more than a few questions on a few projects, I shall dispense with asking any further questions on Chile and yield to the gentleman from New Mexico, Mr. Montoya.

AIRPORT CONSTRUCTION AT PUDAHUEL AND CONCEPCIÓN

Mr. MONTOYA. With respect to the airport loans to Chile, is it my understanding that we are building two airports, one at Pudahuel and the other at Concepción? Is that correct?

Mr. ROGERS. That is correct.

AMOUNTS AND TERMS OF LOAN

Mr. MONTOYA. The total loan for the Pudahuel airport is $10.5 million?

Mr. ROGERS. That is correct.

Mr. MONTOYA. And the Concepción loan is for $3.2 million?

Mr. ROGERS. That is correct.

Mr. MONTOYA. The Pudahuel loan is 20 years at 3½ percent?

Mr. ROGERS. That is correct.

LOCAL CURRENCY REPAYMENTS

Mr. MONTOYA. What do you mean when you say that the repayment is in escudos or U.S. dollars? Is it both currencies, or is it one or the other?

Mr. ROGERS. Here again, Congressman, these were loans which were originally made by the old Development Loan Fund, sir.

Mr. MONTOYA. They were "soft term" loans?

Mr. ROGERS. That is correct. In the case, for example, of Pudahuel, the loan agreement provided that the borrower had the choice to repay in either escudos or dollars. In the case of the Concepción airport, the first half of the repayment was to be in escudos and the second half was to be in dollars.

Mr. MONTOYA. What do you mean by the first half and the second half? Does that mean the first 10 years?

Mr. ROGERS. The first $1.6 million equivalent, plus interest.

Mr. MONTOYA. I see.

Mr. ROGERS. As you know, the old Development Loan Fund had the legal authority to accept repayment in local currency, which we do not do.

Mr. MONTOYA. That is correct.

What have you done in subsequent disbursements, in view of the fact that the new development loan authorization provides for hard dollar loans?

Mr. ROGERS. These loan agreements stand, and the provisions in them are still valid.

Mr. MONTOYA. What are you doing with the repayments in local currencies? Are you relending those currencies?

Mr. STERNFELD. They go to the Treasury when they come in. They are not available to the AID program.

Mr. MONTOYA. Have they been disbursed in some other kind of transaction?

Mr. STERNFELD. There have been no repayments to date because of the payments being so small.

Mr. MONTOYA. Is there any agreement that would restrict the use of these local currencies by our Government?

Mr. STERNFELD. There are no restrictions on the repayments or the use of development loan funds in local currencies. Mr. Congressman, if I may correct something. I note as of December 31, there has been interest collected on the Pudahuel Airport of $72.38. I cannot tell whether this was in dollars or escudos, but this payment would have gone directly to the Treasury.

Mr. MONTOYA. With respect to the Concepción loan, was that made under the old DLF?

Mr. STERNFELD. Yes, sir.

Mr. MONTOYA. In 1961?

Mr. STERNFELD. That is correct.

Mr. MONTOYA. All the repayments up to a maximum of $1.6 million will be in local currencies, is that correct?

Mr. STERNFELD. That is correct.

Mr. MONTOYA. Then we will start receiving dollars?

Mr. STERNFELD. That is correct. In both cases, this being an old Development Loan Fund loan, the payments will be made to the Treasury.

Mr. MONTOYA. That is all.

Mr. PASSMAN. On this "sick" project of $10.5 million for Chile, all that is repayable in local currency?

Mr. ROGERS. At the borrower's choice, either local currency or dollars.

Mr. PASSMAN. Their choice?

Mr. ROGERS. Yes.

Mr. PASSMAN. Mr. Rhodes, questions on Chile?

CHILE-CALIFORNIA PROGRAM SUPPORT

Mr. RHODES. Mr. Rogers, on page 219 is one of the projects which the Chile-California program supports. Although you had the program going last year, fiscal 1963, I believe there was no expenditure and no obligation shown. How was this particular part of the activity financed in 1963?

Mr. ROGERS. There wasn't a great deal that happened in fiscal year 1963.

Mr. RHODES. There was nothing financed, then?

Mr. ROGERS. Nothing.

Mr. RHODES. Am I to assume from reading this sheet that all of the administrative program and all of the expenses of the coordination offices, both in Santiago and Sacramento, are maintained at the expense of the AID program?

Mr. ROGERS. That is correct. There will be some expenses that will be picked up by the foundation in this private sector activity. A lot will be going on as part, in effect, of the Chile-California project in California that we will not be paying for.

CHILE-CALIFORNIA FOUNDATION

Mr. RHODES. Will you furnish us some detail on this foundation?

Mr. ROGERS. Surely.

Mr. RHODES. Tell us what it is, what it's called, when it was incorporated, whether it is qualified to receive contributions which will be tax deductible, how much money there is, whether the money is to be retained as an endowment, or whether it is to be expended in the year it is received. In other words, give us all the details, including the names of the people who are in charge of the foundation.

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

CHILE-CALIFORNIA FOUNDATION

The California-Chile Aid Fund is the legal name of the Chile-California foundation. It was incorporated on April 21, 1964, as a nonprofit fund for charitable, educational and/or scientific purposes and primarily to render aid to the people of Chile. Contributions, which already total $600, are exempt from both State and Federal taxes. It is an endowable fund. The names of the officers are: president, Preston Silbaugh; vice president, Samuel Oschin; and secretary, William Glikbarg.

Mr. RHODES. Will you make any contracts with this foundation, or will all of your contracting be with the State of California?

Mr. ROGERS. It will be with the State of California.

Mr. RHODES. And the foundation, then, will be a quasi-independent body, acting in cooperation with the State of California?

Mr. ROGERS. That is correct.

Mr. RHODES. There isn't really too much difference between this setup and that which you might have with any other contractor, is there, except for the operation of the foundation and the recruitment of the local interests that you might not be able to get otherwise?

Mr. ROGERS. I think that is fair. We go through the standard contracting procedures.

Mr. RHODES. Do you have a great feeling of optimism about this particular setup?

Mr. ROGERS. I feel very favorably inclined to it, Congressman. I have worked on the project for a while. I have talked with a number of people in California who were interested in it. I have also talked with the Chileans.

You have a receptivity down there. There is a long tradition of good feeling between Chile and California. Chile supplied California with wheat back in the gold rush days, and there were a lot of Chileans who went up to California during the gold rush. There is respect for California as a State. The Californians have such enormous resources in terms of people, really interested, good people, who are prepared to go down and work on this project, and who are superbly equipped to solve a lot of the problems the Chileans have. I feel very good about it.

CONTRACTS WITH U.S. NON-GOVERNMENT ORGANIZATIONS

Mr. RHODES. You also have various contracts around the world with the Farmers Union.

Mr. ROGERS. That is correct.

Mr. RHODES. And with the National Organization of REA's.

Mr. ROGERS. Yes.

Mr. RHODES. Do you have other contracts with cooperatives?

Mr. ROGERS. Yes.

Mr. RHODES. Mr. Controller, I wonder if we could have a table, similar to the one I asked for, before, worldwide, on these contracts with the various cooperatives such as the Farmers Union and the National REA's and the like?

Mr. TENNANT. By country?

Mr. RHODES. By country if possible, yes.

Mr. TENNANT. Yes, sir.

(The information follows:)

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JUL 1964
MANHATTAN, KANSAS

Countries where U.S. cooperative, credit union, and savings and loan organizations provide services under contracts with AID, as of May 26, 1964

U.S. organizations	U.S. location and type	Activity in foreign country [1]	Region and country of activity [2]
FCH Co. Inc. (of Foundation for Cooperative Housing).	Stamford, Conn., and Washington, D.C., nonprofit organization establishing and managing housing cooperatives.	Development of cooperative housing	Latin America: Argentina, Bolivia, Brazil, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Costa Rica, Nicaragua, Peru, Jamaica, Venezuela.
National League of Insured Savings Associations.	Washington, D.C., trade organization.	Development of savings and loan associations.	Latin America: Brazil, El Salvador, Nicaragua, Peru, Venezuela, Ecuador, Chile, Dominican Republic, Guatemala. Africa: Tunisia, Ethiopia. Near East and south Asia: Iran.
Cooperative League of the U.S.A.	Chicago, Ill., and Washington, D.C., National Federation of Cooperatives.	Training, consultation, organization of consumer and producer cooperatives.	Latin America: Bolivia, Chile, Ecuador, Peru, Uruguay, Mexico. Africa: Tunisia.
Credit Union National Association	Madison, Wis., and Washington, D.C., National Federation of Credit Unions.	Training and assistance in organizing and operation of credit unions and federations and confederations.	Latin America: Bolivia, Brazil, Colombia, Ecuador, Peru, Venezuela, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.[3]
National Rural Electric Cooperative Association.	Washington, D.C., National Federation of Rural Electric Cooperatives.	Technical assistance, training, feasibility studies, engineering, and supervision of construction of rural electric cooperatives.	Latin America: Bolivia, Brazil, Chile, Costa Rica, Colombia, Dominican Republic, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay, Venezuela, El Salvador, Paraguay, Argentina. Far East: Philippines, Taiwan, Thailand, Korea.
Fund for International Cooperative Development.	Columbus, Ohio, nonprofit fund under Cooperative League of the USA.	Technical assistance in the organization of an inter-American cooperative finance system.	Latin America: Ecuador, Colombia.
International Cooperative Development Association.	Chicago, Ill., nonprofit association of supply and marketing cooperatives under Cooperative League of the USA.	A study on the use of fertilizer and its effect upon the economy.	Latin America: Uruguay.
National Farmers Union	Denver, Colo., and Washington, D.C., nonprofit organization of farm families and cooperatives.	Training of cooperative and rural leaders. Livestock and grain studies.	Latin America:[2] Bolivia, Peru, Chile, Venezuela, Colombia, Ecuador. Africa: Dahomey, Uganda, Tunisia.
International Cooperative Training Center [4] (University of Wisconsin).			

[1] A worldwide contract, using nonregional funds, makes consultation and backstopping services, on AID's request to the contractor, available in all countries cooperating with the AID program. Such contracts exist with all groups listed below except the Fund for International Cooperative Development and the International Cooperative Development Association.

[2] An AID regional contract using regional funds, makes consultation and backstopping services, on AID's request to the contractor, available to all countries in the region. Countries listed include those where either technicians already are assigned under the regional contract, or where contracts issued by the AID mission and using its funds provide the technicians' services solely in that country.

[3] Credit Union National Association's contract services are not yet being provided in Argentina and Uruguay.

[4] AID offers all countries participant training in organizing and management of cooperatives. Their leaders can attend courses at the International Cooperative Training Center, University of Wisconsin, Madison, Wis. The instructional costs have been paid for 2 years from AID's grant of nonregional funds. U.S. cooperative organizations, including the Cooperative League of the USA, which initiated establishment of the center under AID's grant, advise the center through an advisory board. This board has a staff representative whose expenses are paid from AID's grant.

Mr. RHODES. I think that is all.
Mr. PASSMAN. Thank you, Mr. Rhodes.
(Discussion off the record.)

COLOMBIA

TOTAL FOREIGN AID

Mr. PASSMAN. What has been the total amount of aid to Colombia since the inception of the program?
Mr. ROGERS. $653.6 million.
Mr. PASSMAN. Is that from all spigots?
Mr. ROGERS. Yes, sir.

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. What do you have to the credit of Colombia undisbursed?
Mr. ROGERS. $145.881 million.
Mr. PASSMAN. What is the population of this country?
Mr. ROGERS. 16.6 million.

PROGRAM FOR 1964

Mr. PASSMAN. What did you request for Colombia last year?
Mr. ROGERS. $105 million.
Mr. PASSMAN. How much did you allocate to Colombia last year?
Mr. ROGERS. $83.5 million.

ASSISTANCE TO COLOMBIAN DEVELOPMENT PLAN

Mr. PASSMAN. I note the United States proposed to furnish $80 million to the consultative group assisting Colombia's development plan and you are proposing ——— for this purpose in 1965; is that correct?
Mr. ROGERS. That is correct.
Mr. PASSMAN. Gentlemen, while this is bad enough I note your statement on page 80, a higher level of assistance will be needed in the next 3 years than was provided in the first 2 of the Colombia development program if growth targets are to be met; is that correct?
Mr. ROGERS. Yes, sir.

LEVEL OF U.S. ASSISTANCE

Mr. PASSMAN. What order of magnitude do you envision and what do you anticipate will be the cost to the United States?
Mr. ROGERS. I don't know that we can be very much more precise than that. A lot of this depends on the evaluation of the progress they are making now, which is quite substantial, plus results of the consultative group operation under the auspices of the World Bank where we have other potential capital sources, including Europeans, involved.
Mr. PASSMAN. I noticed some loose language the other day, while we were in Brazil.

You have this figure but you believe they could utilize more in the event of thus and so. This is repeated here.

Do we get ourselves involved to the extent that if there is progress made we are obligated to borrow this money and step up these programs? Every dime we give away to foreign aid you have to borrow.

Is this not loose language for these people to be reading? This is almost a commitment.

Mr. ROGERS. I don't think that refers to this Colombia program. This langauge does not refer to the United States exclusively. This states, "A somewhat higher level of total foreign assistance."

Mr. PASSMAN. I asked about the United States and you answered in the affirmative. This $650 million-plus that you referred to——

Mr. ROGERS. What is that?

Mr. PASSMAN. The amount of aid to Colombia.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. You had an $80 million project last year estimated, did you not?

Mr. ROGERS. That is right.

Mr. PASSMAN. And how much do you have unexpended?

Mr. ROGERS. $145 million.

Mr. PASSMAN. Let me read this again. I note that the United States proposes to furnish $80 million under the consultative group which is assisting Colombia's development plan and that you are programing—meaning the United States———. Is that correct?

Mr. ROGERS. No, sir. They do not know, the Colombians do not know——

Mr. PASSMAN. Who?

Mr. ROGERS. The Colombians.

Mr. PASSMAN. I didn't say they did. As far as you are concerned you are proposing this?

Mr. ROGERS. Yes.

Mr. PASSMAN. Then I asked: While this is bad enough, I note your statement on page 80 that a somewhat higher level of total foreign assistance will be needed in the next 3 years than was provided in the first 2 of the Colombia development plan if growth targets are to be met. ———, then I wanted to know the ultimate that you anticipate out of the United States.

Mr. ROGERS. As I indicated, and also as page 80 indicates, the question about U.S. participation——

Mr. PASSMAN. I am dealing only with the United States and I used only U.S. figures. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I will not concern myself with anything other than U.S. figures.

Can you envision the total cost for the United States at the height of this thing?

Mr. ROGERS. No, because we expect increased external assistance from non-AID sources.

Mr. PASSMAN. I am talking about U.S. dollars. I don't care what spigot you get it from. Can you give us what you envision to be the top level, where you will say "This is it" and then start the other way?

Mr. ROGERS. We do not know. It depends how much the Colombians generate from non-U.S. sources.

Mr. PASSMAN. The more they generate in their country the more money we expect to put in?

Mr. ROGERS. The more they can generate and the more we can all generate from other groups the lower the U.S. commitment.

Mr. PASSMAN. The program is going up now?

Mr. ROGERS. Total foreign exchange requirements——

Mr. PASSMAN. I don't care about that, Mr. Rogers. So far as U.S. aid dollars are concerned, they are going up?

Mr. ROGERS. ———.

Mr. PASSMAN. 1964 compared to 1963?

Mr. ROGERS. No.

Mr. PASSMAN. The total amount has been $650 million?

Mr. ROGERS. That is correct, since 1946.

Mr. PASSMAN. Secretary Dillon went to Panama and he made some speech down there and advocated a new program of some $1,200 million on top of everything else we are giving and our share is to be $750 million, to be appropriated in three annual amounts of $250 million each.

Do you remember that?

Mr. STERNFELD. That is right.

Mr. PASSMAN. Then my argument is valid. You are stacking programs on top of programs. You cannot envision at this time when this program will start the other way, then?

Mr. RHODES. Mr. Dillon is Secretary of the Treasury, is he not?

Mr. PASSMAN. Yes.

Mr. RHODES. The State Department is supposed to allocate this, is it not?

Mr. PASSMAN. That is what I thought.

PROJECT ASSIGNMENTS BY WORLD BANK CONSULTATIVE GROUP

Mr. RHODES. May I ask a question concerning a statement you made a while ago? You mentioned a committee of the World Bank. I don't remember the name you gave it.

Mr. ROGERS. Consultative group.

Mr. RHODES. In line with the Colombia project, I believe you said the consultative group looked at it and since nobody indicated interest at the time, it was assigned to the United States. Am I correct?

Mr. ROGERS. I may have said that.

Mr. RHODES. Do you wish to correct it or explain it?

ORGANIZATION AND OPERATIONS OF CONSULTATIVE GROUP

Why don't you tell us how the consultative group works. Describe the procedure and how we fit into it, please.

Mr. ROGERS. I perhaps did say "assigned" and after you thought about it that perhaps indicated the group sat around and said "You so much; you so much," and so on.

Mr. RHODES. That is what I thought.

Mr. ROGERS. That is the wrong implication to leave.

Mr. RHODES. I am glad to hear that. How does it work?

Mr. ROGERS. The group includes the World Bank, a number of the other capital exporting countries, Inter-American Development Bank.

Mr. STERNFELD. You have the European members and the Japanese, the industrial nations of the world.

Mr. RHODES. Why not furnish us a list?

Mr. ROGERS. I have it right here—Belgium, Luxembourg, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Switzerland, United Kingdom, United States, International Monetary Fund, Inter-American Development Bank, and the World Bank itself.

The consultative group——

Mr. RHODES. How often does it meet?

Mr. STERNFELD. It meets at two different levels. At the staff level there are continuing discussions here in Washington. The official meetings take place about once a year.

The next meeting on Colombia is 2 weeks from now, the first week of June; it will be held here in Washington.

Mr. RHODES. What do they do?

Mr. ROGERS. The basic idea is that the Colombians are making substantial progress in an overall development program. They are making quite good efforts with respect to total fiscal and monetary policies, total development, total generation of the private sector, and total channeling of resources.

As you can see from the charts, the savings are up and investment rate is up and healthy. They are now eligible to be considered for general assistance on the part of the other capital exporting areas.

At the end of the first year's operation, for example, as a result of the consultative group's work of bringing together possible sources of financing for Colombia's development effort, the group members made loans totaling $180 million. They also actively consider and are actively considering a number of individual projects.

The idea is that the consultative group staff work puts together a list of all the potential and lendable projects and—"tries to sell" would be too harsh a term—but in effect it tries to get as much interest as it can from as many participating nations as it can.

Mr. RHODES. What is a lendable project? Do they do preliminary work to determine whether there is some scintilla of feasibility? They don't have to establish feasibility definitely before they bring the project to discussion, do they?

Mr. ROGERS. No, they do not establish feasibility or undertake to establish it on their part. They do make sure the project makes sense as a priority project in their development program.

Mr. STERNFELD. And it is not just a shopping list. Each government takes upon itself, and each agency takes on itself to meet its own requirement.

Mr. ROGERS. One of the questions raised in connection with this project we spoke about before was priority status in Colombia's overall development program, under the auspices of the consultative group. In effect there are continuing conversations on the staff level and high level meetings at less frequent intervals to try to generate maximum support from as many capital exporting sources as possible for this very good development effort the Colombians are putting on.

Mr. RHODES. If nobody takes it then does it fall from grace completely or does it fall into our lap as a sort of residuary legatee?

Mr. ROGERS. I understand what you are talking about. The answer is that that is not part of the procedure.

PERCENTAGE DISTRIBUTION OF EXTERNAL ASSISTANCE BY THE CONSULTATIVE GROUP

Our development financing under the auspices of the consultative group has constituted about 45 percent of the external assistance which as been generated.

Mr. RHODES. In other words, we have taken 45 percent. What has the World Bank taken?

Mr. ROGERS. About 45 percent.

Mr. RHODES. The rest of the free world has taken about 10 percent?

Mr. ROGERS. So far. That is the first year.

Mr. RHODES. This has been in operation 1 year?

Mr. ROGERS. That is right.

Mr. RHODES. Does this group work on other countries as well?

Mr. ROGERS. This group operates only in Colombia.

OTHER CONSULTATIVE GROUPS

Mr. RHODES Are there similar committees for other countries?

Mr. STERNFELD. We are trying to get one established for Chile. That would be the only other one which would exist.

Mr. RHODES. In your area. What about Nigeria?

Mr. TENNANT. I don't know about specifics but there is in India.

Mr. RHODES. There would be in countries like that. They are in the development category.

Mr. STERNFELD. There is one in Nigeria, Pakistan, and India.

AGRARIAN REFORM PROJECT

Mr. PASSMAN. Mr. Rogers, I note you have extended the life of the agrarian reform project shown on page 230 for 2 years; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. What additional cost is involved in the extension of this contract?

Mr. ROGERS. There was a substantial decrease——

Mr. PASSMAN. I asked what additional cost is involved in the extension of the life of the project.

Mr. ROGERS. No increase. There is a reduction of $1 million.

AGRICULTURAL DIVERSIFICATION PROJECTS

Mr. PASSMAN. I note you have consolidated three projects into the new project on page 231 entitled agricultural diversification for $93,000?" Is that right?

Mr. ROGERS. This represents three previous projects.

INCREASED COST RESULTING FROM PROJECT EXTENSION

Mr. PASSMAN. Then the life of the project has been extended by approximately 4 years under this consolidation; is that right?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Then what is the increased cost?

Mr. ROGERS. This represents an increase of about $1.2 million, total cost to completion.

Mr. PASSMAN. An increase of $1.2 million under this consolidation, then?

Mr. ROGERS. That is correct.

FINANCIAL DEVELOPMENT PROJECT

Mr. PASSMAN. Last year the committee ascertained that the financial development project on page 232 was started in fiscal 1963 without being justified before the Congress even on an illustrative basis, and the committee further ascertained that the completion cost of the project would be $1,158,000. Is that correct?

Mr. ROGERS. That is correct.

INCREASED COMPLETION COST

Mr. PASSMAN. However, on page 232 it now indicates that the total cost to completion is $1,749,000. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. With no extension of life involved; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This is the loosest program I have ever been associated with.

CIVIL AVIATION PROJECT

I note you have allocated $125,000 to the civil aviation project shown on page 233; is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you request last year?

Mr. ROGERS. $75,000.

SECONDARY EDUCATION PROJECT

Mr. PASSMAN. Last year you requested $153,000 to initiate the secondary education project. The testimony indicated that the total cost of the project to completion would be $253,000 over the 4 years of the project; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Page 236 indicates you did not initiate the project and are requesting $104,000 in fiscal 1965 again to initiate the project. However, the completion cost of the project, over the 4 years of its life, now is estimated at $404,000. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What a mess.

Mr. ROGERS. We are going along with the study and survey.

Mr. PASSMAN. It is not your fault, Mr. Rogers that this program is so loose. If you had been operating on anything similar to a line item bill there could not have been this much variation. Is that correct?

Where you justified these projects you would have to live by what you justified; is that right?

Mr. ROGERS. We would have had to spend the money this year; that is correct.

Mr. PASSMAN. There is nothing in the bill that states that.

Mr. ROGERS. We could not have used the money we justified for this project——

Mr. PASSMAN. And could not have increased it proportionately.

Mr. ROGERS. If we had a line item for next year we could have requested it.

Mr. PASSMAN. On a line item bill you could not do these things, could you?

Mr. RHODES. You could let it lapse into the Treasury. That is not against the law.

Mr. ROGERS. That is correct.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. Last year, at page 2422 of the hearings, the committee inquired as to whether or not you justified the $440,000 that you had allocated to the Public Safety project which was a new project in fiscal 1963. The testimony stated that you had not.

This year page 239 indicates that rather than obligating $440,000 to the project in 1963 you obligated $753,000, all of which was unjustified. Is that correct?

Mr. ROGERS. Obligations up through——

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

OBLIGATIONS IN EXCESS OF CONGRESSIONAL JUSTIFICATION

Mr. PASSMAN. This year, page 239 indicates that rather than obligating $440,000 to the project in 1963, you obligated $753,000, all of which was unjustified. Is that correct?

Mr. ROGERS. I do not want to say it is unjustified, Mr. Chairman.

Mr. PASSMAN. When I say unjustified, I mean you did not testify for it. We use the words "justified to the committee" or "did you justify."

Mr. ROGERS. That is correct.

Mr. PASSMAN. Is that the terminology we usually use?

Mr. ROGERS. Yes.

Mr. PASSMAN. On that basis, have I made a statement of fact?

Mr. ROGERS. Yes, you made a statement of fact.

COST TO COMPLETION

Mr. PASSMAN. In addition, Mr. Moscoso testified that by completion in 1968 the total cost would be $1.6 million. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Page 239 indicates the project will be completed in 1967, a year earlier. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. But the cost to completion is now estimated to be $1.9 million. Is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. All right.

Mr. ROGERS. This is the public safety project.

Mr. PASSMAN. Again, gentlemen, it shows you what you get into when you get this money in a lump sum and just allocate at will.

Mr. PASSETT. Mr. Chairman, may I point out that the $440,000 figure which Mr. Moscoso gave you last year was an estimated figure for 1963 obligation at the time.

Mr. PASSMAN. I read it correctly in the record. I try to be as fair as I can. All of these things are estimates.

Mr. PASSETT. In terms of the current fiscal year.

Mr. PASSMAN. Everything you are asking for 1965 is an estimate. Is that not correct?

Mr. PASSETT. Yes.

Mr. PASSMAN. And illustrative.

Mr. STERNFELD. This project itself is one of the most important projects in Colombia. The public safety program is one which has been helping to combat the violence problems in Colombia which is one of the major ——

Mr. PASSMAN. Are not all projects important in your estimation?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Have you every heard me question anything about the objective? I never do get too much into policy and what your objectives may be and the value of them. I get into the inaccurate estimates that you furnish. Let the record show this may be a terrifically great project, but also let the record show you do not know whether it will be good or not. If your guessing is not any better as to how good the project is, than your guessing on the amount of funds needed, I would like to have you have another look at it.

Mr. STERNFELD. The difficulty here in making a more precise estimate in public safety is the fact of the increase in violence and the need to help support the Colombian police forces.

Mr. PASSMAN. You are not trying to make this project show as an exception, are you? This is the pattern around the world. I will admit you stagger into a project that may look fairly sound occasionally.

HOUSING PROJECT

Last year you requested $53,000 for the housing project on page 240. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you allocate to this project in fiscal 1964?

Mr. ROGERS. $103,000.

CIVIC ACTION PROJECT

Mr. PASSMAN. Page 241 indicates you have consolidated five projects under the civic action project. The narrative indicates the Tolima Highway project will end in 1965, and that the other projects are scheduled to terminate now in fiscal 1969, and that the future costs after 1965 are estimated at $2.015 million. Is that correct?

Mr. ROGERS. That is correct, sir.

Mr. PASSMAN. What was the completion date as indicated in the project book last year for these civic action projects?

(Off the record.)

Mr. ROGERS. Fiscal year 1964.

SPECIAL DEVELOPMENT ACTIVITIES PROJECT

Mr. PASSMAN. Did you justify last year the $50,000 that you allocated to the special development activities project on page 242?

Mr. ROGERS. That was not justified in the sense you refer to.

Mr. PASSMAN. Could you tell us what it will cost to complete this project?

Mr. ROGERS. $200,000, estimated.

Mr. PASSMAN. This is the second project we have run into which has as its objective to provide financing for small but significant projects having a constructive economic and social impact on specific Colombian communities or private organizations.

That is a rather broad statement. I believe this is what we call one of those slush funds.

Mr. ROGERS. You call it that.

Mr. PASSMAN. I think you would agree if you would leave it off the record.

Mr. ROGERS. No, sir, I wouldn't. Not even off the record would I agree.

Mr. PASSMAN. Not on this particular one.

Mr. ROGERS. Not on any of these.

Mr. PASSMAN. That makes a terrifically good record when you do not agree on any of them. I thought that would be what you would say. That is why I led you along a little.

Mr. ROGERS. That is all right. I will stand by it on the record.

Mr. PASSMAN. I will not try to embarrass you. What do you call these books that we get this stuff out of? Shadow books, I believe. Don't try to find the individual who named them, because they are really named properly.

SPECIAL DEVELOPMENT PROJECTS

Would you furnish the total amounts available for special development activities in Latin America.

(The information follows:)

SPECIAL DEVELOPMENT ACTIVITIES

The following countries are carrying out special development activities projects in fiscal year 1964:

Country:	*Funds allocated fiscal year 1964 (thousands)*
Argentina	$50
Bolivia	50
Colombia	50
Costa Rica	40
Ecuador	50
Guatemala	5
Peru	50
Total	295

Three countries have proposed a special development activities project of $50,000 for fiscal year 1965: Bolivia, Guatemala, and Colombia.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $724,000 to fund the technical support project in fiscal 1964, which was an interim arrangement as a result of the phaseout of the servicios. The narrative stated:

The present interim list of personnel included in this project totals 23, and $340,000. The last includes six positions of technical advisers who will be moved to appropriate separate projects as soon as project agreements can be written.

Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Rather than this project being substantially reduced, it would appear that you are financing approximately the same number of personnel with a total increase in the project above 1964 of $87,000; is that correct?

Mr. ROGERS. No, sir; there is a decrease.

Mr. PASSMAN. From $632,000 to $724,000?

If you go to your record on page 243——

Mr. PASSETT. In 1964, we said we were going to spend $724,000. It turned out we were only allocating $632,000.

Mr. PASSMAN. But you are turning around and increasing it in fiscal 1965 to $719,000.

Mr. PASSETT. That is right; for next year.

Mr. PASSMAN. So, it is not a decrease.

DEVELOPMENT PROGRAM ASSISTANCE "LOAN"

Would you comment briefly on this development program assistance credit of $60 million which was approved on December 6, 1962, with particular reference to its generation of pesos and the allocation of those pesos to cooperatives, the development budget, and the private investment fund?

Mr. ROGERS. I should say as a general proposition, Mr. Chairman, any program on our part in support——

CREDIT TERMS

Mr. PASSMAN. We called it a loan. Is this not one of those 40-year, no-interest credits?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Three-quarters of 1 percent service charge?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. We are dealing with repayment in pesos?

Mr. ROGERS. No, sir; dollar repayment.

Mr. PASSMAN. If it is ever paid. I asked you a question about this with particular reference to its generation of pesos and the allocation of those to cooperatives, development budget and private investment fund.

Mr. ROGERS. Yes; when the loan is made in dollars, it generates pesos——

Mr. PASSMAN. If you say "loan," just confirm what I said. This is one of those 40-year, no-interest things. Three-quarters of 1 percent service charge. Is that right?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Thank you. What were you going to say in addition to that?

Mr. ROGERS. The dollars which are made available are, in effect, sold to commercial importers and in this way generate pesos which are resources in the Colombian economy. Those pesos are then used for

developmental purposes in Colombia. In this particular case with respect to the loan set out on page 245, the pesos were allocated in three ways: for housing for labor unions; a capital item in the government development project of $20 million; and, most interesting, one-half of the pesos which were generated, $30 million worth, were made available to the very important private investment fund.

Mr. PASSMAN. That is wonderful. Let's increase it.

Mr. ROGERS. The private investment fund, Mr. Chairman——

Mr. PASSMAN. You said made payable from them or to them?

Mr. ROGERS. Pesos were made available to the fund——

Mr. PASSMAN. Oh.

Mr. ROGERS. And, through the fund, are made available for relending into the private sector in Colombia.

It has been a very substantial and very important source of capital resources for the private sector.

Mr. PASSMAN. You are quoting from your statement you made at the beginning of the hearings on Latin America?

Mr. ROGERS. I guess I did say something about that.

Mr. PASSMAN. That is all right. I repeat myself, too.

(Discussion off the record.)

SUPERVISED AGRICULTURAL CREDIT LOAN

Mr. PASSMAN. How much money has been disbursed under the Supervised Agricultural credit of $10 million which was signed on June 26, 1963?

Mr. ROGERS. $566,000. This was subsequent to the 31st of December but before the 31st of March. In other words, the first quarter of calendar 1964. That is why it did not appear on page 248 of our book. The book shows disbursements up to the end of December 1963.

Mr. PASSMAN. Of course, in a country of this size and a program this large, to do even a fair job of getting into the many projects and ramifications of these projects would almost take days, would it not?

Mr. ROGERS. Yes, it would, Mr. Chairman.

Mr. PASSMAN. To do even a fair job?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I am glad you say that, because a lot of people want to laugh off things like this. I know you want to be fair. It would take weeks in one country to do a fair job. We concur in that.

I will ask this one question. I have some 18 or 20 pages of questions here and in my book that could be asked about these projects. If we were dealing with similar projects, similar questions would get similar answers, would they not?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. With, shall I say, a somewhat distressed feeling—"suppressed" maybe would be better, but I think both would apply—I shall dispense with asking any further questions on this country where the man who will allocate the funds and the man who asks the questions agree it would take weeks to do even a fair job of examining on this country.

I shall now yield to the gentleman from Arizona, Mr. Rhodes.

TREND OF COLOMBIA'S GOLD AND FOREIGN EXCHANGE RESERVES

Mr. RHODES. Mr. Rogers, I note Colombia has had a rather drastic drop in gold and foreign exchange available since 1959. Is this trend continuing, or has it begun to reverse itself?

Mr. ROGERS. As you notice, there was an increase in gold and foreign exchange reserves through August of 1963 as compared with calendar year 1962. These are yearend figures. That represents the first 8 months of 1963.

Mr. RHODES. Actually, the gold and foreign exchange trend is now up, at least as far as we can tell?

Mr. ROGERS. Yes. Their position has strengthened somewhat.

Mr. RHODES. Does this have anything to do with the level of aid from the United States or other countries?

Mr. ROGERS. Yes, sir.

Mr. STERNFELD. They are also now earning more from their exports in the way of coffee, Mr. Rhodes.

Mr. RHODES. I thought the price of coffee was depressed.

Mr. STERNFELD. Not recently. It has gone up.

(Discussion off the record.)

DIVERSIFICATION OF COLOMBIAN ECONOMY

Mr. RHODES. Is the economy of Colombia completely dependent upon coffee, or is there a diversified economy?

Mr. ROGERS. In terms of total exports, about 70 percent of the foreign exchange is in terms of coffee.

Mr. RHODES. What about the gross national product? What percentage of the gross national product is from coffee?

Mr. ROGERS. It would be less than 10 percent from coffee in terms of GNP. I would guess, just comparing the figures rapidly, probably 7 percent.

Mr. RHODES. Does this country have very large mineral reserves?

Mr. ROGERS. Yes, sir.

Mr. RHODES. Oil?

Mr. ROGERS. There has been a big strike in oil in southern Colombia. It will take a while to develop it. They have just captured two of the leading three bandits in Colombia, one of them in one of the areas where the program has been working for some time. This bandit problem is very serious, as you know. A lot of people have been killed over a long period of time. They are quite optimistic now.

Mr. RHODES. The civic action program is largely given some credit for this?

Mr. ROGERS. Yes, sir.

SELF-HELP MEASURES

Mr. RHODES. Is Colombia helping itself?

Mr. ROGERS. Oh, yes.

Mr. RHODES. Is it making the corrections and adjustments which were suggested at the time of the Act of Bogotá and the Punta del Este Agreements?

Mr. ROGERS. Yes. I think it would be fair to say, Congressman, we think Colombia's performance has been outstanding in self-help. In the general fiscal field, they have increased tax revenues 40 percent

in 1963 over 1962, 12 percent in constant prices. We are expecting something along the same lines in terms of the general revenue increase in 1964. The Government has been active in major reform. There have been great improvements in operating methods. One of the most exciting things about Colombia is the effectiveness of the private sector. The Government has recognized the need for really vigorous private sector growth. They have a land reform program started. As I say, the fiscal reform is not only in tax collection, but in administration and improvement of tax policy.

Mr. RHODES. I notice, also, they had a governmental surplus in 1960 of $9 million, in 1961 a deficit of $85 million, and in 1962 a deficit of $115 million. I hope that is not due to the governmental reform program which was put in. This is beginning to look too much like the U.S. deficits. It would be my hope that with the increase in revenue there will be a change in that picture.

Mr. ROGERS. If I could go off the record.

Mr. RHODES. Yes.

(Discussion off the record.)

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

DOMINICAN REPUBLIC

TOTAL FOREIGN AID

Mr. PASSMAN. The next country in this area is the Dominican Republic. What has been the total amount of aid to the Dominican Republic since the inception of this program?

Mr. ROGERS. $119.3 million.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What is the amount unliquidated to the credit of the Dominican Republic as of June 30?

Mr. ROGERS. $18.624 million, estimated.

Mr. PASSMAN. Is that all spigots?

Mr. ROGERS. All spigots.

REQUEST FOR 1964

Mr. PASSMAN. What was your request for the Dominican Republic for fiscal 1964?

Mr. ROGERS. $6.5 million.

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. $1.5 million.

Mr. PASSMAN. Is that from all spigots?

Mr. ROGERS. No, that is just AID, Mr. Chairman.

Mr. PASSMAN. The other figures included all spigots?

Mr. ROGERS. Yes, sir. I should make clear that all our answers refer to all spigots except the requests in the program.

SUSPENSION OF AID

Mr. PASSMAN. Did you suspend aid to this country during fiscal 1964?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How many governments have we had there in the past 3 years?

Mr. ROGERS. Three.

Mr. PASSMAN. Has the AID program been resumed in the Dominican Republic?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Do we have the same people in power that ran the country when we suspended aid?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Did we support the government that this Government overthrew?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. We had an aid program under Trujillo, did we not?

Mr. ROGERS. Yes, sir; a small education program.

Mr. PASSMAN. We had one. He was assassinated. Another government took over, and we supported that government with aid?

Mr. ROGERS. We not only——

Mr. PASSMAN. We supported Trujillo, and then when he was assassinated we supported the new Government; did we not?

Mr. ROGERS. We did support the Government that succeeded Trujillo; that is correct.

Mr. PASSMAN. Then the one that succeeded Trujillo was overthrown by the present Government; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. And we are supporting this new or third Government?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. There is no use to make it any more complicated. As I have said before, it does not really make any difference what government, just please let us in with our aid program.

(Off the record.)

COST TO SUSPEND AND REACTIVATE AID

Mr. PASSMAN. What did it cost us to suspend and resume aid in the Dominican Republic?

Mr. ROGERS. Estimated total cost of closing was $80,600. The reactivation cost, again an estimate, was $135,000.

Mr. PASSMAN. During these overthrows and new governments, did we deobligate any funds or did we just leave the aid to their credit unliquidated?

Mr. ROGERS. We did not deobligate all.

Mr. PASSMAN. In other words, you just left the account ready to start disbursing again when the new Government got set up?

Mr. ROGERS. That is a complicated question.

Mr. STERNFELD. Mr. Chairman, in general we allowed the projects to stay without deobligating. However, in the case of Honduras——

Mr. PASSMAN. I am not talking about Honduras.

Mr. STERNFELD. We are talking about two governments that were deposed really in the last fiscal year. In the case of Honduras, we did deobligate one part of that program.

Mr. PASSMAN. But the rule has been that all you do is just suspend aid until the new Government gets seated?

Mr. STERNFELD. Suspended disbursements, that is correct.

Mr. PASSMAN. Until we get a new government seated, and we start disbursing again. While they were changing governments three times in the Dominican Republic—and we supported each one of the three governments—we did not actually deobligate the aid funds, but left it in the pipeline to their credit, suspended, waiting for the new Government to get seated.

Mr. STERNFELD. The unliquidated obligations were suspended, no disbursements.

Mr. PASSMAN. Let me restate it in my terms. We had three governments in the Dominican Republic. We supported all three governments. Along the way, we found it necessary to suspend aid. At a subsequent date we reinstated aid. Is that correct so far?

Mr. STERNFELD. That is correct.

Mr. ROGERS. We might make one thing clear with respect to the grant program. With respect to the grant program, the proposal of the obligation was substantially higher than what we incurred. That was on account of the fact that we were out——

Mr. PASSMAN. That is obvious, if you suspended the program. You had the pipelines so full it was running out of both ends, and a little bit in the middle, and you were not disbursing. You couldn't do anything else. How could you put it in? That is a good point that you made; that you didn't increase it while the program was suspended. I want to congratulate you. This is a good record.

Mr. PASSETT. May we make one more point clear? In the Dominican Republic, even the estimates that we had for obligations, that appear in the books, turned out to be a little bit high, even though we did account for the cutoff of aid.

Mr. PASSMAN. That is during the time you had no personnel down there; is that right?

Did you add to that how much it cost us to deactivate and reactivate, during all that time? For the benefit of the taxpayers, give us the activating cost, the deactivating cost, and reactivating cost in the Dominican Republic during the change of these three governments.

Mr. PASSETT. We only suspended aid once. We terminated the ICA program under the Trujillo regime.

RURAL AREA DEVELOPMENT PROJECT

Mr. PASSMAN. I note on page 254 you are requesting $200,000 in fiscal year 1965 for the rural area development project; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. What did you obligate for that project in fiscal year 1963?

Mr. ROGERS. We have nothing on——

Mr. PASSMAN. What did you request for this project in fiscal year 1964?

Mr. ROGERS. No request.

Mr. PASSMAN. This is another one of the projects that you started, where you did not even have an illustrative justification, is that correct?

Mr. ROGERS. This was begun in 1963.

Mr. PASSMAN. I will get to that question next. You started this project on page 254 without any illustrative justification? Could you comment on the fact that you allocated $300,000 for this project in fiscal year 1963 which was unliquidated at the end of the year? That is indicated on page 254, and that is the same $300,000 that will be unliquidated at June 30, 1964, at least 1 fiscal year later.

Have I read that into the record right?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Is there a possibility this will be deobligated?

Mr. ROGERS. Yes, sir; but we plan obligations this year as I have indicated, of $200,000. This is a ——

QUESTION AS TO NEED FOR ADDITIONAL FUNDS

Mr. PASSMAN. You had unliquidated funds of $300,000 in fiscal year 1963, and it is still going to be unliquidated at the end of fiscal year 1964, and yet you want to add $200,000 to it; is that correct?

Mr. ROGERS. That is correct. This is a very important project——

Mr. PASSMAN. It is bound to be. But don't you agree that this is prematurely obligated? You obligated $300,000 in fiscal year 1963, you finished the year and you hadn't expended a dime. In 1964, you are finishing the fiscal year, and you are not spending a dime of the same $300,000. It is a dormant project. Good, though it may be, you haven't spent a dime. Now you are going into the third fiscal year, and even though you haven't spent a dime, yet you want to add $200,000 to it. How can you tell us it is a good project as it has been dormant ever since you started the project in fiscal 1963?

Look at page 254; do you see what I am talking about, Mr. Rogers?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How do you know it is a good project, when you have had that money stacked up there in fiscal year 1963, in fiscal year 1964, and not a dime of expenditures? You haven't even started the project, and then you want $200,000 to add to it, and you say it is a good project.

Mr. ROGERS. It is a good project, because it is going to get into rural area development in a very important area of——

Mr. PASSMAN. I am sure that's right, but let's don't just gloss over the fiscal facts of the project. This is an old project. You actually obligated the money in 1963. You closed the year without making any disbursements, did you not?

Mr. ROGERS. That is correct.

Mr. PASSMAN. And you went into 1964 with the $300,000. You plan to close the year 1964 without making any disbursements?

Mr. ROGERS. We have not closed the year. You have to understand, Mr. Chairman——

Mr. PASSMAN. Rather than having some experience to know that it is going to be a good project, even before disbursing any of the funds, you are proposing to add an additional $200,000 to it in fiscal year 1965, aren't you?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Can you determine how good a project it is going to be until after it has been operating?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. ROGERS. The reason for lack of expenditures last year, as you appreciate, is because of the fact that we had suspended the program in the Dominican Republic, because of the political developments down there. This is designed to——

Mr. PASSMAN. What date did you suspend it?

Mr. ROGERS. The obligation was during the fiscal year 1963. Do you want the specific date——

Mr. PASSMAN. When you obligated it, and when you suspended it. Also, follow that with how long this aid program did remain suspended.

Mr. ROGERS. Yes.

Mr. PASSMAN. Do you see what I mean?

Mr. ROGERS. Yes.

Mr. PASSMAN. Do you know now?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. For how long?

Mr. ROGERS. For the bulk of the year.

Mr. PASSMAN. Don't you think you ought to get started on this project, since you have that much money, and since you made no disbursements? Don't you think, really, Mr. Rogers, you should get started on it, before you put more money into it?

Mr. ROGERS. We are going to start now, Mr. Chairman.

Mr. PASSMAN. I know, but don't you think you really should get started, before you put any more money into it? You have all of this money on hand. You haven't spent a dime of it.

Mr. ROGERS. We know we will need it to effectively carry out this project.

Mr. PASSMAN. How did you arrive at the $300,000 previously? Did you understimate the cost of this project originally?

It is the same project, is it not?

Let's don't try to understand it and go along.

Mr. ROGERS. No, I don't think it is a——

Mr. PASSMAN. We are talking about a project that you allocated $300,000 to—and I have never known you to underallocate funds that you thought you needed.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. So you filled it up, $300,000 in 1963?

Mr. STERNFELD. That is right.

Mr. PASSMAN. You didn't expend a dime.

Mr. STERNFELD. That's right.

Mr. PASSMAN. It was a dormant project, with no development. So you carried it over into fiscal year 1964.

Mr. STERNFELD. That is correct.

Mr. PASSMAN. A fine project, of course, but, again, no work in fiscal 1964. Now you are going to start the project in fiscal year 1965. You have your $300,000. Why do you have to add another $200,000 to it before you get started?

Mr. STERNFELD. It is our best estimate we would need $200,000. I agree with you, we do not know at this present moment——

Mr. PASSMAN. Just a minute. You have not touched the $300,000.

Mr. STERNFELD. Yes, sir. As a matter of fact, this particular project was about to begin—in fact, it involves the Chairman of the Tennessee Valley Authority in this particular project—when the coup took place in September, and when we suspended aid.

You are very right, Mr. Chairman. The new mission director for the Dominican Republic is in Washington this week with this on the top of his list, this particular project, on the top of his list.

Mr. PASSMAN. Wonderful.

Mr. STERNFELD. To get the people in the Dominican Republic on to carry out the project.

Mr. PASSMAN. Wonderful.

UNCERTAIN BASIS FOR ADDITIONAL FUNDS IN FISCAL YEAR 1965

You will say, then, at this point in the record, before we get too much elaboration, that you actually don't know whether they will need $200,000 or not?

Mr. STERNFELD. It is our best judgment that we will need this, sir.

Mr. PASSMAN. But you still don't know whether you actually need it.

Mr. STERNFELD. We will know better after we have had experience, you are right.

Mr. PASSMAN. You don't know, now, whether you will need it?

Mr. STERNFELD. It is our best judgment that we will need it.

Mr. PASSMAN. You couldn't say positively that you will need it.

Mr. STERNFELD. No, sir; I couldn't say positively we would need it.

Mr. PASSMAN. But you do have now the full $300,000 for the project, and the project is yet to begin, is that right?

Mr. STERNFELD. The project is about to begin.

Mr. PASSMAN. But it has not, so far, even started?

Mr. STERNFELD. No money has been spent on this particular project.

LACK OF AMPLE COST COMPONENT INFORMATION BEFORE OBLIGATING PROJECT FUNDS

Mr. PASSMAN. What is it obligated for, personnel or commodities?

Mr. STERNFELD. This was a project agreement between the——

Mr. PASSMAN. Now, let's get the book on it.

Mr. STERNFELD. This was a project agreement between the Government of the Dominican Republic and our mission.

Mr. PASSMAN. This money is allocated to a project?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. You have no list of anything, other than it is just a project?

Mr. STERNFELD. Do I have a list——

Mr. PASSMAN. Of what it is obligated for?

Mr. STERNFELD. It was obligated with the intention of getting a contract.

Mr. PASSMAN. Presently it is obligated to a project and the component parts of the project are yet to be established.

Mr. STERNFELD. It is our intention——

Mr. PASSMAN. You are not answering my question. I want to be fair about it.

Mr. STERNFELD. It has been established that the costs involved——

Mr. PASSMAN. Now, get your book out. You are entitled to follow it.

Mr. STERNFELD. I am there. I am looking at the book.

Mr. PASSMAN. Tell me what the component parts of the $300,000 represent, since you know about it all.

Mr. STERNFELD. The $300,000 was estimated to be used totally for contract services.

Mr. PASSMAN. Have they signed the contract?

Mr. STERNFELD. No, sir; the contract has not been signed.

Mr. PASSMAN. So it is only obligated to a project agreement?

Mr. STERNFELD. It was obligated under a project agreement.

Mr. PASSMAN. All right, now, let's go over to page 253, and just let you see for yourself how ridiculous your answer to that question is when you had a way out, and you didn't use it.

On page 253 you have a project?

Mr. STERNFELD. That is correct.

Mr. PASSMAN. And it shows the cost components of the project. The technicians, the participants, the contract services, the commodities and the local expenses; does it not?

Mr. STERNFELD. That is correct, sir.

Mr. PASSMAN. And you had an expenditure in fiscal year 1964 of $120,000.

Mr. STERNFELD. The expenditures in 1964 with the costs connected with the people who were associated with the project.

Mr. PASSMAN. If we go back to the rural area development project, we were just talking about, the things I have enumerated for the record, they are not itemized at all?

Mr. STERNFELD. This sir, is——

Mr. PASSMAN. I did make a statement of fact, that you allocated it to a project with no supporting information on the cost components or the subobligation parts of it?

Mr. STERNFELD. Sir, the reason——

Mr. PASSMAN. Have I made a statement of fact, Mr. Rogers?

Mr. STERNFELD. You have made a statement, under fiscal year 1964.

Mr. PASSMAN. That is exactly what I am talking about, sir.

Mr. STERNFELD. The $300,000 was obligated in fiscal year 1963.

Mr. PASSMAN. Let's get 1963, now.

Mr. STERNFELD. And it was not justified in fiscal year 1963, as you pointed out.

Mr. PASSMAN. Is it subobligated?

Mr. STERNFELD. No; it is not subobligated.

Mr. PASSMAN. OK, that answers all the questions in three words.

Mr. STERNFELD. Correct.

Mr. PASSMAN. You and I know this is simply ridiculous to put another $200,000 in this project, when you don't even know whether you are going to need the $300,000.

(The information supplied follows:)

DOMINICAN REPUBLIC, RURAL AREA DEVELOPMENT

The $300,000 shown as a fiscal year 1963 obligation for the project Rural Area Development was obligated by project agreement June 27, 1963. These funds were to be used to obtain contract services for a feasibility study on the development of the Yaque del Sur region of the Dominican Republic. Plans were underway for implementing the project when the military coup took place on September 25, 1963, and the aid program was suspended.

Some disbursements not directly related to this project were resumed shortly after restoration of diplomatic relations (December 14, 1963). Certain disbursements chargeable to development grant continued throughout the suspension period due to costs of transferring technicians and continuation of three program employees at post. However, the AID mission was not officially reopened until April 1964.

In the period since September 25, a total of $1,478,000 has been deobligated ($545,000 of no-year IAPSP funds and $933,000 of Alliance for Progress grant funds). Included in this total is the $300,000 for the rural area development project. Consequently, the $300,000 is now no longer available for use.

AID is planing to participate in fiscal year 1965 in Yaque del Sur feasibility studies for area development in conjunction with the IBRD since this project is still considered of major importance in the economic development of the country. Therefore, new funds will be required.

LETHARGIC NATIONAL HOUSING BANK CREDIT PROJECT

Mr. PASSMAN. What is the current status of the development credit issued November 2, 1962, in the amount of $2,100,000?

Mr. ROGERS. The current status?

Mr. PASSMAN. Are there any disbursements against that?

Mr. ROGERS. $10,000, Mr. Chairman, for technical consultant services.

Mr. PASSMAN. This credit goes back to November 1962; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This is one of those 40-year credits with no interest, and only a three-quarters of 1 percent service charge; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Is this one of those sick projects?

Mr. ROGERS. No; it is a good project.

Mr. PASSMAN. It is bound to be terrific, if we haven't had any experience with it. Until we have had some experience, we will have to lable it "good."

Mr. ROGERS. It was signed June 1963——

Mr. PASSMAN. You took money out of the unobligated funds, did you not, in November 1962?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. And the project really is dormant at this time, is it not?

Mr. ROGERS. No, sir. Disbursements are going to start shortly.

Mr. PASSMAN. It is dormant at this time. There have been no disbursements other than this $10,000 that you have spoken of, is that correct, which happened prior to last September, did it not?

Mr. ROGERS. That is correct, but they are now moving forward to reactivate this project.

Mr. PASSMAN. Sir?

Mr. ROGERS. They are now moving forward to reactivate this project.

Mr. PASSMAN. When did you deactivate it?

Mr. ROGERS. At the time of the coup in September.

Mr. PASSMAN. I see. I thought you merely suspended it. That is a new word. But you didn't deobligate it.

Mr. ROGERS. No, sir.

Mr. PASSMAN. You left it intact, in the pipeline, to the credit of these people?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Similar questions, similar projects, similar answers would be given?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. You agree with me, if we went into great detail on all the projects in this country, it would require maybe several days, if we went into detail?

Mr. ROGERS. Yes, we could go into several days' detail in this country.

Mr. PASSMAN. Thank you very much, sir.

I shall dispense with asking many, many questions about our disappearing gold and the many many millionaires who have gone out of the Dominican Republic and still may be going, as far as I know, but since we cannot go into more detail, and meet our target date, I will yield to the distinguished gentleman from Arizona.

EXTENT OF AID PROGRAM REACTIVATION IN THE DOMINICAN REPUBLIC

Mr. RHODES. Mr. Rogers, when you reactivated the AID mission in the Dominican Republic, did you reinstate every project which you had under consideration at the time? In other words, did you step right back into the AID picture in just about the position you left it?

Mr. ROGERS. The answer is "No." I don't want to overdramatize what we have done in terms of reactivation in the Dominican Republic. About all that has happened, really, is that we have appointed a new mission director who has made a short trip to the Dominican Republic, to work with the ambassador and the Dominicans on general fiscal and monetary problems, and to take a look at the situation down there. He is now back here. He will be going back to the Dominican Republic and he will be, in effect, pretty much by himself for a while, until we staff up. We are not rushing to staff up. We expect an assignment of about 15 people over time as the mission is reactivated. It used to be about 20 people. We are going to have a reduced number of local employees, there, and the program, as it gets reinstituted—it is going to be reinstituted not as, in effect, a reproduction of what we had there before just to keep the program going, but to meet whatever needs we think we can effectively meet under the new circumstances in the Dominican Republic. I don't know whether I made that clear.

Mr. RHODES. I think you made it very clear. What you have said is that you may throw everything you have in the book out the window and start all over.

Mr. ROGERS. I think it is fair to say——

Mr. RHODES. I am not too sure but what you shouldn't. I think maybe you should.

ILLUSTRATIVE NATURE OF PRESENT PROGRAM

Mr. ROGERS. I think you have put your finger on a point I think we ought to stress, here, that the projects we are putting before you for the Dominican Republic this year are really quite illustrative.

Mr. RHODES. In other words, next year we may say, "Where did this program come from? You didn't justify it last year."

Mr. ROGERS. Yes, sir. You are quite right.

Mr. STERNFELD. There is one exception here, and that is the public safety program. We kept the police people there, even when we cut back, and this program is still continuing, but the rest falls in the category you have just mentioned.

Mr. RHODES. Very illustrative.

I think that is all, Mr. Chairman.

Ecuador

TOTAL FOREIGN AID

Mr. Passman. The next country is Ecuador.

What has been the total amount of Ecuador since the inception of the program?

Mr. Rogers. $220.2 million.

UNLIQUIDATED BALANCES

Mr. Passman. What do you have unliquidated to the credit of Ecuador, total in the pipeline?

Mr. Rogers. $54,183,000.

Mr. Passman. What is the population of this country?

Mr. Rogers. 4.7 million people.

U.S. REACTION TO COUP

Mr. Passman. Did they have a coup in Ecuador last year?

Mr. Rogers. Yes, sir.

Mr. Passman. Did we suspend aid to Ecuador last year?

Mr. Rogers. No, there was no suspension, Mr. Chairman.

Mr. Passman. We supported the old government, and we are now supporting the new Government, is that correct?

Mr. Rogers. Yes, sir.

Mr. Passman. That was a coup that overthrew what we term "a legal government."

Mr. Rogers. That is correct.

RURAL DEVELOPMENT PROJECT

Mr. Passman. I note that you have allocated $393,000 to the rural development project at page 265.

Mr. Rogers. That is correct.

Mr. Passman. How much did you request for this project last year?

Mr. Rogers. $260,000. That represents a reduced cost at completion.

Mr. Passman. We will have to wait until you complete it, first, but you did ask for how much?

Mr. Rogers. $250,000.

Mr. Passman. And you obligated $393,000?

Mr. Rogers. That is correct.

Mr. Passman. Have you changed the completion date?

Mr. Rogers. The same completion date.

Mr. Passman. You have allocated more money, and now you are indicating that you asked for too much money originally?

Mr. Rogers. No, sir.

Mr. Passman. If you have the same completion date, why did you have to step up the allocation?

Mr. Rogers. Because our activities this year were increased over what we thought we were going to be able to do effectively when we made the presentation last year.

ALLOCATION OF PUBLIC LAW 480 TITLE IV FUNDS

Mr. PASSMAN. I note on page 265 that Public Law 480 title IV funds of $1 million allocated to assist the institute.

Mr. ROGERS. That is right. Also supported by $1.6 million Ecuadoran budget appropriation.

Mr. PASSMAN. For what country did Ecuador and the United States join up and spend this money?

Mr. ROGERS. Ecuador.

Mr. PASSMAN. They spent their money in their own country, then?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Thank you. I didn't want the record to show that Ecuador was starting an aid program. There is nothing strange about a country spending some of its own money on a project in their own country?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I didn't want the record to show that was an exception. That is why I was giving you a lift, there.

Did you let the $1 million go into the U.S. Treasury and back out, or did it go directly into the Ecuadoran Government?

Mr. STERNFELD. Under the title IV of Public Law 480, there is no requirement for currency generated.

Mr. PASSMAN. It is supposed to go back into the U.S. Treasury in dollars.

Mr. STERNFELD. The Government commits itself to repay the U.S. Treasury in dollars usually over a 20-year period.

Mr. PASSMAN. How did you get the $1 million back out?

Mr. STERNFELD. No currencies went into the U.S. Treasury, here. They will go in when Ecuador pays for the commodities. This is an arrangement where the Government of Ecuador sells the commodities which it has purchased on a dollar credit basis from the Department of Agriculture under title IV. It gets the local currency of that country and deposits it in the bank in Ecuador, to its account. Title IV currencies are Ecuadorian currencies although we have made an arrangement with them that we would approve the use of their own monies generated from title IV programs.

There is no legal requirement that they have a deposit account for these funds, but as part of our program with them, we have devised this kind of an arrangement.

Mr. PASSMAN. "Devised" is a good word.

Mr. STERNFELD. They still owe us the dollars under the original transaction. They still have to make the payment under the terms of the credit under title IV.

Mr. PASSMAN. You mortgaged the $1 million and made it available for use in Ecuador?

Mr. STERNFELD. No, sir, the original condition of making the payment under the title IV still stands.

Mr. PASSMAN. This kind of a transaction is the exception isn't it?

Mr. STERNFELD. This is an exceptional transaction, that is right, sir. This is the kind of a transaction where we have——

Mr. PASSMAN. However, pretty soon it will not be an exception.

Mr. STERNFELD. This gives us a greater degree of control over the use of these resources for development.

Mr. PASSMAN. What would have happened had you permitted them to pay the $1 million into the Treasury, like the act calls for?

Mr. STERNFELD. This procedure won't change their repayment schedule. They still owe the U.S. Government for payment in dollars under the title IV agreement. If we didn't institute this requirement they could take the local currencies they are getting from title IV and do anything they want to.

Mr. PASSMAN. They took agricultural goods we shipped to them.

Mr. STERNFELD. That is right. They have a right to do that. They still owe us the total dollar cost connected with this title IV program. They have taken the commodities which were shipped to Ecuador under title IV, Public Law 480. They signed the contract under which they owe us monies under stated conditions and terms. We have worked out an arrangement with them so we can have some control over the proceeds of those commodities. As a result, we have a greater degree of control than we otherwise would under the normal title IV program.

Mr. PASSMAN. They sold those goods for local currency?

Mr. STERNFELD. That is right.

Mr. PASSMAN. They took the local currency, put it in the bank, and are drawing on it and using it in their own country?

Mr. STERNFELD. With our approval.

Mr. PASSMAN. But this would be called the exception rather than the rule.

Mr. STERNFELD. Under a normal title IV program they can refuse to establish a local currency account or withdraw the currencies without our approval, because the U.S. relationship with the country is on a credit basis.

Mr. PASSMAN. What predicament would we find ourselves in now that they have sold the commodities, collected the equivalent in local currencies and have spent it in their own economy. The loan comes due and they don't have $1 million in U.S. dollars to pay us back. Where would they get the million dollars to pay us?

Mr. STERNFELD. They still owe us.

Mr. PASSMAN. It becomes due.

Mr. STERNFELD. Then they are in default.

LABOR ADVISORY SERVICES PROJECT

Mr. PASSMAN. Page 267 indicates that you have allocated $486,000 in fiscal 1964 to the labor advisory service project; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $322,000.

Mr. PASSMAN. If you had a line item bill you could not have spent more than you requested; is that correct?

Mr. ROGERS. That is right.

PUBLIC ADMINISTRATION ADVISORY SERVICE PROJECT

Mr. PASSMAN. Last year you requested $90,000 for the administration advisory service project on page 272; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you allocate last year?
Mr. ROGERS. $378,000.

TOWN PLANS PROJECT

Mr. PASSMAN. You have a new project shown on page 275, entitled "Town Plans," for which you are requesting $300,000 for fiscal 1965, total cost to complete the project estimated not at $1,500,000—is that correct?
Mr. ROGERS. That is correct.

TECHNICIAN COSTS FOR TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $228,000 for salaries and allowances of 10 U.S. technicians under the technical support project shown on page 277. Is that correct?
Mr. ROGERS. That is correct.
Mr. PASSMAN. Page 277 indicates that you will require only $153,000 in fiscal 1965 to continue the same 10 positions.
Mr. ROGERS. That is correct for 1965. The comparable number to the previous year was $148,000.
Mr. PASSMAN. Then you overestimated the amount you needed last year.
Mr. ROGERS. I don't know we overestimated.
(Discussion held off the record.)
Mr. ROGERS. The answer is that that is correct, Mr. Chairman.
Mr. PASSMAN. Did you cut their salaries?
Mr. ROGERS. I don't know what the answer is to that. It seems rather low. I will get it.
(The information supplied follows:)

TECHNICIAN COSTS FOR TECHNICAL SUPPORT PROJECT—ECUADOR

The breakdown of technician costs for fiscal year 1964 in last year's presentation as compared with this year's presentation is as follows:

Position title	Fiscal year 1964 presentation	Fiscal year 1965 presentation allocations for fiscal year 1964
Assistant development planning officer	[1] $23,500	
Food-for-peace officer	[1] 20,500	
Bilingual secretary	9,000	$8,200
Bilingual secretary	9,500	9,500
Supply adviser	20,500	[2] 13,800
Training officer	18,000	20,500
Development loan officer	26,500	16,000
Economic development officer	[3] 29,000	
Social development officer	[3] 26,500	
Institutional development officer	[3] 25,000	
Program reports officer	20,000	
General services officer		16,000
Assistant program officer		[4 5] 16,500
Program documents clerk		[2 4] 1,500
Senior economist		[4] 16,500
General engineer		[2 4] 9,500
Communications media officer		20,000
Total	228,000	148,000

[1] Position not included in the fiscal year 1965 presentation book.
[2] Cost estimates these positions were for partial year funding, based on estimates as to number of months these technicians would be on duty.
[3] Positions transferred to specified projects in specific fields of activity.
[4] New position, not included in the fiscal year 1964 presentation book.
[5] Position to be vacated prior to end of fiscal year 1964.

HAITI

TOTAL FOREIGN AID

Mr. PASSMAN. The next country is Haiti. What has been the total aid to Haiti?

Mr. ROGERS. $101.6 million.

Mr. PASSMAN. What do you have to the credit of the country unliquidated and in the pipeline?

Mr. ROGERS. June 30, 1964, $2,362,000.

SUSPENSION OF AID

Mr. PASSMAN. Did we suspend aid to this country in 1963?

Mr. ROGERS. No.

Mr. PASSMAN. Did you suspend aid to Haiti early in fiscal 1963?

Mr. ROGERS. We did not. The mission was closed but there was a continuation of a small program in the malaria eradication field.

Mr. PASSMAN. You did not suspend any aid program in Haiti?

Mr. ROGERS. We didn't program anything during fiscal year 1964 at all with the exception of a malaria eradication.

The only other project which was active during 1964 is the small 1961 sisal plantation loan DLF–189.

Mr. PASSMAN. Have you had any change in governments in Haiti in recent years?

Mr. ROGERS. Mr. Duvalier has been there since 1957.

Mr. PASSMAN. Gentlemen, I brought that up for this reason.

IDB LOAN TO HAITI

This is the Washington Daily News, Monday, May 11:

LOAN TO HAITI STIRS RANCOR AGAINST UNITED STATES

(By Virginia Prewett)

The United States is warned by responsible Haitians that our country's image in Haiti and throughout Latin America may be severely damaged by our relations with the Haitian dictator, the self-elected President Francois Duvalier.

The Inter-American Bank has recently granted Haiti a loan of $2.3 million to improve the waterworks of Haiti's capital, Port-au-Prince, and a suburb called Pecheonville.

STATE APPROVED

Latin Americans know that this aid was not granted without the approving nod of the U.S. State Department.

This is the reaction of decent Haitians, forced to leave their country, because they wanted something better for it than Dark Ages tyranny of bloody butchers.

If the United States again supports Duvalier with economic aid, it will create the strongest anti-American sentiment possible in Haiti. We already know that the youth of Haiti—which is most active in opposition to the regime, has a strong anti-American bent. Any aid given to Duvalier would give them convincing material to use as propaganda.

(Discussion held off the record.)

Mr. PASSMAN. I stated this had to be done with the nod of the United States. U.S. dollars are involved, even though it is Inter-American Bank. It is almost 100 percent U.S. dollars.

Mr. RHODES. We have a veto power on the projects undertaken by the Inter-American Development Bank; is that correct?

Mr. ROGERS. That is right in the case of the Social Progress Trust Fund. In some circumstances we also have the decisive vote on projects financed from the Special Operations Fund.

Mr. PASSMAN. It must have been with the nod of the United States. Otherwise the credit would not have been extended.

I have no apologies for pointing these things out. It seems we cannot help but to give every nation money regardless of the type of government.

(Discussion held off the record.)

Mr. PASSMAN. I have no further questions on Haiti.

Mr. Rhodes?

Mr. RHODES. I have no questions.

MEXICO

TOTAL FOREIGN AID

Mr. PASSMAN. Next is Mexico. What has been the total amount of aid to Mexico since the inception of our AID program?

Mr. ROGERS. $851.3 million.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. In 1963 you requested $105,000 for the technical support project. How much did you allocate to the project in 1963?

Mr. ROGERS. $245,000, but obligated only $195,000.

Mr. PASSMAN. Last year you requested $300,000 for the technical support project. How much did you allocate?

Mr. ROGERS. $272,000, but we added a pilot university-to-university contract total program and funded it under technical support. The total is $501,000.

Mr. PASSMAN. Congratulations. How you can get that out of a reduced appropriation I don't know.

SUPERVISED AGRICULTURAL CREDIT LOAN

There seems to be a slow rate of utilization of the supervised agricultural credit of $20 million which was approved in 1962. It would appear that 2 years later disbursements have been only $2 million; is that correct?

Mr. ROGERS. That is correct so far as disbursements are concerned.

Mr. PASSMAN. What account did this $20 million come out of?

Mr. ROGERS. Alliance for Progress lending account.

Mr. PASSMAN. Is there some indication that this loan will not be utilized?

Mr. ROGERS. No, sir, they are moving forward very well on loans, 1,000 small farmers already have received subloans.

Mr. PASSMAN. Did I state it correctly as to the date of the allocation?

Mr. ROGERS. Yes.

Mr. PASSMAN. The amount that had been disbursed?

Mr. ROGERS. Yes.

Mr. PASSMAN. Since it looked so good to you let me state it this way: The $20 million credit, 2 years after approval, has had an average of only $1 million a year in disbursements.

Mr. ROGERS. Yes.

Mr. PASSMAN. If this rate continues it would require 20 years to disburse the loan?

Mr. ROGERS. That is right. However, if the current volume of lending is sustained, the loan will be disbursed by mid-1965.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I have no questions on Mexico, Mr. Chairman.

PANAMA

TOTAL FOREIGN AID

Mr. PASSMAN. Next is Panama.

What has been total aid we have given Panama?

Mr. ROGERS. $130.7 million.

Mr. PASSMAN. What is the population of that country?

Mr. ROGERS. 1.2 million people.

Mr. PASSMAN. That does not cover the indirect aid that we generate through our activity at the Panama Canal; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I guess they are the largest recipients of U.S. generosity of any nation on the face of the earth if we put it on a per capita basis; is that correct?

Mr. ROGERS. I don't know, Mr. Chairman.

Mr. PASSMAN. I think Cuba was the greatest recipient per capita if we include the sugar premiums.

I think they have been the greatest recipients of U.S. generosity and U.S. aid, both visible and invisible, of any nation on the face of the earth.

Mr. ROGERS. Does the canal constitute generosity, Mr. Chairman?

Mr. PASSMAN. Mr. Secretary, of the total economy, how much does the canal cover?

Mr. ADAMS. I don't know the figure. It is quite high.

Mr. PASSMAN. It is very high. Why those people don't love us down to the very last man is beyond me.

(The information follows:)

PANAMANIAN INCOME FROM THE CANAL

In the past 3 years, the relationship between the Panamanian income from the canal and the Panamanian national income was as follows:

[Millions of dollars]

Year (a)	Income from canal (b)	National income (c)	Ratio of b to c (d)
1961	74.5	396	18.8
1962	85.2	427	20.0
1963 (estimate)	90.9	438	20.8

UNLIQUIDATED BALANCES

What do you have in the pipeline?

Mr. ROGERS. $30.6 million.

AID DURING SUSPENSION OF DIPLOMATIC RELATIONS

Mr. PASSMAN. Panama broke off diplomatic relations with the United States recently. Did we continue the AID program during that time?

Mr. ROGERS. Technical status of the AID program during that period?

Mr. PASSMAN. During the period when we had no diplomatic relations with Panama. We left the AID people there, did we not?

Mr. ROGERS. No; we pulled out a number.

Mr. PASSMAN. Some were left?

Mr. ROGERS. Yes; pulled into the Canal Zone.

Mr. PASSMAN. Did we continue disbursing some aid during that time?

Mr. ROGERS. There were a few instances where we had firm contracts for work which had been previously done, for example, on school construction. In many cases there were U.S. contractors where we made disbursements under the old contracts.

Mr. PASSMAN. All we can say is that we slowed it down and didn't stop it as we did in other countries during the period where we suspend diplomatic relations.

Mr. ROGERS. That is correct; we didn't start new projects——

Mr. PASSMAN. I didn't ask that question.

Mr. ROGERS. We had contracts, Mr. Chairman.

Mr. PASSMAN. Is that not aid? Isn't all this aid? You were constructing buildings, were you not, and you continued the construction during this period?

Mr. ROGERS. All we did was pay for work which had been completed prior to the trouble.

Mr. PASSMAN. Then actually you did not do any contract work, you disbursed no AID funds whatever during this period?

Mr. ROGERS. We disbursed for past work under existing contracts.

Mr. PASSMAN. I am talking about services performed, shipments made during the time——

Mr. ROGERS. Very little happened during that period.

Mr. PASSMAN. Can anybody supplement that? I understand these people have threatened to take us into the U.N. for stopping the AID program because diplomatic relations were broken. Do you remember seeing that in the paper?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. On a charge of economic aggression. It is all right to break off diplomatic relations but how dare we stop the economic aid.

Do you remember that?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. That shows how much people are depending upon us and aid is becoming a fixture.

PROBLEMS ENCOUNTERED IN SCHOOL CONSTRUCTION PROGRAM

A staff survey report issued by the House Foreign Affairs Committee showed the school program is being hampered by lack of funds, land, title, and contribution on the part of the Government of Panama for the project. Was that your understanding?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Although you are not requesting any funds for fiscal 1965 the staff survey team's report also commented on the national school construction project which was funded in 1962 by a $5 million grant from the "Supporting assistance" appropriation.

The report indicates the schools constructed under contract had been overdesigned in comparison with local needs and customs and some of the contract schools were constructed on unfavorable sites. Is that your understanding?

Mr. ROGERS. Yes, sir. With respect to the site issue, page 21 of the report also indicates since the time they looked at it we instituted procedure whereby we review the sites.

Mr. PASSMAN. You didn't answer the question about the schools which had been built. I don't blame you for detouring but give me an answer on that first and then comment.

We are speaking about after the fact and not before. They had been completed.

Mr. ROGERS. Yes; we agree that the schools were to a certain extent overdesigned and some of the sites were not favorable.

Mr. PASSMAN. Thank you, Mr. Rogers.

GOVERNMENT ADMINISTRATION AND FISCAL REFORM PROJECT

Page 207 indicates you have allocated $108,000 to the Government Administration and Fiscal Reform project shown on page 307. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $75,000.

HOUSING CREDIT INSTITUTION PROJECT

Mr. PASSMAN. The Housing Credit Institution project shown on page 309 has received an allocation of $72,000 in 1964. How much did you request for this project last year?

Mr. ROGERS. We requested $40,000 but we will do only $31,000, Mr. Chairman.

Mr. PASSMAN. You requested $40,000 but you indicated in the books from which we are now reading that you would obligate $72,000. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. What are you doing with it?

Mr. ROGERS. The difference between $72,000 and $31,000?

Mr. PASSMAN. You asked for $40,000. You showed you would allocate $72,000. Now it is down to how much?

Mr. ROGERS. $31,000.

Mr. PASSMAN. You had a change in program here, did you not?

Mr. ROGERS. Yes. I think this was affected by the riot in Panama.

Mr. PASSMAN. Then your estimate was sound. The increased estimate at the time you printed these books would have been what you would have spent if it had not been for the riots in Panama.

Mr. ROGERS. That is correct, yes.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $275,000 for the technical support project on page 310. How much did you allocate to this project?

Mr. ROGERS. We will have allocated $340,000. The book indicates $375,000. It also was reduced.

Mr. PASSMAN. Even so, you have not reduced it.

Mr. ROGERS. I am sorry, reduced under——

Mr. PASSMAN. Under your inflated request in the project book.

Mr. ROGERS. That is right, "*under our inflated request in the book.*" Put that in italics.

FEEDER ROAD CONSTRUCTION PROJECT "LOAN"

Mr. PASSMAN. Page 311 of the project book indicates a development credit for $5.3 million for a feeder road construction project. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. The report of the staff survey team which we have mentioned earlier has several comments of critical nature indicating that the roads are being constructed to a much higher standard than necessary, that two of the Development Loan Fund roads lack essential links for their most efficient use, and several of the roads are beginning to show a lack of maintenance. Is that your understanding? Do you agree with the report?

Mr. ROGERS. No, sir. Just a moment. I have a comment on that.

Mr. PASSMAN. Could you give us a little information on it?

Mr. ROGERS. I will submit a statement for the record on this.

Mr. PASSMAN. Please do.

(The information supplied follows:)

DEVELOPMENT CREDIT FOR FEEDER ROAD CONSTRUCTION, PAMANA

The following comments apply to the portion of the HFAC report (November 19, 1963) which deals with feeder road construction (pp. 14–15).

"IBRD/DLF roads are 'overbuilt'": The design criteria used for the roads were established pursuant to design standards recommended by the Pan-American Highway Congress, Technical Committee of Planning 1956, and were decided on after joint review by a Panamanian Interministerial Advisory Committee and the IBRD. For the climate of Panama, according to engineers who worked on the design, ample shoulders and drainage ditches are needed to facilitate maintenance. The engineers also consider it good practice to put a surface treatment over the base course to protect the roadbed from being destroyed by traffic and the elements, particularly in a country where road maintenance is admittedly poor. The average estimated cost of $81,500, including bridges, is not considered an excessive price for all-weather roads in a climate where the contractor has to close down his work 2 to 3 months a year because of rain. AID/W engineers consider that a road costing $18,000 to $20,000 a mile would be rough graded, ungraveled, without adequate drainage structures, and would require extensive maintenance after the rainy season, at a cost that would be a very high percentage of the original outlay.

"Two roads lack important connections": The decision not to build a connecting link between the two roads inspected by the staff survey team was made because the costs would far have exceeded the benefits. The unconnected distance of 6.5 kilometers between the two roads is split by a major river, besides being thickly strewn with boulders throughout. It would have been equally unjustifiable (in terms of costs-benefits) to have constructed a link between the city of David, as a principal population center, and one of the IBRD/DLF roads. The distance of 13 kilometers crosses three major rivers, and poor farming prac-

tices contribute to heavy uncontrolled flooding each year. In the case of both of the IBRD/DLF roads, there is direct access to the Inter-American Highway system.

"Completed roads lacked maintenance": To help insure a sufficient pool of adequately trained road construction and maintenance workers, AID initiated a training program during 1960 under which trainee operators and mechanics supplied by the Ministry of Public Works are given on-the-job training. Nevertheless, GOP road maintenance operations continue to need improvement.

HOUSING PROJECT "LOAN"

Mr. PASSMAN. What is the current status of the development credit of $2.5 million for housing in Panama?

Mr. ROGERS. The current status is as follows: $670,000 has been disbursed.

PLANS TO TERMINATE

Mr. PASSMAN. I note the staff survey team report stated that AID was considering reducing the authorized amount of the credit if there are not more positive signs of action. That was in May 1964. Can you tell us that you may deobligate some of these funds?

Mr. ROGERS. Yes, sir. We have given them notice that we would terminate——

Mr. PASSMAN. You gave them notice?

Mr. ROGERS. That we would terminate if progress was unsatisfactory.

Mr. PASSMAN. When did you give them that notice?

Mr. ROGERS. I am not sure whether——

Mr. PASSETT. The loan agreement itself specifies that, unless there is a further agreement, no disbursements will be made.

Mr. PASSMAN. Do you think you will be able to deobligate these funds before June 30?

Mr. ROGERS. All the funds, no. We are sure this will not all be disbursed.

Mr. PASSMAN. I said do you think, inasmuch as you may not go through with this and there may not be any further disbursements, do you think that question will be resolved in time for you to deobligate the funds before June 30?

Mr. ROGERS. Yes, we are going to cross this Rubicon on the 1st of June 1964 which is the present date for the termination date for disbursements. We can extend that if we are satisfied with the progress in moving this matter forward.

Mr. PASSMAN. Do you contemplate deobligating the funds before June 30 or beyond?

Mr. ROGERS. I would guess that if the deobligation occurs, we will have a basis for it prior to the 30th of June of this year—whether or not we are going to be able to move forward—because that is the present termination date for disbursements.

Mr. PASSMAN. Will you make a little note to call the committee and let us know what the decision is on June 1? You will do that, won't you?

Mr. ROGERS. Yes, sir, we certainly will.

Mr. PASSMAN. There are 100 other such credits we would like to be called on that are much larger than that.

Mr. ROGERS. We would be glad to keep you up to date on this one.

Mr. PASSMAN. Mr. Rhodes, Panama.

Mr. RHODES. Mr. Chairman, I indicated once before this year that I felt strongly about aid to a certain country and I feel strongly about this one, too. The first country was Afghanistan. I felt strongly against aid to Afghanistan because I felt we could not possibly defend it, and that it was probably not ever going to be in a position to be a really strong member of the free world because of its geographical location, and our aid, therefore, could do very little good to the American taxpayer.

Panama is apparently in a very curious mental state. Until we can find out what makes these folks tick and why they are doing the silly things they are doing, I think we should definitely cancel our aid. There isn't any reason in the world that we should continue to aid a country which has the unreasonable attitude which Panama seems to have.

I feel very strongly that we should end it. We ought to do this until we can arrive at some reasonable agreement with them. I think one reason we have not been able to do so is that we have not given them any reason to agree with us. Until we do, they will probably continue on their merry way being what I would consider to be a danger to our own security and the security of the canal which is vital to our own safety.

This is a statement. If you care to comment, it is all right; but otherwise, I will just leave it as it is and pass on, Mr. Chairman.

(Discussion off the record.)

Mr. PASSMAN. Gentlemen, the hearing is recessed until 11 o'clock tomorrow morning.

FRIDAY, MAY 22, 1964.

Mr. PASSMAN. The committee will come to order.

FUNDS AVAILABLE FOR EXPENDITURE, FISCAL YEAR 1964

I should like to insert in the record at this point a recapitulation of the pipeline for fiscal 1964, as well as a recapitulation of the adjustments made by the Congress in the estimates for the mutual security programs during the past 9 fiscal years:

(The documents follow:)

Foreign aid funds by program and amount (available for expenditure in fiscal 1964)

TITLE I—FOREIGN AID

1. Military assistance:		
Unexpended, June 30, 1963	$2,421,741,138	
New funds, fiscal 1964	1,000,000,000	
		$3,421,741,138
2. Development loans (credits):		
Unexpended, June 30, 1963	2,210,008,162	
New funds, fiscal 1964	687,300,000	
		2,897,308,162
3. Development grants:		
Unexpended, June 30, 1963	401,934,508	
New funds, fiscal 1964	159,700,000	
		561,634,508
4. American hospitals abroad: New funds, fiscal 1964		14,300,000
5. Alliance for Progress:		
Unexpended, June 30, 1963	$871,506,483	
New funds, fiscal 1964	590,000,000	
		1,461,506,483
6. Chilean reconstruction: Unexpended, June 30, 1963		17,765,353
7. Supporting assistance:		
Unexpended, June 30, 1963	$365,561,363	
New funds, fiscal 1964	330,000,000	
		695,561,363
8. Contingency fund:		
Unexpended, June 30, 1963	336,251,726	
New funds, fiscal 1964	50,000,000	
		386,251,726
9. International organizations:		
Unexpended, June 30, 1963	134,340,178	
New funds, fiscal 1964	116,000,000	
		250,340,178
10. Investment surveys: Unexpended, June 30, 1963		1,500,000
11. Acquisition of property: Unexpended, June 30, 1963		4,138,154
12. Investment guarantees: Unexpended, June 30, 1963		268,585,914
13. Borrowing authority, ECA: Unexpended, June 30, 1963		544,626
14. Administrative expenses, AID:		
Unexpended, June 30, 1963	$10,047,137	
New funds, fiscal 1964	50,000,000	
		60,047,137
15. Administrative expenses, State:		
Unexpended, June 30, 1963	785,105	
New funds, fiscal 1964	2,700,000	
		3,485,105
16. Joint control areas: Unexpended, June 30, 1963		4,764
Total, title I funds available for expenditure in fiscal year 1964		10,044,714,611

TITLE II—FOREIGN AID

17. Peace Corps:		
Unexpended, June 30, 1963	$34,384,236	
New funds, fiscal 1964	92,100,000	
		126,484,236
18. Ryukyu Islands:		
Unexpended, June 30, 1963	4,189,207	
New funds, fiscal 1964	10,000,000	
		14,189,207
19. Cuban refugees:		
Unexpended, June 30, 1963	17,207,763	
New funds, fiscal 1964	39,717,137	
		56,924,900
20. Migrants and refugees:		
Unexpended, June 30, 1963	8,753,814	
New funds, fiscal 1964	10,550,000	
		19,303,814
21. International Development Association:		
Unexpended, June 30, 1963	232,320,000	
New funds, fiscal 1964	61,656,000	
		293,976,000
22. Inter-American Development Bank:		
Unexpended, June 30, 1963	200,000,000	
New funds, fiscal 1964	50,000,000	
		250,000,000
Total, title II funds available for expenditure in fiscal year 1964		760,878,157

RECAPITULATION

1. Unexpended funds (from prior years), title I, June 30, 1963	7,044,714,611
2. Unexpended funds (from prior years), title II, June 30, 1963	496,855,020
3. New funds appropriated, title I, fiscal 1964	3,000,000,000
4. New funds appropriated, title II, fiscal 1964	264,023,137
Total funds—titles I and II—available for expenditure in fiscal year 1964	10,805,592,768

COMPARISON OF BUDGET ESTIMATES AND APPROPRIATIONS, 1956–64

Total economic and military assistance—9 years

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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	2,275,000,000	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

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

Mr. FUNARI. Before you start your interrogation of the witnesses, Mr. Chairman, I have a letter from Mr. Bell which he has asked me to pass to you, indicating his willingness to testify on Vietnam.

Mr. PASSMAN. Thank you very much. Tell him if we need him we shall call him. I am glad to know he is willing to come. Give him my regards.

Mr. FUNARI. I will.

Mr. PASSMAN. Are you speaking for Mr. Bell, and also Secretaries McNamara and Rusk?

Mr. FUNARI. I am speaking for Mr. Bell. The letter is signed by Mr. Bell. If you held the hearings and Secretary McNamara was free, I presume he would come up as well; yes, sir.

Mr. PASSMAN. Thank you.

UNOBLIGATED FUNDS IN MILITARY ASSISTANCE PROGRAM 1956 THROUGH 1964

Mr. Tennant, could you furnish to the committee a table showing the total unobligated funds in the military assitance program for fiscal years 1956 through 1964?

Mr. TENNANT. Including the estimate for 1964?

Mr. PASSMAN. Yes; could you get someone on the phone and get those figures for us this morning and let them quote them to you over the telephone, if you do not have them at this time?

(Discussion off the record.)

Mr. PASSMAN. To help you a little bit, I think the figure for fiscal 1956 was $538.8 million. Put that figure down and see how good my memory is. Deobligated funds for the MAP 1956–64.

We also want the actual deobligated funds for the military assistance program for the same years. I do not care whether you call them the squeezeout, recoup, or deobligated funds—we want the amount of funds that you have previously obligated and subsequently deobligated. I want to cover the waterfront with my definition of deobligated funds so we will not get into any technicalities later.

Mr. TENNANT. The military call them recoupments.

Mr. PASSMAN. Let me call it deobligations or dereservations or squeezeouts or deallotments. Whatever it is, I want to cite every possible identifying name so there will not be any mistake about what we need, for each of the same fiscal years.

Mr. TENNANT. Yes, sir; I have the unobligated figures here. I do not have the recoupments.

Mr. PASSMAN. For all the years?

Mr. TENNANT. For the years you mentioned.

Mr. PASSMAN. In fiscal 1956, what was the unobligated military?

Mr. TENNANT. $173.5 million for military assistance. In addition, there was $36 million for direct forces support.

Mr. PASSMAN. 1957?

Mr. TENNANT. $553 million, of which the $538.8 million figure you mentioned was continued available.

Mr. PASSMAN. 1958?

Mr. TENNANT. $27.8 million.

Mr. PASSMAN. 1959?

Mr. TENNANT. $52.1 million.

Mr. PASSMAN. 1960?

Mr. TENNANT. $50.9 million.

Mr. PASSMAN. 1961?

Mr. TENNANT. $66.4 million.

Mr. PASSMAN. 1962?

Mr. TENNANT. $64.2 million.

Mr. PASSMAN. 1963?

Mr. TENNANT. 1963 is $25.8 million.

Mr. PASSMAN. The 1964 estimate?

Mr. TENNANT. $25 million.

Mr. PASSMAN. What is the total amount for these 9 years? Take your time. This is important.

TOTAL UNOBLIGATED FUNDS IN THE MAP

Mr. TENNANT. The total for those years, adding all those 9 years together, is $1,038.7 million, not including the 1956 direct forces support items of $35.8 million.

Mr. PASSMAN. The total unobligated funds in the military assistance program for 9 fiscal years, 1956 to 1964, inclusive, $1,038.7 million or $1,075 billion if we include the direct forces support item in fiscal 1956.

Mr. TENNANT. That is correct. If we include the Direct Forces Support item, the total is $1.075 billion for the 9 years.

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

Now let us see if we can establish the deobligated, recouped, or whatever you call it, for the same period of time. While you are getting that, we shall proceed, because we want to finish Latin America, but we want the figures in the record at the same place.

REAPPROPRIATION OF UNOBLIGATED BALANCES

I believe it has been the policy of the committee, without exception, each year to reappropriate all unobligated funds in the military if they were not no-year funds. Is that correct?

Mr. TENNANT. Generally, yes, sir. However, it seems to me that one year recently there was a limitation on the amount reappropriated. I believe that part of the 1961 balances were not reappropriated as we moved into fiscal year 1962.

Mr. PASSMAN. Was it because of the Executive's request?

Mr. TENNANT. No, sir. I think the Congress imposed a ceiling on the amount that year.

Mr. PASSMAN. The Congress placed a ceiling on the amount of military assistance funds that could be reappropriated in the authorizing legislation?

Mr. TENNANT. No, sir. This was the appropriation bill which imposed a ceiling on the total unobligated carryover for the military and economic combined.

Mr. PASSMAN. With the exception of that year, in the other years the Congress has reappropriated all of the money, has it not?

Mr. TENNANT. That is correct, sir, except for the minor limitations at the end of fiscal years 1957 and 1958 which caused about $14 million to lapse at the end of each year.

Mr. PASSMAN. Would you give us the amount of the reduction that year. I believe also that would apply to the deobligated or recouped, would it not, that the Congress has always permitted the reobligation?

Mr. TENNANT. At the end of fiscal year 1961 the military returned $8.38 million to Treasury. Use of military recoupments?

Mr. PASSMAN. Yes. I am speaking strictly of military on all this.

Mr. TENNANT. The Congress permitted the reuse of military recoupments for those years.

Mr. PASSMAN. Appropriations and the deobligation?

Mr. TENNANT. The deobligations or recoupments were usable for all the years. I believe that from the end of fiscal year 1956 through the present date only $36 million of unobligated/unreserved military appropriations were returned to Treasury as not being reappropriated.

Mr. PASSMAN. On the deobligations, every year the Congress has reappropriated?

Mr. TENNANT. On the military side, yes, sir.

Mr. PASSMAN. Thank you.

CORRELATION BETWEEN MAP APPROPRIATION LEVEL AND UNOBLIGATED BALANCES

It would appear from the record that as to the military assistance program, as the annual program became somewhat smaller, the unobligated funds became smaller, also, did they not, Mr. Tennant?

Mr. TENNANT. For the years I gave you——

Mr. PASSMAN. Along the way, as the annual appropriation decreased, the unobligated funds decreased, did it not?

Mr. TENNANT. The pattern is not that firm, sir. There was an unobligated of $27.8 million in 1958.

Mr. PASSMAN. You may put the table in.

Mr. TENNANT. The table indicates it is up and down a little.

TOTAL UNOBLIGATED BALANCES FOR MILITARY ASSISTANCE

Mr. PASSMAN. It is coming down. That is fair. The total unobligated funds in the military assistance program, I believe you stated, for fiscal years 1956 through fiscal 1964 is over a billion dollars in military.

Mr. TENNANT. That is correct, sir.

Mr. PASSMAN. Thank you.

Mr. TENNANT. To avoid any misunderstanding, it is the unobligated unreserved funds that we are talking about.

Mr. PASSMAN. We are talking about the unobligated unreserved funds only?

Mr. TENNANT. That is right.

Mr. PASSMAN. Unobligated and unreserved funds. In other words, funds that were unused at the end of the year.

Mr. TENNANT. Yes.

Mr. PASSMAN. It was 1 billion how much?

Mr. TENNANT. $1,038.7 million, plus $35.8 million direct forces support which was essentially a military assistance program at that time.

Mr. PASSMAN. Thank you very much.

Mr. RHODES. At the end of what year?

Mr. PASSMAN. Let me state for the record, that we asked Mr. Tennant to give us the amount of the unobligated funds in the military assistance program by year, 1956 to 1964, inclusive. I think the highest year was $553 million. We reobligated all of that that year, did we not? But the total was at least $1,038 million?

Mr. TENNANT. The accumulation of 9 years' unused balances exceeded $1 billion.

Mr. PASSMAN. We are getting the same information on the deobligated funds.

(Discussion off the record.)

Mr. TENNANT. These figures were the unobligated/unreserved military assistance funds at the end of each year. The chairman asked me to add the 9 years together to show what it would have been if they were all added together. The estimated carryover at the end of each year is brought into the calculation for new money. This year we

asked for $1 billion military assistance after considering an estimated $25 million unobligated carryover.

(Off the record.)

Mr. TENNANT. I think I should point out, Mr. Chairman, that the military request in presented, like ours, on a program basis, and in the request they take into consideration the estimated unobligated carryovers and recoupments, thereby decreasing the amount of the requested new money.

Mr. PASSMAN. Will you restate that?

Mr. TENNANT. I thought the military presentation had always been on a program basis and that they had included in their estimates, a computation of the amount of carryover and recoupments.

Mr. PASSMAN. I think that has been true only for the past 2 years. I am not trying to do anything other than let the record show what it is. I cannot change your figures. You have put them in the record. If there has been in 1 year in excess of half a billion dollars of purely unobligated funds, another year $178 million, 1 year $63 million, 1 year $61 million, that certainly indicates by year and that, in the aggregate, there have been substantial unobligated funds. The committee has always given consideration to the fact that it was the military assistance program and reappropriated all the funds, with the exception of 1 year, and you are going to get the figure on that?

Mr. TENNANT. Yes, sir.

(The information follows:)

Military assistance

[In millions of dollars]

Fiscal year	Total unobligated/unreserved balances	Amount of carryover requested by executive not reappropriated in ensuing fiscal year	Deobligations
1956	[1] 209.5	14.0	395.0
1957	553.0	14.2	188.7
1958	27.8	----------	206.0
1959	52.1	----------	222.9
1960	50.9	----------	208.3
1961	66.4	----------	120.6
1962	64.2	8.3	240.7
1963	25.8	----------	250.0
1964 (estimated)	25.0	----------	127.7
Total	1,074.7	36.5	1,959.9

[1] Includes direct forces support category of $35,800,000.

PARAGUAY

TOTAL AID PROGRAM

Mr. PASSMAN. The next country is Paraguay. What has been the total amount of aid to Paraguay?

Mr. ROGERS. $79.8 million.

Mr. PASSMAN. What do you have in the pipeline, all spigots, for subsequent years?

Mr. ROGERS. As of June 30, 1964, $7.841 million.
Mr. PASSMAN. What is the population of Paraguay?
Mr. ROGERS. 1.9 million.

AGRICULTURAL PRODUCTIVITY AND INSTITUTIONAL DEVELOPMENT PROJECT

Mr. PASSMAN. Would you furnish for the record a breakdown of your estimate of $252,000 for local expenses under the agricultural productivity project on page 317?
Mr. ROGERS. Yes, sir.
(The information supplied follows:)

AGRICULTURAL PRODUCTIVITY AND INSTITUTIONAL DEVELOPMENT, PARAGUAY

Local expenses totaling $252,000 in fiscal year 1965 will cover the following items:

1. The United States will contribute $222,000 to the Inter-American Cooperative Technical Service of Agriculture, a joint fund financed by both governments. The contribution will assist in financing the expansion of extension service from 20 to 35 offices in 1965; continue support of the existing experiment stations, the livestock research and demonstration ranch and the control of algoroba (range destructive wild brush); and the eradication or control of leaf cutting ants. It will also provide funds to continue the breeding and artificial insemination program in livestock. The Servicio is staffed by Paraguyan personnel with U.S. technicians as advisors.
2. Administrative support, local transportation, rent, telephone service, and salaries of local employees are estimtaed to total $30,000.

PRIVATE ENTERPRISE PROJECT

Mr. PASSMAN. Do you have a new project known as the private enterprise project for which you are requesting $83,000?
Mr. ROGERS. Yes, we do, Mr. Chairman.
Mr. PASSMAN. Will that be initiated in fiscal 1965?
Mr. ROGERS. Yes, Mr. Chairman.
Mr. PASSMAN. What will be the ultimate cost to completion?
Mr. ROGERS. $173,000.

RURAL EDUCATION DEVELOPMENT PROJECT

Mr. PASSMAN. Last year in connection with the rural education development project on page 321, the 1964 justification stated:

The funds provided in fiscal 1964, $900,000, will constitute the final contribution of this 2-year project.

Is that correct?
Mr. ROGERS. Yes, sir,it did say that.
Mr. PASSMAN. However, page 321 indicates that you are now requesting an additional $500,000 in fiscal 1965, and that you estimate that future year obligations beyond 1965 will be $1.5 million. Is that correct?
Mr. ROGERS. Yes, that is correct, Mr. Chairman.
Mr. PASSMAN. I am not in the mood to be anything other than pleasant this morning. Does this not indicate poor planning originally?
Mr. ROGERS. No, sir. We are moving here in response to now recognized need for strong emphasis on teacher training. We recognize

that you cannot run a classroom plant for a whole country without a sufficient number of teachers of decent quality. Otherwise, you are building monuments.

Mr. PASSMAN. How long have you had an educational program in Paraguay?

Mr. ROGERS. This rural educational development project goes back to 1962.

Mr. PASSMAN. That is not my question at all. I asked how long you have had an educational program in Paraguay.

Mr. ROGERS. The university program goes back to 1955, Mr. Chairman. That is education. But this rural education——

REQUEST FOR ADDITIONAL FUNDS IN FISCAL YEAR 1965

Mr. PASSMAN. I am going to make only one observation and move along. Last year the justification for the rural education development project on page 321 stated:

The funds provided in fiscal 1964, $900,000, will constitute the final contribution of this 2-year project.

However, page 321 indicates you are requesting an additional $500,000 in fiscal 1965, even though you said the 1964 allocation would be the final contribution. Furthermore, you are projecting a total of $1.5 million beyond the original stated termination date as it applied to obligations.

Does it mean that you are enlarging the program?

Mr. ROGERS. Yes, sir; in terms of both time and money. We could have presented a new project labeled "teacher training," but we thought this was such an integral part of rural education that we included this new emphasis on teacher training in this project.

Mr. PASSMAN. As I said earlier, everything is chicken with gravy with me this morning. Everything is wonderful. But this project certainly indicates that we cannot pay any attention to what you say in any one year about these projects. This is not the exception. This is more or less the pattern.

DECREASES IN FUNDS ALLOCATED FOR GRANT PROJECTS

Mr. ROGERS. It is not true that all of them are enlarged, Mr. Chairman. For example, I have a list here of a number of projects where there have been major cuts from last year's presentation.

Mr. PASSMAN. You cut it only because you did not have any need for the money, did you not? You cut them only because the requirement was not there. Is that correct?

Mr. ROGERS. No, it was not only that.

Mr. PASSMAN. Tell us some projects that you cut because you did not have money to allocate.

Mr. ROGERS. Are you just talking about Paraguay, or the whole hemisphere?

Mr. PASSMAN. I am talking about Paraguay. Name some project in the educational field which you underfunded because of a shortage of money. Protect yourself now, because you told us in the beginning you had a satisfactory program and sufficient money. I want to be sure you protect yourself on the answer. Now, do you have a project where you did not have money to fund?

Mr. ROGERS. Let me be clear, Mr. Chairman. What I am pointing out here is that there have been a number of projects that have been reduced. The reason for that is that we try to get the maximum effective results out of the projects that we have and want to do within the ceiling that we are allowed. As you know, we came up here for a substantially greater appropriation for the grant program than we got last year. As a result of that, within the total program, all projects throughout the hemisphere, there were a number we had to reduce. The major reductions on this list alone amount to over $14 million.

In Paraguay there were three specific projects that were cut back from the program request last year. The National University was down from $366,000 to $266,000——

Mr. PASSMAN. Did you do it because you did not have money with which to make the allocation?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Did I not ask you in the beginning if you had a satisfactory program for the Latin American area, and you answered in the affirmative—that you did have a satisfactory aid program with the funds we appropriated last year?

Mr. ROGERS. I believe what I said was——

Mr. PASSMAN. I am asking you, Did you say that?

Mr. ROGERS. That is what I am saying.

Mr. PASSMAN. I asked the specific question at the start of the hearing on Latin America: Did you have sufficient funds to carry on a satisfactory program out of the funds we made available last year? You said you did.

I know there are some projects that you allocated less money to than what you stated you needed, and you also said earlier that it was because there was a difference in the requirements. Some of them required less, and in your judgment, some of them required more.

Mr. ROGERS. Mr. Chairman, we would be delighted to place this list in the record if it would be useful.

Mr. PASSMAN. We might want to ask some questions about it.

(The information supplied follows:)

Decreases in grant projects, fiscal year 1964

[In thousands of dollars]

Country	Project	Fiscal year 1964 congressional presentation request	Estimated fiscal year 1964 obligations from fiscal year 1965 congressional presentation
Argentina	Livestock and agricultural development	475	285
	Northern regional development	200	39
	Assistance to higher education	570	290
Brazil	Frontier development	365	161
	Engineering education	1,200	320
	Economic development planning	460	166
	Livestock production	1,733	1,303
	Roads and transportation	700	490
	Natural resources	941	895
	Community health	300	172
	Economics education	575	485
	Agricultural education	2,050	1,334
	Technical and scientific publications	110	90
	Public safety	1,200	890
	Geological education	500	275
Chile	Rural extension	188	156
	Teacher training	198	35
	Modernization of controller's office	199	12
	Public Works Ministry	100	----
Colombia	National planning agriculture	156	102
	Basic resources survey	280	
	Secondary education	153	----
	Agrarian reform	220	198
	Primary education	264	105
	Higher education	227	----
	Tax administration	250	125
	Public safety	404	304
	Technical support	724	632
Costa Rica	Agricultural development and agrarian reform	500	285
	Ministry of Education Development	183	115
	Public safety services	100	65
Ecuador	Teacher training	246	146
	Assistance to universities	950	400
	Vocational education	214	126
	Public safety	360	287
El Salvador	Educational planning	370	139
	Public safety	167	134
	Technical support	215	197
Guatemala	Investment planning and administration	259	162
	Development of agricultural institutes	545	288
	Improvement of San Carlos University	1,120	269
	Public safety	250	141
	Civic action	396	70
ROCAP	Development administration	960	285
	Higher education	2,712	455
Panama	Agriculture development	275	201
	Private enterprise development	120	90
	Manpower development	375	151
	Public safety	125	107
Paraguay	National university	366	244
	Rural education development	900	856
	Rural health and water supply	420	201
	Development planning	122	88
Peru	Agrarian reform and agricultural credit	480	364
	Transportation development	275	182
Uruguay	Crop production and storage	210	80
	Public and business administration	228	42
British Guiana	Highway development and transportation	885	100
	Total	29,070	15,136
	Difference	13,934	

NOTE.—In the fiscal year 1964 congressional presentation, $2,500,000 was requested for the Dominican Republic and the same amount for Honduras. Due to suspension of aid, the estimated allocation for fiscal year 1964 is shown as $1,500,000 for each country in the fiscal year 1965 congressional presentation. Present estimates of 1964 obligations to the Dominican Republic and Honduras are $768,000 and $1,500,000 respectively.

GOVERNMENT MANAGEMENT AND ORGANIZATION PROJECT

Mr. PASSMAN. Will you furnish a breakdown of your estimate of $102,000 for U.S. technicians under the Government management project on page 322?

Mr. ROGERS. Yes, sir.

(The information follows:)

GOVERNMENT MANAGEMENT AND OPERATIONS—PARAGUAY

Technician costs in fiscal year 1965 of $102,000 include the following:

1. An estimated total of $42,000 for the salaries and expenses of two full-time technicians to advise on overall public administration problems and to supervise operations of the in-service training school.

2. An estimated $60,000 for a U.S. Internal Revenue Service team. A survey team will determine assistance necessary to reform the administration of the Paraguayan tax structure. Then, in addition, at least two full-time IRS technicians are expected to be on duty by January 1965.

CREDIT FOR TELECOMMUNICATIONS PROJECT

Mr. PASSMAN. What is the current status of the development credit of $1 million for the telecommunications project on page 325?

Mr. ROGERS. Letter of commitment issuances are now at the level of $907,000. Disbursements are $66,000.

Mr. PASSMAN. You have the right, do you not, to switch funds? Since they are appropriated in a lump sum and are not earmarked and all your projects are illustrative, you may allocate your funds in Latin America to whatever project you feel is most important. You do have that right?

Mr. ROGERS. I hope we do, sir.

Mr. PASSMAN. You either do or you don't. Do you?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. If you have a satisfactory program, that is a pretty general and broad answer, is it not? When you have a satisfactory program, it means that you have allocated your funds in such a way that you consider it satisfactory. Would that be a fair statement?

Mr. ROGERS. "Satisfactory" is a relative word. I think we could have effectively used the $100 million grant program we requested last year.

PROJECTS INITIATED AND INCREASED ABOVE CONGRESSIONAL JUSTIFICATIONS

Mr. PASSMAN. We want you to prepare a statement immediately on all projects, where you made an allocation above the amount of your justifications to the committee for fiscal 1964. We also want a table showing the new projects that you allocated funds to, which were not justified on even an illustrative basis to the committee.

Could you get that for us?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

Technical cooperation projects initiated in fiscal year 1964 but not contained in fiscal year 1964 congressional presentation

[In thousands of dollars]

Country	Project	Estimated fiscal year 1964 obligation	Estimated cost to completion
Argentina	General training	120	293
Bolivia	Special development activities	50	200
	Manpower development	37	155
	Total	87	355
ROCAP	Regional scholarship institution	50	100
Costa Rica	Irazu Volcano project	60	[1] 150
	High-level manpower training	110	[2] 110
	Total	170	260
El Salvador	University reform	210	228
	Industrial apprenticeship and skills	128	227
	Housing finance	4	40
	Selected participant training	155	285
	Total	497	780
Guatemala	High-level manpower training	306	[3] 306
Nicaragua	High-level manpower training	150	260
	Manpower planning and development	65	[3] 496
	Labor leader training and worker education	50	
	Total	265	756
Chile	Chile-California program support	373	973
	Development planning—Organization and coordination	228	430
	Sectoral planning—Highway master plan	86	305
	Regional Planning—River basin development	106	983
	Manpower education planning	8	168
	Instructional materials production	35	[4] 394
	Training in economics and social sciences	75	525
	Total	911	3,778
Colombia	National education planning	137	[5] 137
	Special development activities	50	200
	Total	187	337
Mexico	University to university assistance	232	[6] 232
Panama	High-level manpower training	89	[7] 89
Uruguay	Rural electrification	60	108
	Grand total (26 projects)	2,974	7,395

[1] Funding requirements dependent on continued volcanic activity.
[2] If a regional scholarship institution is established under ROCAP, additional funding will not be required.
[3] Combined in fiscal year 1965: "Manpower planning, Development and Utilization."
[4] Includes $112,000 obligated through fiscal year 1963 for "Teacher Training"; in fiscal year 1965 project is "Teacher Training and Instructional Materials Production."
[5] Possibility of additional funding depends upon planning surveys to be completed at end of fiscal year 1965.
[6] If objectives of contract are met, additional funds may be required to expand scope of program.
[7] Project incorporated in "Manpower Development" for fiscal year 1965.

Increases in grant projects, fiscal year 1964

[In thousands of dollars]

Country and project	Fiscal year 1964 congressional presentation	Fiscal year 1964 allocation as contained in fiscal year 1965 congressional presentation
Argentina:		
Agricultural statistics	55	58
Housing	45	50
Civil aviation	190	240
Bolivia:		
Industrial development	340	370
Road program	480	450
ROCAP:		
Agricultural policy and development	90	305
Civil aviation and telecommunications	125	372
Regional textbook development	565	803
Regional infrastructure planning and development	145	245
Technical support	241	500
Costa Rica:		
Development planning and administration	233	374
Technical support	165	215
El Salvador:		
Industrial promotion	100	132
Public administration	110	130
Honduras: Public safety	90	120
Nicaragua:		
Industrial management	100	130
National planning office	300	561
Technical support	120	205
Chile:		
Labor	118	122
Modernization of internal tax	232	300
Technical support	470	875
Marketing	61	111
Colombia:		
Labor	152	157
Housing	53	103
Civil aviation	75	125
Ecuador:		
Agricultural development	250	393
Industrial development	225	242
Labor advisory services	322	486
Public administration services	90	378
Mexico: Technical support	300	501
Panama:		
Government management and administration	75	108
Housing credit institute	40	72
Technical support	275	375
Peru:		
Basic agricultural institutional development	825	876
Private enterprise development	270	480
Vocational education	120	180
Technical support	370	505
Uruguay:		
Agricultural development	511	528
Public safety	50	75
Venezuela:		
Public safety	225	265
Housing	75	98
Jamaica: Community water supply	100	110
Regional:		
National farmers contract	160	165
Technical training in Puerto Rico	340	566
Caribbean organization	200	215
Teacher training	225	240
CEMLA	50	130
Andean regional project	200	260
Inter-American Institute of Agricultural Sciences	300	500
American Institute for labor development	850	1,616
Inter-American police academy	525	835
Seminars and workshops	165	345
Tax advisory services	170	295
Total	12,233	17,920

DEOBLIGATED FUNDS BY PROJECT

Mr. PASSMAN. We also want a list of the projects—we are going to have a good table for you—showing the projects that you deobligated funds from.

Mr. ROGERS. During fiscal year 1964?

Mr. PASSMAN. Yes, sir; dealing entirely with fiscal 1964.

Mr. ROGERS. We shall be glad to do that.

(The information supplied follows:)

Funds deobligated in fiscal year 1964 as of Mar. 31, 1964, by country and project

Project No.	Project title	Type of funds	Amount (thousands)
	ARGENTINA		
510-11-130-011	Livestock improvement	IAPSP	$30
		DG	44
510-11-130-038	Deciduous fruits	DG	10
510-11-210-003	Geology and mining training	DG	3
510-13-270-065	Productivity and management	DG	2
510-11-370-001	Civil aviation	DG	7
510-13-610-034	Industrial vocational schools	IAPSP	94
510-11-660-026	Graduate physics	IAPSP	4
		DG	6
510-13-660-028	Engineering (Bucknell University)	IAPSP	2
510-13-770-020	Basic research center	DG	12
510-11-940-037	Industrial districts	DG	6
	DG		90
	IAPSP		130
	Total		220
	BOLIVIA		
511-24-150-202	Crop product marketing rice	AG	25
511-24-150-314	Cooperative product marketing	IAPSP	1
511-11-190-364	Agricultural development	AG	11
511-11-210-155	Mineral survey	AG	24
511-11-310-205	Transportation advisory service	AG	11
511-15-290-049	Industrial development	AG	4
511-11-690-309	Rural education	AG	2
		IAPSP	19
511-11-590-307	Health administration	IAPSP	8
511-14-810-354	Community water supply	AG	2
511-11-720-082	Government management assistance	AG	8
511-16-990-223	Special studies	IAPSP	1
511-11-710-091	Public safety	AG	6
511-11-410-043	Labor training	IAPSP	2
		AG	16
511-11-960-137	Communications media	IAPSP	2
511-11-390-206	Geodetic mapping service	IAPSP	1
511-11-990-325	Excess surplus property	IAPSP	3
511-11-370-075	Civil aviation	AG	1
511-13-140-101	Supervised agricultural credit	IAPSP	2
		AG	2
511-11-110-292	Research and technical services	IAPSP	4
		AG	2
511-11-190-298	Agricultural administration	APSP	6
511-11-790-349	Support national planning	AG	1
	IAPSP		49
	AG		115
	Total		164
	BRAZIL		
512-11-110-094	Agricultural education	DG	3
		AG	5
512-11-110-096	Agricultural research and extension (NE)	AG	3
512-11-120-111	Water resources (NE)	AG	12
512-11-130-097	Livestock food production	AG	3
512-11-130-098	Livestock advisory services	AG	13
512-11-140-100	Livestock cr. and marketing	AG	9
512-11-210-004	Mineral and water resources	DG	9
512-11-220-105	Rural community electricity (NE)	AG	3
512-11-270-054	Industrial productivity	DG	2
		AG	2
512-15-270-060	Electrical energy management training	DG	1

Funds deobligated in fiscal year 1964 as of Mar. 31, 1964, by country and project— Continued

Project No.	Project title	Type of funds	Amount (thousands)
	BRAZIL—continued		
512-11-310-106	Roads (NE)	AG	$7
512-11-370-121	Meteorological training	AG	35
512-11-520-062	National water supply and sewerage	AG	14
512-11-520-116	Comm. water supp. (NE)	AG	14
512-11-610-042	Ind. voc. education	AG	5
512 11-660-001	Engineering education	DG	5
512-11-710-070	Public safety	AG	37
512-11-810-124	Community development	IAPSP	8
512-11-830-108	Housing (NE)	IAPSP	2
512-11-590-051	Public health methods	DG	5
512-11-130-918	Land and water resources	DG	1
512-11-530-907	Public health service	DG	1
512-11-540-917	Training health personnel	DG	1
512-11-960-038	Audiovisual centers	IAPSP	3
512-11-960-127	Tech. and sc. publications	IAPSP	27
512-11-990-000	Technical support	DG	13
512-11-990-122	Econ. dev. plan	DG	361
512-11-990-123	Econ. and soc. planning	AG	1
512-11-990-071	Reg. econ. dev. serv	DG	2
	DG		404
	IAPSP		40
	AG		163
	Total		607
	CHILE		
513-11-110-106	Rural extension	IAPSP	23
513-11-150-132	Marketing	IAPSP	3
513-11-120-036	Water resources	AG	6
513-13-270-029	Man. assoc. coop. program	AG	1
513-11-290-016	Technical development	AG	25
513-11-310-011	Road development	AG	5
513-15-410-032	Labor	IAPSP	27
513-11-510-157	National health service	AG	1
513-11-640-107	Teacher training	IAPSP	7
513-15-680-108	Educ. system diag	IAPSP	15
513-15-690-135	Scholarship program	IAPSP	25
513-11-750-109	Internal tax administration	IAPSP	65
513-11-710-110	Police school	AG	4
513-11-710-111	CA forest protection	AG	19
513-11-710-138	Public safety	AG	54
513-11-750-139	Customs administration	AG	58
513-13-810-112	Rural improvement	AG IAPSP	8 13
513-15-830-026	Housing	IAPSP	18
513-16-810-164	Community facilities assistance (CORVI)	IAPSP	1
	IAPSP		197
	AG		181
	Total		378
	COLOMBIA		
514-11-110-013	Agricultural cooperative service	IAPSP	3
514-11-110-021	Michigan University	DG	9
514-11-110-047	Agricultural engineering training	IAPSP	3
514-11-190-097	National agricultural planning	IAPSP	1
514-25-130-098	Agricultural diversification	IAPSP	2
514-13-270-044	Industrial management	DG	7
514-11-310-026	Highway transportation	DG	3
514-11-370-029	Civil aviation	DG AG	1 11
514-13-410-015	Labor affairs	IAPSP	9
514-11-590-001	Health management planning	IAPSP	1
514-11-540-028	Medical education (Tulane)	DG	2
514-11-510-036	Malaria eradication	IAPSP	18
514-11-540-046	Nursing education	IAPSP DG	4 5
514-11-610-037	Education	IAPSP	17
514-11-620-038	Vocational agricultural education	DG	1
514-11-640-039	Primary education	DG IAPSP AG	1 2 3
514-13-770-023	University education, business administration	DG	1
514-11-720-024	Public administration	DG IAPSP	1 8
514-11-710-066	Public safety	AG SA	1 30

Funds deobligated in fiscal year 1964 as of Mar. 31, 1964, by country and project—Continued

Project No.	Project title	Type of funds	Amount (thousands)
	COLOMBIA—continued		
514-11-750-100	Administration	AG	$6
514-25-830-058	Housing	IAPSP	8
514-15-990-031	Rural training	AG	27
514-23-910-053	Technical development	IAPSP	36
		SA	1
514-15-990-000	Technical support	AG	7
	Balance of Aug. 29, 1960 allocation [1]	DG	4
		DL	5,000
	DG		35
	IAPSP		112
	AG		55
	SA		31
	DL		5,000
	Total		5,233
	COSTA RICA		
515-11-370-042	Civil aviation assistance	DG	1
515-11-530-046	Health facilities development	AG	8
515-11-540-047	C. R. medical school	AG	2
515-11-520-048	Environmental sanitation	AG	1
515-11-610-053	National education	AG	6
515-11-660-054	C. R. development	AG	1
515-11-640-055	Ministry of Education development	AG	2
515-11-660-056	Development of basic science	DG	3
515-11-720-060	Government-wide organization and management	AG	8
515-11-720-062	Regional workshops	AG	2
515-11-990-000	Technical support	AG	1
	DG		4
	AG		31
	Total		35
	DOMINICAN REPUBLIC		
517-15-130-032	Livestock and poultry improvement	IAPSP	4
		AG	1
517-12-17-040	Civic action forest protection	IAPSP	2
		AG	100
517-15-140-033	Cooperative development	AG	59
517-12-990-043	Yaque del Sur Valley development	IAPSP	300
517-25-190-046	Establishment	IAPSP	17
		AG	12
517-12-420-030	Skilled manpower development center	IAPSP	4
517-15-490-029	Labor administration and manpower development	IAPSP	7
		AG	1
517-11-690-024	Teacher education	IAPSP	46
		AG	3
517-11-690-025	Education, administration, and planning	IAPSP	5
517-11-690-026	Vocational education	IAPSP	5
		AG	1
517-11-670-027	Adult education	IAPSP	11
517-12-640-039	Civic action schools construction	AG	168
517-11-710-021	Public safety	CF	10
		AG	35
517-11-720-022	Government planning administration reform	IAPSP	2
		AG	378
517-11-310-041	Civic action road construction and improvement	AG	83
517-12-520-042	Civic action community water development	AG	100
	IAPSP		403
	AG		941
	CF		10
	Total		1,354

[1] In August 1960, the Directors of Development Loan Fund authorized the lending of $25,000,000 to the GOC for development projects. Of this amount $20,000,000 was committed for specific projects and the balance of $5,000,000 deobligated during fiscal year 1964.

Funds deobligated in fiscal year 1964 as of Mar. 31, 1964, by country and project— Continued

Project No.	Project title	Type of funds	Amount (thousands)
	ECUADOR		
518-11-100-051	Agriculture development	IAPSP	$5
		DG	50
518-15-910-024	Industry development	DG	6
518-15-410-036	Labor advisory service	DG	4
518-11-520-003	Environmental sanitation	DG	7
518-11-530-004	Health	IAPSP	5
518-11-540-057	Health education	DG	1
518-15-660-054	Assistance university	DG	5
518-11-610-038	Education trade, etc	IAPSP	1
518-11-710-037	Public safety	DG	13
		IAPSP	1
518-11-750-017	Public administration advisory service	IAPSP	1
518-15-830-050	Aided, self-help housing	DG	2
518-11-990-055	Economic social development planning	DG	3
518-15-990-058	Credit union development	DG	1
	IAPSP		13
	DG		92
	Total		105
	EL SALVADOR		
519-11-110-012	Agricultural development and reform	DG	10
		IAPSP	5
519-12-290-075	Dev. Bank and Ind. Prom. Inst	AG	5
519-11-290-010	Phys. plan infstrct	AG	1
519-11-410-003	Free labor development	DG	3
		IAPSP	9
519-11-540-038	Public health service	AG	2
		IAPSP	1
519-12-550-913	Public health centers	IAPSP	18
519-11-680-071	Educational planning and administrative improvement	AG	1
		IAPSP	1
519-11-660-048	University education	IAPSP	1
519-11-710-030	Public safety	AG	7
519-11-740-032	Public administration	AG	5
519-11-720-051	Development planning	AG	1
519-11-790-059	Cadastral survey	DG	1
519-11-820-033	Social services	DG	3
		IAPSP	4
519-11-990-000	Technical support	DG	16
	IAPSP		39
	AG		22
	DG		33
	Total		94
	GUATEMALA		
520-11-110-102	Agricultural research	DG	2
520-11-110-127	Agricultural extension	IAPSP	1
		DG	1
520-12-120-072	Land clearing	DG	9
520-12-120-074	Irrigation works	DG	1
520-11-130-140	Expansion and diversification of agriculture	AG	1
520-11-290-010	Industrial development	DG	108
		AG	3
520-12-310-083	Access roads, rural development	DG	3
520-11-520-132	Environmental sanitation	DG	2
520-11-530-067	Health advisory service	DG	3
520-12-690-089	Vocational education training	DG	15
520-11-690-096	Vocational education	DG	1
520-11-690-137	Urban education	DG	7
520-11-690-142	Mass education	AG	2
520-11-710-077	Public safety division	DG	11
		AG	26
520-11-990-000	Technical support	DG	3
		AG	3
	DG		166
	AG		35
	IAPSP		1
	Total		202

Funds deobligated in fiscal year 1964 as of Mar. 31, 1964, by country and project— Continued

Project No.	Project title	Type of funds	Amount (thousands)
	HAITI		
521-13-990-044	Pote Cole housing project	DG	$64
521-11-990-000	Technical support	SA	4
	Port-au-Prince construction (loan)	SA	2,800
	DG		64
	SA		2,804
	Total		2,868
	HONDURAS		
522-11-190-001	Human inst. dev. agr	IAPSP	6
		AG	11
522-11-130-002	Prod. dev. agr	IAPSP	7
		AG	12
522-11-290-003	Industrial development	AG	2
522-11-370-032	Civil aviation	AG	1
522-11-410-007	Labor trade union leaders	IAPSP	1
522-11-540-011	Health training education	IAPSP	2
		AG	2
522-11-690-014	Vocational training	AG	1
522-11-690-013	General education	IAPSP	6
		AG	3
522-11-720-017	Public administration	IAPSP	4
522-11-710-018	Public safety	AG	4
	IAPSP		26
	AG		36
	Total		62
	JAMAICA		
532-11-190-001	Agricultural and rural development	IAPSP	6
532-11-830-017	Low cost housing and redevelopment	IAPSP	2
532-11-590-010	Health planning service	IAPSP	2
532-11-990-000	Technical support	AG	4
	IAPSP		10
	AG		4
	Total		14
	MEXICO		
523-11-110-013	Bureau of Mines	DG	6
523-15-290-152	Industrial development	DG	9
523-15-990-000	Technical support	AG	12
	DG		15
	AG		12
	Total		27
	NICARAGUA		
524-11-290-011	Ind. mgt. and. prom and adv	AG	1
524-11-640-023	Education planning and development	AG	6
524-11-530-016	Dev. health service	IAPSP	1
		AG	7
524-11-370-014	Civil aviation	DG	1
	IAPSP		1
	AG		14
	DG		1
	Total		16
	PANAMA		
525-11-110-015	Agricultural research, education, and extension	IAPSP	1
525-11-130-016	Crop and livestock development	IAPSP	1
525-12-190-070	Agricultural code implementation	AG	10
525-12-220-054	Water resources and electric power	DG	2
525-11-510-022	Medical education and TB control	IAPSP	1
525-12-550-057	Development of institutional health	AG	5
525-11-540-059	Nursing education	AG	9
525-11-690-036	Cooperative services education administration	IAPSP	2
525-11-710-044	Public safety improvement	AG	3
525-11-720-048	Government management and administration	IAPSP	1
		AG	1

Funds deobligated in fiscal year 1964, as of Mar. 31, 1964, by country and project—Continued

Project No.	Project title	Type of funds	Amount (thousands)
	PANAMA—continued		
525-15-840-045	Assistance for housing	CF	$21
525-26-830-046	Housing credit institute	AG	5
525-15-950-043	National economic planning	DG	8
525-15-990-061	All other training	IAPSP	3
		AG	6
	IAPSP		9
	AG		39
	DG		10
	CF		21
	Total		79
	PARAGUAY		
526-11-140-050	Agricultural administration	IAPSP	4
526-11-110-026	Road construction and maintenance training	DG	7
526-11-110-042	Agricultural development and production	IAPSP	1
526-11-140-043	Credit co-ops and marketing	IAPSP	1
526-11-530-002	Health administration	AG	3
526-11-530-020	Health services development	IAPSP	3
526-11-540-022	Training of public health personnel	DG	2
526-11-530-044	Medical and nursing education	IAPSP	2
		AG	2
526-11-660-034	Agricultural Educational	IAPSP	1
		AG	5
526-11-660-038	Public administration school	AG	6
526-11-600-045	REDP	IAPSP	17
526-11-720-015	Fiscal reform and economic planning	DG	2
526-11-790-018	Government management and organization	AG	1
526-11-990-000	Technical support	DG	2
526-11-960-029	Communications media	AG	6
		DG	1
	IAPSP		29
	AG		23
	DG		14
	Total		66
	PERU		
527-11-110-060	Basic agriculture institute	IAPSP	1
527-11-390-064	Transportation development	AG	4
527-11-370-010	Federal aviation service	DG	1
527-11-410-063	Labor development	AG	3
527-11-420-026	Labor training	DG	3
527-11-550-054	Imp. and expansion health	IAPSP	4
527-11-530-908	Health unit operation	IAPSP	1
527-11-530-916	Special advisory service	IAPSP	1
		DG	2
527-11-510-044	Malaria eradication	IAPSP	1
527-11-610-056	Industrial training	IAPSP	1
527-11-690-907	Normal school education	DG	2
527-11-640-909	Rural elementary education	IAPSP	1
527-11-790-057	Training and advisory service	AG	1
527-11-710-062	Public safety	AG	4
		DG	15
527-11-790-066	National economics planning	IAPSP	1
527-11-890-065	Housing and urban development	IAPSP	12
527-11-990-000	Technical support	AG	1
	Balance of July 25, 1960, allocation [2]	DL	6,700
	IAPSP		23
	AG		13
	DG		23
	DL		6,700
	Total		6,759

[2] In July 1960, the Directors of the Development Loan Fund authorized the lending of $25,000,000 to the GOP for development projects. Of this amount, $18,300,000 was committed to specific projects and the balance of $6,700,000 deobligated during fiscal year 1964.

Funds deobligated in fiscal year 1964, as of Mar. 31, 1964, by country and project— Continued

Project No.	Project title	Type of funds	Amount (thousands)
	TRINIDAD AND TOBAGO		
533-12-120-001	Rural development, St. Lucia	SA	$2
533-11-190-004	Food production	DG	1
		IAPSP	4
		AG	15
533-11-190-005	Water and vegetable products, Antigua	SA	1
533-11-220-006	Industry and mining adviser	SA	1
533-11-310-010	Highway equipment	DG	33
533-11-310-013	Access roads, St. Lucia	CF	3
533-11-310-018	Road equipment, St. Lucia	SA	15
533-12-370-022	Airport, Antigua	SA	7
533-11-490-023	Labor training	AG	5
533-11-610-027	Vocational and teacher training	SA	1
533-11-610-029	Industrial art education	DG	1
533-11-610-030	Industrial education, Barbados	CF	2
533-11-650-031	Secondary education, St. Lucia	CF	2
533-11-640-032	Teacher training facility, St. Lucia	SA	1
533-11-660-033	Assist. U.W.I	DG	71
533-11-690-035	Education development planning	DG	2
		IAPSP	7
533-11-720-038	Public administration	DG	1
533-11-770-039	Public service training forum	IAPSP	3
533-11-830-040	Housing and planning	IAPSP	1
		AG	1
533-11-990-041	Engineering and technical service	AG	3
		SA	15
533-11-990-042	IAC service	DG	18
533-11-990-043	Training grants	IAPSP	3
533-11-990-000	Technical support	AG	3
		DG	2
	IAPSP		18
	AG		27
	DG		129
	CF		7
	SA		43
	Total		224
	VENEZUELA		
529-11-100-019	Rural improvement	AG	9
529-15-270-010	Industrial development	DG	10
529-15-410-011	Labor program	IAPSP	2
529-11-520-012	Rural health env. san	IAPSP	1
529-11-690-013	National manpower training and development	IAPSP	23
		AG	8
529-11-650-014	Secondary education and training	IAPSP	6
529-11-640-015	Elementary education and training	IAPSP	2
529-11-720-018	Management assistance	IAPSP	6
		AG	11
529-11-710-022	Public safety	AG	20
529-11-990-000	Technical support	AG	2
	IAPSP		40
	AG		50
	DG		10
	Total		100
	BRITISH GUIANA		
504-11-100-002	Agriculture	DG	1
		IAPSP	3
		AG	5
504-11-180-010	Shrimp and fisheries	IAPSP	1
		DG	2
504-11-220-019	Power and com. hydrol	AG	354
504-11-280-004	Industrial development advisory service	AG	7
504-11-310-017	DEB highway development	AG	50
504-11-340-016	Test cut — river bar	AG	53
504-11-340-018	Transportation and harbor training operator	AG	157
504-11-370-011	Civil aviation	DG	1
504-11-410-001	Labor and trade union	IAPSP	1
504-11-510-014	Malaria	AG	1
504-11-530-003	Operating advisory service health	IAPSP	2
		AG	4
504-11-610-005	National education	IAPSP	1
		AG	3

Funds deobligated in fiscal year 1964, as of Mar. 31, 1964, by country and project—Continued

Project No.	Project title	Type of funds	Amount (thousands)
	BRITISH GUIANA—continued		
504-11-730-008	Public administration	AG	$2
504-11-990-000	Technical support	DG	11
		AG	1
	IAPSP		8
	AG		637
	DG		15
	Total		660
	SURINAM		
508-11-100-002	Agriculture	DG	1
		IAPSP	4
		AG	1
508-11-280-008	Industry and mining	DG	1
508-11-530-006	Advisory health service	DG	2
		IAPSP	3
508-11-610-003	Audiovisual aid	DG	2
508-11-610-007	Vocational industrial education	DG	2
508-11-610-009	Vocational training, P.R.	DG	5
508-11-810-003	Housing	IAPSP	1
508-11-990-001	Sur-Amer. tech. coop.	AG	34
508-11-990-004	Adm. of Sur-Amer. tech. coop.	AG	1
508-11-990-000	Technical support	AG	2
	IAPSP		8
	AG		38
	DG		13
	Total		59
	REGIONAL		
598-11-720-062	Regional workshop (C.R.)	AG	2
598-11-990-005	Regional technical aids center	AG	7
598-11-990-082	CEMLA	AG	3
598-Z-71-AQ	Police academy	DG	2
		AG	1
598-11-790-050	Regional public administration	IAPSP	3
598-11-960-051	Regional Andean training center	AG	1
	IAPSP		3
	AG		14
	DG		2
	Total		19
	Total, Latin America deobligations:		
	IAPSP		1,159
	AG		2,450
	DG		1,120
	CF		38
	SA		2,878
	DL		11,700
	Total		19,345

Key to symbols:
DG—Development grant (fiscal year 1962 and prior).
AG—Alliance for Progress grant (fiscal year 1963).
IAPSP—Act of Bogotá, no year.
CF—Contingency fund.
SA—Supporting assistance.
DL—Development loan.

NOTE.—Of all these deobligations only the following are being reused in the Alliance for Progress program in fiscal year 1964: IAPSP, 1,159; AG, 1,700.

CREDIT FOR ROAD IMPROVEMENT PROJECT

Mr. PASSMAN. You have a development credit in the amount of $7.1 million for the road improvement project.

Mr. ROGERS. That is correct, sir.

SUSPENSION OF DISBURSEMENTS DUE TO REPAYMENT DELINQUENCIES

Mr. PASSMAN. I note that the disbursements were suspended in July due to delinquencies in loan repayments by the Paraguay Government, and your further comment that construction is proceeding, hampered only by Paraguay's delay in making loan repayments. Is that correct?

Mr. ROGERS. That is correct, sir.

Mr. PASSMAN. Your justifications sound somewhat weak when you indicate you may be short just a few thousand dollars on some project when we deal now specifically with what we thought was some type of loan for $7.1 million. What is the status of this loan presently?

TOTAL DISBURSEMENTS

Mr. ROGERS. Disbursements as of the 31st of March 1964 were $4.718 million.

Mr. PASSMAN. You have suspended further disbursements on account of this country's being delinquent on repayments?

Mr. ROGERS. I checked on that this morning, Mr. Chairman. As of today, they are and have been up to date on their loan repayments.

Mr. PASSMAN. Did you not state that you suspended payments because they were delinquent?

Mr. ROGERS. Yes, sir, in July 1963.

Mr. PASSMAN. How long did you suspend disbursements for the project?

Mr. ROGERS. I do not have the date when they made up their delinquency in payments. I will check on that and submit it for the record.

(NOTE.—See information on p. 1130.)

Mr. PASSMAN. This is repayable in local currencies, is it not?

Mr. ROGERS. The first half in local currencies; the balance in dollars.

Mr. PASSMAN. Had you gone beyond the 50-percent period at the time you suspended payments?

Mr. ROGERS. No, sir; they have not paid half the loan back yet.

Mr. PASSMAN. That means they were not even willing to pay us in their own local currency as per the contract.

Mr. ROGERS. That is correct.

Mr. PASSMAN. Thank you.

Mr. RHODES. Does that indicate that this loan was thought by them to be in the nature of a gift? What are their plans?

Mr. ROGERS. They may have thought that, but we are pretty firm about repayments, Congressman. When they failed to make the payments that they were obligated to make, we stopped any further disbursements.

Mr. RHODES. After that, did they make payments?

Mr. ROGERS. Yes, sir. We stopped the disbursements, and it became clear to them we did not consider it anything but a loan that they were

obligated to repay. They made up for the delinquency and now we are continuing disbursements. I have indicated well more than half of the loan has now been disbursed.

Mr. RHODES. May you be so successful around the world.

PAYMENT ARREARS

Mr. PASSMAN. Let us go a bit further. How much was in arreas on this credit?

Mr. ROGERS. I do not know.

Mr. PASSMAN. But it is important, and we want it.

Have you any idea?

Mr. ROGERS. No, sir; I would not want to guess.

(This information is included on p. 1130.)

U.S.-OWNED LOCAL CURRENCY

Mr. PASSMAN. Could you tell us the amount of Paraguay's currency that we presently own?

Mr. ROGERS. The total, all governments——

Mr. PASSMAN. I did not say all governments. I asked you Paraguay.

Mr. ROGERS. I am sorry. All of U.S. Government, including both AID and Treasury——

Mr. PASSMAN. I want first the AID.

Mr. ROGERS. AID, $3.844 million.

And PASSMAN. And Treasury?

Mr. ROGERS. $1.658 million.

Mr. PASSMAN. What did you say we had given to Paraguay since the inception of this program?

Mr. ROGERS. $79.8 million.

TOTAL GRANT AID TO PARAGUAY

Mr. PASSMAN. How much of it was purely a grant program, all spigots?

Mr. ROGERS. The breakdown, grants——

Mr. PASSMAN. Just give us the total, in the interest of time.

Mr. ROGERS. The total for grants out of the $79.8 million——

Mr. TENNANT. Slightly over $33.7 million for cumulative grant aid.

Mr. ROGERS. It would be $33.7 million plus the grants for 1964.

Mr. PASSMAN. Let us find out how much they are delinquent. We want you to make as good a case as you can, but we are not going to run over this credit lightly.

LOAN AGREEMENT FOR ROAD IMPROVEMENT PROJECT

This road improvement project that we are examining on now, you signed October 23, 1961, did you not? You could not disburse any funds until the agreement had been signed; is that correct, sir?

Mr. ROGERS. That is correct.

Mr. PASSMAN You signed the contract October 23, 1961.

Mr. ROGERS. That is correct.

Mr. PASSMAN. They had 1-year grace period. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. There would not have been any payment due until October 23, 1962. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. When did you print these books?

Mr. ROGERS. It was printed about February of 1964.

Mr. PASSMAN. This is good for your record and good for ours. Could you tell us the amount they were delinquent at the time—phone downtown and get the date they suspended disbursements, how much had been disbursed at that time, and how much was actually delinquent. Could you do that?

Mr. ROGERS. Yes, sir; we shall be glad to do that. You want the precise day within July?

Mr. PASSMAN. You started disbursements July 1963.

Mr. ROGERS. No, the date when there were first disbursements.

Mr. PASSMAN. That is not important.

Mr. ROGERS. I thought you asked that.

Mr. PASSMAN. I want to know that, yes. You suspended July 1963. I know you want to be completely fair about this. Is it not true that nothing could have fallen due until October 23, 1962? Is that correct?

Mr. ROGERS. No.

Mr. PASSMAN. There is a 1-year grace period, is there not?

Mr. ROGERS. No amortization of the principal could have fallen due until then, but it is my recollection of the loan agreement that interest repayments are not subject to the grace period. Indeed, the total interest repayments so far have been $114,701. The interest payments are not subject to this 1-year grace period.

Mr. PASSMAN. All right, let us find out how much they owed in interest at the time you suspended the loan.

Mr. ROGERS. You want to know precisely how much the delinquency was and what date they made it up?

Mr. PASSMAN. No, I did not ask for that.

Mr. ROGERS. I thought you did.

Mr. PASSMAN. We want to get to the bottom of this thing, Mr. Rogers. I hope it works out to where it looks good for you, but I am very suspicious of the mechanics of it, not of you. You have a project here where no prinpical repayments in local currency of the recipient country fell due until October 1962, and you suspended it only 8 months thereafter. Then it is important to know how much they were delinquent on principal and interest. You are calling downtown to get that information now?

Mr. ROGERS. Yes.

Mr. PASSMAN. Did you continue making other loans and other grants on other projects in Paraguay during this period?

Mr. ROGERS. No other loans, Mr. Chairman.

Mr. PASSMAN. Grants?

Mr. ROGERS. There were grant disbursements. There should have been grant disbursements.

DISBURSEMENTS TO PARAGUAY SINCE JULY 1963

Mr. PASSMAN. During the last half of calendar year 1963, how much did you disburse in Paraguay?

Mr. ROGERS. I do not know that we have it broken down.

Mr. PASSMAN. Let us ask the Controller and see if he can give us a little help.

Mr. TENNANT. I do not have the disbursement figures here.

Mr. PASSMAN. How much have you disbursed, July 1, 1963, to the last known date that you have on Paraguay, all spigots with the exception of this one?

Mr. TENNANT. That figure we would have to furnish for the record.

Mr. PASSMAN. No, we are going to get that figure, because we want to mark this bill up and give you people the benefit of the doubt. If we find out you have given them $2 million where they are in default only $118,000 in interest and little on principal, we want the record to show that.

Mr. TENNANT. What was the period you wanted?

Mr. PASSMAN. July 1963 through the last accounting date, say April 1 or May 1, if you have it, all spigots, grant aid or other type of aid.

Mr. TENNANT. Yes.

Mr. PASSMAN. While you are getting that, we will proceed.

(This information is included on p. 1130.)

I shall dispense with asking any further questions on Paraguay, and I yield to the gentleman from Kentucky, Mr. Natcher.

AGRICULTURAL AND NATURAL RESOURCES RESEARCH PROJECTS

Mr. NATCHER. What type of research do you have underway in Paraguay in your agricultural and natural resources projects program?

Mr. ROGERS. There is research in forestry, breeding, artificial insemination service, control of brush, demonstration ranch——

Mr. NATCHER. Where do you conduct this research—in Paraguay?

Mr. ROGERS. Yes, sir, at a research station in Paraguay.

Mr. NATCHER. A Government research station?

Mr. ROGERS. Yes. It is now being directed solely by Paraguayan Government officials.

Mr. NATCHER. How much of the overall amount do you have earmarked for research?

Mr. ROGERS. I do not know that we can break that out, Mr. Congressman, between research and the demonstration farms. It would be a guess figure.

Mr. NATCHER. Is the research station located on the farm?

Mr. ROGERS. Yes; the research and the demonstration are all conducted as part of the same farming operation.

Mr. NATCHER. I understand. You do not have a research project on each farm or each farming operation, do you?

Mr. ROGERS. No, sir.

Mr. NATCHER. Where do you conduct your research? You say it is Government owned and Government operated. Where?

Mr. ROGERS. The demonstration ranch.

Mr. NATCHER. That is on one particular ranch?

Mr. ROGERS. That is correct.

Mr. NATCHER. In Paraguay?

Mr. ROGERS. Yes, sir.

Mr. NATCHER. You do not have much research underway at that point, do you? Are you not just kind of using this word "research," Mr. Rogers?

Mr. ROGERS. I want to make clear, Mr. Congressman, there is a substantial extension service provided through 20 or 30 offices, and this research operation cannot conduct good extension services without research backstop on the agricultural problems encountered.

Brush, for example, is a very major one. You have to backstop the extension service offices with some people who are really doing the research in order that the extension agents will know what to tell the farmers to whom they are providing service and advice and recommendations.

Mr. NATCHER. When you say "brush," is that a type of weed research?

Mr. ROGERS. Yes, sir. Another example would be the ants. There is a serious problem of ants down in Paraguay. The research station does the backstopping work for the extension agents in ant control.

Mr. NATCHER. Is this the fire ant?

Mr. ROGERS. I do not know. It is the leaf-cutting ant.

HEALTH AND SANITATION PROGRAM

Mr. NATCHER. Under the health and sanitation project program for Paraguay, I notice that certain obligations will be continued to aid in the construction and equipping of rural health centers and the renovation of others. Is this program a successful program in Paraguay at this time?

Mr. ROGERS. Yes, sir. Actually, it is a continuation of some work which had been done for a number of years which is widely accepted by most of the people in Paraguay as major health service; and it has been taken over, by and large, by the Paraguayans themselves.

Mr. NATCHER. Do you staff any of the health centers?

Mr. ROGERS. With U.S. personnel?

Mr. NATCHER. Yes.

Mr. ROGERS. I do not think so; no, sir. There is a doctor and a sanitary engineer whose responsibilities are in the direction of the activity, but they do not actually staff the individual health centers. They insure that they are properly conducted and efficiently run.

TERMINATION OF THE CONSTRUCTION ACTIVITIES IN EDUCATION PROGRAM

Mr. NATCHER. Under your educational project data justifications for Paraguay, you show that the United States has terminated its grant funding of construction activities in education. When did you terminate the construction activities, Mr. Rogers?

Mr. ROGERS. This fiscal year, Congressman.

Mr. NATCHER. During the present fiscal year 1964?

Mr. ROGERS. Yes, sir.

Mr. NATCHER. There is nothing in this bill for fiscal year 1965 for construction activities in Paraguay? Are you sure about that now, gentlemen?

Mr. ROGERS. Yes, sir. There is none for this project.

Mr. NATCHER. Mr. Rogers, we are not talking about a project. We are talking about Paraguay as a country. Do you have anything in this bill that you are presenting to this committee at this time for construction activities under your educational program in Paraguay for fiscal year 1965?

Mr. ROGERS. For construction; no, sir.

Mr. NATCHER. You are positive about that, Mr. Rogers?

If you are going to change it on me after the transcript is typed up, I wish you would change it now so I can ask you some questions.

Mr. ROGERS. No, sir. We have two projects proposed on education, one on page 320 and one on 321.

Mr. NATCHER. You have nothing in this bill, then, for fiscal year 1965 along this line?

Mr. ROGERS. Yes, sir, that is correct.

Mr. NATCHER. All right. I wish you would check it. You check Paraguay and see if you have any.

Mr. STERNFELD. There are disbursements going on, on old projects.

Mr. ROGERS. You were asking about 1965?

Mr. STERNFELD. You are asking about new money?

Mr. NATCHER. That is correct. Is there any new money in this bill for this particular purpose?

Mr. STERNFELD. As far as we know at this point in time, no. The Government of Paraguay might request a loan for some educational construction, but we have no plans at this time to provide them a loan of that sort.

Mr. ROGERS. I think it ought to be clear that we did not interpret your question as relating to construction that might be going on as a result of obligations incurred in previous years.

Mr. NATCHER. My question, Mr. Rogers, pertains to money in this bill, for this particular purpose, and your answer to that is "No"?

Mr. ROGERS. No, that is correct.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. You can continue these construction programs in future years by extending the old contracts, can you not, allocating more sums and broadening them?

Mr. ROGERS. Yes.

Mr. PASSMAN. Is that right, sir?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Mr. Rhodes, Paraguay.

LOANS TO PARAGUAY FROM OTHER AGENCIES

Mr. RHODES. Are any of the lending agencies other than AID active in Paraguay?

Mr. ROGERS. Yes, sir.

Mr. RHODES. Would you furnish us a table with the amounts of loans obligated by the Eximbank, World Bank, IDA, and comparable lending agencies?

Mr. ROGERS. Yes, sir.

Mr. RHODES. With each loan I think it would be well to have a short explanation of the purpose.

Mr. ROGERS. Yes, sir.

(The information follows:)

Loans from lending agencies other than AID

[Amount in millions]

Agency	Amount	Date signed	Purpose and terms
IDA	$6	Oct. 26, 1961	To improve and hard-surface the highway from Asuncion to Encarnacion. Terms: 50 years at ¾ percent
IDA	3.6	Dec. 26, 1963	For relending to ranchers for water holes, fencing, and cattle sanitation facilities. Terms: 50 years at ¾ percent
IDB	3.0	July 28, 1961	To National Development Bank for loans for agricultural and industrial development. Terms: 7 years at 5¾ percent
IDB	.4	Dec. 7, 1962	For engineering plans for Acaray hydroelectric project. Terms: 4 years at 4 percent
IDB (SPTF)	2.9	Feb. 1, 1963	To National Development Bank for relending to small farmers. Terms: 20 years at 1¾ percent
IDB	.25	July 28, 1961	For equipment for pilot colonization project. Terms: 9 years at 4 percent
IDB	.8	Dec. 3, 1962	For basic studies and plans for pilot colonization project. Terms: 5 years at 4 percent
IDB	.55	Apr. 11, 1963	To private firm for textile equipment. Terms: 10 years at 5¾ percent
IDB	2.2	June 6, 1963	To private firm for textile equipment. Terms: 8½ years at 5¾ percent

ECONOMIC CONDITIONS IN PARAGUAY

Mr. RHODES. What are the resources of this country? Is it mainly agriculture, or are there mineral resources also?

Mr. ROGERS. In terms of meaningful contributions to GNP, it is agriculture.

Mr. RHODES. What is the per capita and total?

Mr. ROGERS. The per capita runs about $132.

Mr. RHODES. This is a very poor country, is it not?

Mr. ROGERS. Oh, yes; very poor. There is primitive transportation.

Mr. RHODES. Do you have the total GNP?

Mr. PASSETT. About $240 million.

Mr. RHODES. What type of people are these, ethnically speaking?

Mr. MANN. Indian and Spanish, Guarani Indians and Spanish.

Mr. RHODES. Are these mixed or do they stay to themselves?

Mr. MANN. Largely mixed.

TEACHER TRAINING IN RURAL AREAS

Mr. RHODES. Have you any projects for the training of teachers to provide a better base for education?

Mr. ROGERS. Yes, sir; this is the major thrust of the rural educational development project.

Mr. RHODES. The name "rural" seems to circumscribe the effort somewhat. Is this intentional?

Mr. ROGERS. No, sir; most of Paraguay is rural.

Mr. RHODES. The name "rural" does not have any particular connotation as far as identifying the thrust of the project?

Mr. STERNFELD. It has a thrust to make very clear we are not keeping it to the capital city, Asunción. Too much attention is usually placed on the capitals of the countries, and the rural areas are neglected.

Mr. RHODES. But you are not ruling out the city children, either.

Mr. STERNFELD. No; this particular project is aimed at the countryside.

Mr. RHODES. Do they have a school system in the capital city?

Mr. STERNFELD. It is better than it is in the rural countryside, relatively.

(Discussion off the record.)

AGRICULTURAL NATURE OF THE ECONOMY

Mr. RHODES. What eventual type of economy do you feel Paraguay will have? Will it be working toward an industrial economy, or a better agricultural economy?

Mr. MANN. I think agriculture is the first priority, both in their minds and in ours.

Mr. RHODES. Do you feel with that type of economy you can keep the people fairly well employed and at a living standard which would be acceptable to them?

Mr. MANN. Yes, sir; there is a small number of people. They live off the land, and there is room in which to expand.

Mr. RHODES. What is the population?

Mr. MANN. 1.7 million, I think.

Mr. RHODES. 1.7 million, with how many square miles of land area?

Mr. ROGERS. 157,000 square miles.

Mr. RHODES. So, there is room for expansion. Is most of the land arable?

Mr. MANN. It is cattle country, principally, but they have some large rivers, too, and could irrigate.

Mr. RHODES. Is there scanty rainfall?

Mr. MANN. Yes; I believe large areas of it are rather arid.

(Off the record.)

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

SUSPENSION OF AID

Mr. PASSMAN. When you suspend aid to a country, that means on the whole you stop making disbursements, does it not? I know there are certain types of projects which, if they are critical, you may continue, but on the whole, when you suspend aid, do you stop making disbursements to that country?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Do you stop, also, allocating new funds to projects?

Mr. ROGERS. Yes, sir.

Mr. MANN. We might want to qualify that. In the case of Panama, for example, Mr. Chairman, during the height of the crisis we did not sign any new contracts, but we were signatories to certain agreements which we lived up to.

Mr. PASSMAN. But under your grant aid program, you do not continue allocating funds to a country, building up the pipeline, while the project is suspended, do you?

Mr. ROGERS. That is an accurate description. That is correct.

Mr. PASSMAN. In how many countries did you suspend aid? I believe you suspended aid in Honduras and the Dominican Republic in fiscal 1964, did you not?

Mr. ROGERS. That is correct.

Mr. PASSMAN. When you put this revised statement in the record including three more columns, you may indicate some of these countries, like the Dominican Republic and Honduras, where you were doing business in a country where the aid program had been suspended. Since you just stated that you did not make allocations, this statement would truly be misleading without those notes in there. I am always glad to help you keep the record straight on these things, Mr. Rogers. I am sure you appreciate my cooperation.

Mr. ROGERS. Yes, sir.

PERU

TOTAL AID

Mr. PASSMAN. The next country in this area is Peru.

What has been the total amount of aid to Peru since the inception of the program?

Mr. ROGERS. $571.6 million.

UNLIQUIDATED BALANCES

Mr. PASSMAN. What is in the pipeline to the credit of Peru?

Mr. ROGERS. $118,183,000.

Mr. PASSMAN. I believe this is a country that had what was then considered one of the outstanding welfare states in about the year 1500. They took care of all the people, even decided who could or could not marry. Is that the way you understand history?

Mr. PASSETT. Yes.

Mr. PASSMAN. They had about the same type of program we are now trying to set up in America, and they had it back in about 1500. It fell flat on its face at some subsequent date, did it not? Did you read that book?

Mr. RHODES. You mean "The Great Inca"?

Mr. PASSMAN. Yes. It looks as though they are now trying it all over again. What type government do you have in Peru?

Mr. MANN. The President was elected in fair and free elections.

INCREASE IN THE GOLD AND FOREIGN EXCHANGE HOLDINGS OF PERU

Mr. PASSMAN. I note that the divider sheet shows Peru's gold and foreign exchange holdings have increased from $71 million in 1959 to $162 million in 1963. Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. I also note that your asking price for the Peru program for fiscal 1965 is ———; is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. I believe during the same period, 1959–63, our own foreign exchange and gold holdings went down rather than up; is that right?

Mr. ROGERS. I cannot confirm that.

Mr. PASSMAN. Can any of your witnesses confirm that? Would anyone confirm that our foreign exchange and gold holdings decreased during that period, 1959–63?

Mr. MANN. I can confirm, according to my recollection, our gold reserves went down during that period.

Mr. PASSMAN. Thank you, Mr. Secretary. I just wondered, since all this is on a reciprocity basis, if we could get Peru to help us out just a little right now instead of our going in there with $———, get them to give us a lift since they have more than doubled their foreign exchange and gold holdings during that period. If you think well of it, you might suggest it.

Mr. MANN. We have discussed the gold problem with Peru.

REQUIREMENTS FOR GOLD RESERVES FOR MONETARY SUPPORT

Mr. PASSMAN. Do I understand we require in round figures about $12 billion to support our monetary system? Is that your understanding?

Mr. MANN. It has been so long since I was working on that that I know that we have a requirement in our law for a certain amount of gold to back up our currency. That is a requirement. I do not remember the figures. We have obligations abroad, which are a potential obligation on our gold.

Mr. PASSMAN. Of course, I am speaking strictly of our domestic requirements. I think under the law it is based on the percentage, but it is in the neighborhood of $12 billion required to support our monetary system.

Mr. MANN. If I remember correctly, it is related to the coin of the realm, whereas, in Peru it was related to just the general rule of thumb.

Mr. PASSMAN. I am thinking strictly of America to make a point, since you did not give thought to it. It applies across the board. In recent years I think in round figures it has required about $12 billion to support our monetary system. Our gold reserves are down to, in round figures, approximately $15 billion. There is now in excess of $24.5 billion of short-term claims against our gold.

The one thing that most people lose sight of is that foreigners have a priority. We do not expect it, but they could demand gold. They could absolutely drain our gold reserves and there would be no gold to support our monetary system.

Why is your statement on page 87 classified? It is as follows:

[Security deletion.]

Is this not the main factor which has been hampering the success of the Alliance for Progress program in all countries?

Mr. ROGERS. It is a main factor.

Mr. PASSMAN. In many countries, if not all countries?

Mr. ROGERS. In many countries it is a main factor against the success of the program.

COMMUNITY DEVELOPMENT PROJECT

Mr. PASSMAN. I note you allocated $258,000 to the community development project on page 329; is that correct?

Mr. MANN. Yes.

Mr. PASSMAN. Did you justify funds for this project last year?

Mr. MANN. No, sir.

Mr. PASSMAN. If you have a well firmed-up project going and you need funds for it, would it not be better to continue that project, rather than to branch out and start new ones that have never been justified, even illustratively, to the Congress?

Mr. ROGERS. I think in this case——

Mr. PASSMAN. I am not talking of this case. This is a general question.

Mr. ROGERS. Our attitude about the general question is: we want to use the money appropriated and made available to us in the most effective and efficient fashion possible.

Mr. PASSMAN. Let me ask the question again. If you have a good project going, one which is firm and for which you have justified funds for it, would it not be better to allocate funds to that type of project or to start new projects that you had never, directly or indirectly, even on an illustrative basis, justified to the Congress? Which project would you give the money to?

Mr. ROGERS. If that new project is better and if we were limited in terms of funds, we would prefer to use the money in the better project.

Mr. PASSMAN. And get a lot of weak projects rather than some good projects; is that right? You would let a project for which you needed funds deteriorate and start a new project that you had not justified and then have two projects underfunded; is that your formula?

Mr. ROGERS. If we had a limited amount of money available, in the strictly hypothetical case of a good project we had justified versus a much better project which we had not justified, we would prefer to use our resources where we know we can get the best results.

Mr. PASSMAN. You would use the resources on a better project you had not justified rather than on the weak project which you had justified?

Mr. ROGERS. Not a weak project.

Mr. PASSMAN. One you should not have started?

Mr. ROGERS. No.

Mr. PASSMAN. I am trying to help you work out of that hole you got yourself in. You have a project that you said to the Congress, this is bordering on indispensable, it is an excellent project, and we need funds for it. We give you the funds. Rather than apply those funds to that excellent project, you underfund that project and start a new project which you never justified to the Congress even illustratively. Which one?

Mr. ROGERS. I do not know of any case where that has happened.

Mr. PASSMAN. You do not? Here is one you did not justify. You said you did not. I will ask the question again. I note you allocated $258,000 to the community development project on page 329; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Did you justify any funds for this project last year?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Thank you very much. My case is made. Let us recess for lunch.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

BASIC AGRICULTURAL INSTITUTIONAL DEVELOPMENT PROJECT

I note you have allocated $876,000 to the basic agricultural institutional development project on page 331, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Did you request any funds for this project last year?

Mr. ROGERS. Yes, sir, $825,900.

Mr. PASSMAN. The life of this project has been extended from 1967 to 1971. What additional costs are involved in this extension?

Mr. ROGERS. The increase is about $4,152,000.

Mr. PASSMAN. Last year the agency supplied an insert for the record indicating that the total cost of completion of the project would be $4,732,000, is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Now, what will it cost to complete the program?

Mr. ROGERS. $8,884,000.

Mr. PASSMAN. It must have been well planned, originally.

Mr. ROGERS. It is not a question of previous planning, Mr. Chairman. It is a question of changing the project, substantially improving it, and bringing it into line, so that we can support the basic agricultural development programs of the new government.

Mr. PASSMAN. What you are doing is no exception. It is the pattern around the world. You come in with what you call a firm plan for money. We are dealing with millions of dollars, now. In just 1 year for the same project you allocated more money than you said you would, and the completion cost has gone from $4,732,000 to $8,884,000.

PRIVATE ENTERPRISE DEVELOPMENT PROJECT

Last year you allocated $480,000 to the private enterprise development projects at page 332, is that correct?

Mr. ROGERS. Well, we are——

Mr. PASSMAN. $480,000 to the private enterprise development project on page 332, is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request last year for the two projects which have been consolidated this year into the single project?

Mr. ROGERS. $270,000.

Mr. PASSMAN. In view of the fact that you allocated more funds to the project than you requested last year, would you give us some indication of what effect it will have on the pipeline, delay in the contract implementation and so on?

Mr. ROGERS. The unliquidated balances actual at the end of 1963, were $1.5 million. On the 30th of June it will be, this year, $1.6 million.

Mr. PASSMAN. Did you, in your project justification, state:

Delays in contract implementation reduced the need for funds in fiscal year 1964.

Mr. ROGERS. That is correct.

Mr. PASSMAN. But you allocated more funds than you justified, didn't you?

Mr. ROGERS. I think we ought to point out——

Mr. PASSMAN. You haven't answered my question. I read what you said:

Delays in the contract implementation reduced the need for funds in fiscal year 1964—

but it follows, nevertheless, that you allocated more funds. You didn't reduce the allocation, did you?

Mr. ROGERS. We reduced it below what it would have been, had there not been delays in the contract implementation.

Mr. PASSMAN. But you allocated more than you justified, did you not?

Mr. ROGERS. We certainly did that; yes, sir.

Mr. PASSMAN. That being so, how could we follow your own words:

Delays in contract implementation reduced the need for funds in fiscal year 1964.

What figure had you arrived at earlier?

Mr. ROGERS. I am trying to point out this is a reduction below what it would have been, had we not run into these delays in implementation. I want to point out——

Mr. PASSMAN. It would still be more than you justified last year and more than you allocated?

Mr. ROGERS. Yes. Both of these contracts, one came in full force in mid-1964, about the same time, and the other came in the fourth quarter of December 1963.

Mr. PASSMAN. I hope someday we have a single standard, as far as possible, for foreign projects and U.S. projects.

OBLIGATIONS FOR CONTRACT SERVICES

In view of the fact that the two old projects contained obligations of $540,000 for contract services for a 2-year period, and a contract signed was in May 1963, which should carry the contracts through May 1965, for what purpose did you obligate the $374,000?

Mr. ROGERS. There was about $230,000 for the Stanford University contract, and the remainder for the Stanford Research Institute contract, including consultants—the employment of whom represented an expansion of the contracts.

Mr. PASSMAN. Your 1965 request is even higher than your increased 1964 allocation; is it not?

Mr. ROGERS. That is correct.

Mr. PASSMAN. This will be your asking price, and not the taking?

Mr. ROGERS. Fiscal year 1964 will be the first full year of operation of these two contracts.

VOCATIONAL TRAINING PROJECT

Mr. PASSMAN. Last year you requested $120,000 for the vocational training project on page 336; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you allocate to the project?

Mr. ROGERS. $180,000 for this year. This represented a successful project, as you can see from the text. It was an intent to work vocational training into the civic action program. We are planning to move this up to the point where we will be reaching 10,000 semiskilled workers in the armed services during——

Mr. PASSMAN. But this project, like many others, evidently was not properly planned, because what you say one year does not hold good when you come before the committee the following year.

Mr. ROGERS. It happened the project was an even greater success than we expected.

Mr. PASSMAN. What do you mean "greater success"?

WORKERS TRAINED

How many workers have you trained? That is a good question.

Mr. ROGERS. We opened up three——

Mr. PASSMAN. Yes; that is good, but how many workers did you train?

Mr. ROGERS. I can't give you the number in 1964.

Mr. PASSMAN. How can you say it is successful, if you can't give us the number of individuals you have trained?

Mr. ROGERS. I am talking about the enthusiastic support of the Peruvian Army and the Government of Peru, itself.

Mr. PASSMAN. This is vocational training.

Mr. ROGERS. That is correct.

Mr. PASSMAN. But you can't tell us how many people we trained? Upon what basis do you vouch for its success?

Mr. ROGERS. In agriculture and livestock alone, we will open centers which will train a thousand people a year, five centers.

Mr. PASSMAN. "Will," but how many have you trained?

Mr. ROGERS. They are opening this year, and will reach that number of people.

Mr. PASSMAN. You don't have any record of how many you trained?

Mr. ROGERS. 5,000 people in those five agricultural centers.

Mr. PASSMAN. You have trained 5,000 people?

Mr. ROGERS. To be trained.

Mr. PASSMAN. But how many, though, have you trained now, to the point where they can go out and impart knowledge that you imparted to them?

Mr. ROGERS. How many graduates? I don't have the number of graduates. I will get you the number of graduates.

Mr. PASSMAN. Do you have any idea? I don't see how you can vouch for the success of a training program if you don't know how many individuals completed the course. [Reads:]

NUMBER OF GRADUATES TO DATE

The Peruvian Army's vocational training schools have graduated 2,139 soldiers.

Mr. ROGERS. Fundamentally, the public acceptance has been satisfactory to the Government of Peru. We are trying to help the Peruvian Government make army training an experience which is useful, not only during the army service period of the recruit, but also so

that after he gets out of the army he can go out and perform a useful function in the community.

Mr. PASSMAN. You are strong on words but short on statistics.

Mr. ROGERS. I don't make any guesses, Mr. Chairman.

Mr. PASSMAN. You are putting out a lot of words that sound all right, but what we want to deal with specifically is, what has been accomplished, rather than these 5,000 individuals that you will train.

Mr. ROGERS. Are being trained.

Mr. PASSMAN. There are hundreds and hundreds of instances around the world where you get so far above what your original request was, until we just wonder whether any of these projects have been properly planned in advance.

PROJECT COSTS TO COMPLETION

What would be the completion cost of this project?

Mr. ROGERS. $928,000.

TRAINING AND ADVISORY SERVICES IN PUBLIC ADMINISTRATION

Mr. PASSMAN. Page 337 indicates that you allocated $177,000 to the training and advisory services project on page 337; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $135,000.

TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Last year you requested $370,000 for the technical support project on page 4; is that correct?

Mr. ROGERS. Yes.

Mr. PASSMAN. How much did you allocate to this project?

Mr. ROGERS. $505,000.

Mr. PASSMAN. That is the way it goes.

DISBURSING DELAY ON THE LIMA WATER AND SEWAGE SYSTEM PROJECT LOAN

What is the status of the Lima water and sewer system development credit of $8,600,000, which was approved February 9, 1962, and according to page 346, after 2 years, no disbursements have taken place, is that correct?

Mr. ROGERS. No disbursements have taken place. The loan was signed in March 1963. It was in that period that the coup occurred, as you know, which delayed the signature of the loan itself. We expect initial construction to start quite soon, and for construction to be completed within 4 years.

Mr. PASSMAN. But you allocated the funds over 1 year in advance of signing the agreement, is that correct?

Mr. ROGERS. That is correct. There was a coup in mid-1962, and there were also delays in the approval of the loan agreement by the Lima Sanitary Corp.

Mr. PASSMAN. At page 346 you have "Comments and implementation":

Although a loan was approved in 1962, signature of the loan agreement was delayed until early 1963, because of the military coup d'etat in mid-1962 and delays in approval of the loan agreement by the Lima Sanitary Corp.

Is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. Now, which one? It is a combination of both that brought it about?

Mr. ROGERS. Both.

Mr. PASSMAN. Why did the sanitary group delay it?

Mr. ROGERS. Negotiations on the loan agreement. Certain provisions in the loan agreement we were anxious to have in there.

AVERAGE TIME LAPSE BETWEEN CREDIT AUTHORIZATION AND CONTRACT EXECUTION

Mr. PASSMAN. What is the average time from the time you debit the unobligated funds until contracts are signed? Do you have a rough average on that?

Mr. ROGERS. Between the debiting the funds and signing of the loan agreements?

Mr. PASSMAN. Yes.

Mr. ROGERS. Well——

Mr. PASSMAN. The minute your letter of committal goes out, that is when you tap the unobligated funds for these hundreds of millions of dollars and we find many of them very very large, and it is a year or more before the contract is actually signed.

What is the average time lapse between the obligations, as we think in terms of obligating money for these credits, and the time the contract is signed? Did you ever make a spread on it?

Mr. ROGERS. We can run a simple average on that. I will supply that for the record.

Mr. PASSMAN. You do not have a rough average at this time?

Mr. ROGERS. If I gave you one, I would be guessing.

Mr. PASSMAN. I wouldn't want you to do that.

Mr. ROGERS. I will supply it for the record.

(The information supplied follows:)

TIME BETWEEN LOAN AUTHORIZATION AND SIGNATURE

The average time between authorization and signing of a loan is 3.4 months.

Mr. PASSMAN. We have several more pages of questions dealing with Peru. As we agreed yesterday, it would take several weeks' time to even do a fair job examining on all the projects. Similar questions on similar projects would get similar answers to those you have given previously?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Then I shall dispense with asking any further questions in Peru and yield to the distinguished gentleman from Kentucky, Mr. Natcher.

Mr. NATCHER. No questions, Mr. Chairman.

Mr. PASSMAN. I yield to the gentleman from Arizona.

MINING INDUSTRY IN PERU

Mr. RHODES. Is there still a significant amount of minerals mined in Peru?

Mr. ROGERS. Yes.

Mr. RHODES. Quite a bit of gold or only copper?

Mr. MANN. They are in copper in a big way. Some lead and zinc, I think, and there used to be some gold and silver. We are trying to see what the present production is.

We don't see any gold or silver in the table.

LOANS FROM OTHER AGENCIES

Mr. RHODES. Could you furnish a schedule for me for this country, similar to the one I requested on Paraguay, sir, as to the lending agencies which are involved here and the amounts and the purposes?

Mr. ROGERS. Yes.

(The information follows:)

ALL INTERNATIONAL LENDING AGENCIES' LOANS TO PERU

I. IDB LOANS

A. Social progress trust fund

1. $22.8 million to the Republic of Peru to finance housing for low income families (1¼ percent interest, 20-year repayment).

2. $1 million to a central credit cooperative for small loans to finance housing, land improvement, potable water, and sanitation (1¼ percent interest, 20-year repayment).

3. $1 million to a mutual credit association for housing (El Pueblo) for the construction of housing for low income families (1¼ percent interest, 20-year repayment).

4. $1.5 million to San Marcos University to finance the installation of a department of basic sciences (1¼ percent interest, 15-year repayment).

5. $2 million to the National Agrarian University to finance equipment and construction of classrooms and laboratories for campus expansion (1¼ percent interest, 20-year repayment).

6. $1.6 million to the Government of Peru to finance the construction of water and sewerage systems in 150 municipalities of less than 2,000 persons each (2¾ percent interest, 30-year repayment).

B. Ordinary capital

1. $3.9 million to Arequipa's Sanitation Corp. for the improvement and expansion of potable water and the sewerage system (5¾ percent interest, 10-year repayment, 4 years grace).

2. $1.5 million to the Peruvian Portland Cement Corp. to assist in financing a new plant (5¾ percent interest, 8-year repayment, 2½ years grace).

3. $2.5 million to the Industrial Bank of Peru to assist in financing $11 million in industrial projects (5¾ percent interest, 10-year repayment, 2½ years grace).

4. $750,000 to Peruinvest to finance credits for industrial and agricultural projects totaling $3 million (5¾ percent interest, 7½ years repayment, 3 years grace).

5. $5 million to the Industrial Bank of Peru to assist in financing specific private industrial projects totaling $16 million (5¾ percent interest, 10 years repayment, 2½ years grace).

6. $1.4 million to the Pativilca Irrigation Corp. to finance the construction of an irrigation system (5¾ percent interest, 12 years repayment, 3 years grace).

7. $1.7 million to the Chimbote Irrigation Corp. to finance the construction of an irrigation system (5¾ percent interest, 15 years repayment, 3½ years grace).

II. IBRD LOANS

1. $3.1 to the Government of Peru for the construction and improvement of the port of Paita (5½ percent interest, 25 years repayment, 4 years grace).

2. $5 million to the Government of Peru for agricultural credit (6 percent interest, 8 years repayment, 3 years grace).

3. $6.6 million for the improvement of the port of Callao (5¾ percent interest, 20 years repayment, 5 years grace).

4. $5.5 million to the Government of Peru for road construction (5¾ percent interest, 15 years repayment, 5 years grace).

5. $10 million to the Government of Peru for road maintenance equipment (5¾ percent interest, 10 years repayment, 4 years grace).
6. $13.3 million for railway equipment (5½ percent interest, 15 years repayment, 4 years grace).
7. $24 million to the Lima Light & Power Co. for plant expansion (6 percent interest, 25 years repayment, 5 years grace).
8. $15 million to the Lima Light & Power Co. for plant expansion (5½ percent interest, 25 years repayment, 4 years grace).

III. IFC LOANS

1. $4.1 million for the construction of a fertilizer plant (7 percent interest, 13 years repayment, 5 years grace).
2. $2.4 million for the construction of a cement plant (7½ percent interest, 12 years repayment, 6 years grace).

IV. EXPORT-IMPORT BANK LOANS

1. $1.7 million for agricultural equipment in support of agrarian reform (authorized, but not yet signed).
2. $8 million for highway construction equipment for penetration roads (5¾ percent interest, 5 years repayment).
3. $4.8 million for diesel locomotives (5¾ percent interest, 8 years repayment).
4. $2 million for equipment for self-help roads (5¾ percent interest, 10 years repayment).
5. $1.5 million for port equipment (5¾ percent interest, 10 years repayment).
6. $23 million for construction equipment for the Olmos Highway (authorized, but not yet signed).
7. $6.5 million for the expansion of the Lima water and sewerage system (5¾ percent interest, 15 years repayment).
8. $508,000 for fertilizer equipment (5¾ percent interest, 6 years repayment).
9. $2.5 million for the Peruvian Industrial Bank (5¾ percent interest, 9 years repayment).
10. $6 million to the Marcona Mining Co. (5¾ percent interest, 6 years repayment).
11. $2 million for a metallurgical plant (5¾ percent interest, 9 years repayment).
12. $1.3 million for the Marcona Mining Co. (5¾ percent interest, 5 years repayment).
13. $4.7 million for the construction of the Ducks Canyon hydroelectric facility (5¾ percent interest, 12 years repayment).

Mr. RHODES. I think that is all, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Rhodes.

I should like to make one other observation for the record on Peru. It certainly would give some support to what I have said, and I believe this with all sincerity at my command, that ultimately, a billion dollars or more, that is in the pipeline will be deobligated and made available for other uses, despite the strong claim that these things are well planned. I am now looking at one in Peru. It is the Mutual Savings and Loan Association, El Peru, DLF 119. This was approved March 25, 1960.

DEOBLIGATION OF LOAN FOR MUTUAL SAVINGS AND LOAN ASSOCIATION

You carried this loan in an obligational status for 3 years and 3 months before you deobligated it.

I will read the whole paragraph:

Purpose of the loan: To provide seed capital for the first Mutual Savings and Loan Association in Peru.

Financial status: The aid dollar loan was deobligated on June 30, 1963, with the consent of the borrower. The borrower was unwilling to assume responsibility for repayment in U.S. dollars when it would be lending in local currency. No disbursements were made.

URUGUAY

TOTAL FOREIGN AID

Uruguay is the next country in this region. What has been our total aid to this country since the inception of the program?

Mr. ROGERS. $124.8 million.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What is the amount available for future expenditures out of previous appropriations or, in other words, the amount on hand unliquidated to the credit of Uruguay that will be disbursed in subsequent years.

Mr. ROGERS. All spigots, including Public Law 480?

Mr. PASSMAN. Yes.

Mr. ROGERS. $26,149,000.

Mr. PASSMAN. What is the population of this country?

FOOT AND MOUTH DISEASE CONTROL PROJECT

Mr. ROGERS. About 3 million people.

Mr. PASSMAN. Last year you requested $75,000 for the foot and mouth disease control project on page 354; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much have you allocated to this project in fiscal 1964?

Mr. ROGERS. $96,000.

RURAL ELECTRIFICATION PROJECT

Mr. PASSMAN. Did you request $30,000 last year that you have allocated to the rural electrification project?

Mr. ROGERS. No, sir, this was not set out last year. This is a new opportunity.

Mr. PASSMAN. What do you mean by "a new opportunity"?

Mr. ROGERS. To work in Uruguay with the help of the National Rural Electrification Cooperative Association.

Mr. PASSMAN. You had no illustrative justification last year?

Mr. ROGERS. That is correct.

Mr. PASSMAN. You allocated $30,000. What do you propose for this project in fiscal 1965?

Mr. ROGERS. $18,000.

Mr. PASSMAN (reading).

One rural electrical construction specialist on contract from the National Rural Electric Co-op for a period of 6 months for the purpose of advising on construction.

Is this to familiarize them with our REA system in America?

Mr. ROGERS. Yes.

Mr. PASSMAN. This rural electrification project covers only one rural electrical construction specialist; is that correct?

Mr. ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. Are they presently constructing a rural electrification project in Uruguay?

Mr. ROGERS. Yes. Some co-ops are being set up.

Mr. PASSMAN. Cooperatives are being set up?

Mr. ROGERS. With the advice of the specialist.

Mr. PASSMAN. Are they being set up or are they just on paper at this time?

Mr. ROGERS. No, sir; members are joining, local resources are being contributed, institutions are being organized. I should say this is a pilot cooperative system.

Mr. PASSMAN. Do they have a rural electrification program already underway?

Mr. ROGERS. No, sir.

Mr. PASSMAN. This is the preliminary work?

Mr. ROGERS. Yes, sir, starting at the beginning on a pilot basis. There is more to this than just rural electrification. One of the real important benefits is over and above the fact that you get the wires and electricity into small villages. It is the fact that you get a co-op organized for the first time in some outlying areas; you get a spirit of community development in the community itself. The community itself is finding it can do something for itself by working together rather than waiting for somebody in the capital to do it for them. We think this is a great advantage to come out of this pilot program.

Mr. PASSMAN. From little acorns big trees grow; is that right?

Mr. ROGERS. We hope so.

Mr. PASSMAN. I hope not. Will these cooperatives, when they get formed, apply to the U.S. agency to finance their cooperatives?

Mr. ROGERS. The state telephone and electric administration is now contributing $150,000 to the program in 1965, and it is expected that that administration is going to request a loan from some international sources to finance the cost of some construction.

Mr. PASSMAN. It could be the Inter-American Development Bank?

Mr. ROGERS. Or Export-Import Bank.

Mr. PASSMAN. That is an outside possibility because this could be a long-term requirement, could it not?

Mr. ROGERS. Yes; it might be the World Bank, for example. It might be us.

Mr. PASSMAN. It might be us?

Mr. ROGERS. Yes, sir.

AGRICULTURAL DEVELOPMENT PROJECT

Mr. PASSMAN. The agricultural development project on page 356 represents consolidation of three projects carried in the 1964 justifications; is that right?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for these three projects individually last year?

Mr. ROGERS. $511,00.

Mr. PASSMAN. What have you allocated to these three projects after they have been consolidated?

Mr. ROGERS. $528,000.

Mr. PASSMAN. You always get a little extra money, do you not?

Mr. ROGERS. Sometimes it is down, Mr. Chairman.

AGRICULTURAL COOPERATIVES PROJECT

Mr. PASSMAN. Last year the committee received testimony on the agricultural cooperative project on page 357, which indicated that the total cost of the project would be $175,000, and that the project would be completed in 1964; is that correct?

Mr. ROGERS. Yes; that is correct.

Mr. PASSMAN. This year page 357 indicates that the project will not be completed until 1969 and that the total estimated obligation after 1964 is $322,000. Is that correct?

Mr. ROGERS. Estimated 1965 and future obligations; that is correct.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. Last year we had testimony from Mr. Sternfeld and Mr. Moscoso that the public safety project in this country would be initiated in 1964 at a cost of $50,000 and that the total cost of the project would be $100,000 and be completed in 1965. Is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much have you allocated to the project in 1964?

Mr. ROGERS. $75,000.

Mr. PASSMAN. What do you now estimate it will cost to complete the project?

Mr. STERNFELD. Mr. Chairman, since this project——

Mr. PASSMAN. Let us keep the record straight. You have a right to comment, but tell us what it will cost to complete the project.

Mr. STERNFELD. We are not able at this point in time to tell you the cost to complete this project.

Mr. PASSMAN. Last year we had testimony from Mr. Sternfeld and Mr. Moscoso that the public safety project in this country would be initiated at a cost of $50,000 and that the total cost of the project would be $100,000 and be completed in fiscal 1965. I will ask Mr. Sternfeld this question. What did you allocate to the project last year?

Mr. ROGERS. I answered it, sir. $75,000.

Mr. PASSMAN. He wants to testify. How much?

Mr. STERNFELD. $75,000.

Mr. PASSMAN. What will it cost to complete the project?

Mr. STERNFELD. We cannot estimate at this time as to what it will cost to complete the project.

Mr. PASSMAN. How did you estimate it last year?

Mr. STERNFELD. We could not estimate last year exactly.

Mr. PASSMAN. You did estimate it last year, did you not?

Mr. STERNFELD. We estimated what was the initial phases of this project.

(Discussion off the record.)

Mr. PASSMAN. This is just one of those things which is loose on both ends and cut in the middle. I am going to read what you said last year. I cannot go beyond that. This is from page 2516 of the printed hearings:

> Are there any new illustrative projects in the program for Uruguay?
> Mr. STERNFELD. Public safety.
> Mr. MOSCOSO. Food and agriculture.
> Mr. PASSMAN. Food and agriculture is new? Food and agriculture was not justified. Tell us about the new projects on this page.

Mr. STERNFELD. The only new project is public safety.
Mr. PASSMAN. What is the cost, please?
Mr. MOSCOSO. $100,000 to completion.
Mr. PASSMAN. When will it be completed?
Mr. STERNFELD. 1965.

Now, that is in the record of last year. Tell us what now you think may be the completion cost.

Mr. STERNFELD. Mr. Chairman, we are still in the same position. The initial survey has yet to be completed. Until the survey is completed, we could not project the completion costs of the project.

Mr. PASSMAN. How did you project it last year?

Mr. STERNFELD. The projection I gave you last year was for the cost of the survey.

Mr. PASSMAN. Mr. Moscoso gave that.

Mr. STERNFELD. I think I gave the completion cost.

Mr. PASSMAN. I believe I will stop cold in my tracks on this country. If the same questions were asked on similar projects, we would get about the same answers; is that right?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I will dispense with asking further questions on this country. I will yield to Mr. Natcher.

Mr. NATCHER. No questions.

Mr. PASSMAN. Mr. Rhodes?

RESEARCH ON HOOF AND MOUTH DISEASE IN URUGUAY

Mr. RHODES. I wonder why you need to study the hoof and mouth disease in Uruguay. Why can this not be done in the United States? We have had hoof and mouth disease in the United States. A lot of the universities and colleges here have done a lot of work on controlling it. I would imagine you could probably get some good help if you looked.

Mr. ROGERS. That is the point. We are trying to get help to them. This is not just a study but a control proposition also.

Mr. RHODES. It says to assist the faculty of veterinary medicine of the national university in a program of research on foot and mouth disease to perfect a method of inactivating the aftosa virus in slaughtered beef. This is worthy research, but if we are going to finance it, why do we not finance it in one of our own universities where we know the expertise exists to conduct a successful experiment?

Mr. ROGERS. You are right. This is coordinated very carefully with the National Academy of Sciences and USDA work in the foot and mouth disease area.

Mr. RHODES. What did you say, sir?

Mr. ROGERS. It is coordinated with work being done in foot and mouth disease in the United States under NAS. This is in effect coordinated with that program.

Mr. RHODES. You have one in Argentina also?

Mr. ROGERS. Yes.

Mr. STERNFELD. It is local conditions which are different from the conditions here. We do not have hoof and mouth disease widespread in the United States.

Mr. MANN. We do not have any.

Mr. RHODES. We have been pretty successful in this type of research. This aftosa virus is not different according to its nationality, is it? It is the same in Argentina as in Uruguay?

Mr. MANN. There are no animals with foot and mouth disease north of Colombia to experiment with. When you experiment with them, as I understand it, they are working on vaccines and methods of killing the virus; and you have to have the animals that have the disease in order to test and do the experimentation.

Mr. RHODES. I just assumed that since the study mentioned here is to perfect a method for inactivating the virus in slaughtered beef, that you could ship slaughtered beef into one of our colleges or universities for that purpose, but perhaps that would be more dangerous to the cattle industry in the United States than to leave the experimentation where it is.

Mr. MANN. They are not allowed in.

Mr. RHODES. Is this a successful program? Is there some promise of success?

Mr. MANN. Yes; the last reports I had were that they made considerable progress and may be on the verge of a breakthrough, a combination of virus plus a way of salting meat.

Mr. RHODES. May we have, Mr. Rogers, the total aid in Latin America in 1964 and 1965 from all spigots? I mean for the aftosa control program. You may furnish it for the record.

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

Estimated fiscal years 1964 and 1965 AID dollar projects for aftosa control in Latin America [1]

[Amounts in thousands]

	Fiscal year 1964	Fiscal year 1965
Argentina:		
Technical aid to aftosa research	$57	$92
Animal disease and meat technology laboratories (loan)	1,400	
Brazil: Livestock disease control [2] (part of livestock production project)	105	100
Uruguay: Foot and mouth disease control	96	24
Regional: Pan American Foot and Mouth Disease Center	[3] 250	[4] 250

[1] The National Academy of Sciences is coordinating U.S. efforts in aftosa control.
[2] For hog cholera and brucellosis as well as for aftosa.
[3] Part of the OAS technical cooperation project.
[4] Part of the proposed development assistance fund.

CONTRACT FOR AGRICULTURAL COOPERATIVES

Mr. RHODES. On page 357 you have a project entitled "Agricultural Cooperatives." Is this a contract?

Mr. ROGERS. There is a contract here.

Mr. RHODES. Who is the contractor?

Mr. ROGERS. The Cooperative League of America.

Mr. RHODES. How do they operate?

Mr. ROGERS. In this case representatives of the Cooperative League of America go down there and assist the rural cooperative federation in Uruguay. The name of the outfit is FENECOA.

Mr. RHODES. Is this done in cooperation with the Government of Uruguay or do our people go down and recruit farmer groups to form cooperatives?

Mr. ROGERS. They are working directly with farmer groups, but it is done with the knowledge and understanding and cooperation of the Government.

Mr. RHODES. Where does the impetus for a project like this come from? Does it come from the cooperative group that is the contractor? Does it come from the host country or from farm groups, or what? Who gets the idea to do something like this?

Mr. ROGERS. The general idea really is on both sides of the border. A lot of people up here, including Members of Congress, both Senate and House, have long felt co-ops are one very important answer to development in Latin America. A lot of Latin Americans, particularly in rural areas, have been members of farm organizations interested in finding out about how co-ops work. In this case, the National Farmers Union and the Cooperative League of the United States know there is interest in Uruguay. They go down and contact people they know who are interested and then go ahead with the organization. You cannot say it is either the contractor up here or the people——

Mr. RHODES. If I understand your answer correctly, the contractor is both providing business for himself and getting people interested in cooperatives being formed.

Mr. ROGERS. I think that is correct.

LABOR LEADER TRAINING CENTER

Mr. RHODES. What about the labor leader training center? Is this under the auspices of labor unions in the United States?

Mr. ROGERS. Yes, sir. This is not exclusively but it includes sponsorship by the American Institute for Free Labor Development.

Mr. RHODES. What is the parent organization of the American Institute for Free Labor Development?

Mr. ROGERS. AFL–CIO.

Mr. RHODES. A subsidiary of them?

Mr. ROGERS. I am sorry. I misled you. I am reminded that the board of the organization includes not just representatives of the union movement but also representatives of industry. For example, Peter Grace is the chairman of the board of the American Institute.

Mr. RHODES. Is this a privately endowed organization or is it mainly set up by the labor movement in the United States?

Mr. ROGERS. As to its financing, the labor movement and businesses in the United States contribute to it.

Mr. RHODES. Could you furnish for the record the method of financing this organization?

Mr. ROGERS. Yes, sir.

(The information supplied follows:)

Private financing for American Institute for Free Labor Development

	Calendar year 1962	Calendar year 1963
Corporation and foundation contributions	$133,500	$148,934.08
AFL–CIO labor organizations	110,050	139,200.00

Mr. RHODES. It says on page 358 that contributions to the center by local union and business enterprises are expected to be about $10,000 in fiscal year 1965. I suppose by local you mean Uruguayan?

Mr. ROGERS. That is correct.

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

VENEZUELA

TOTAL AID PROGRAM

Mr. PASSMAN. The next country in this area is Venezuela. What has been the total aid program for Venezuela since the inception of the program?

Mr. ROGERS. $345.3 million.

PUBLIC SAFETY PROJECT

Mr. PASSMAN. Last year you requested $225,000 for the public safety project on page 370; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you allocate to this project in fiscal 1964?

Mr. ROGERS. $265,000.

HOUSING AND URBAN RENEWAL PROJECT

Mr. PASSMAN. How much did you request last year for the housing and urban renewal project on page 371?

Mr. ROGERS. $75,000.

Mr. PASSMAN. How much did you allocate?

Mr. ROGERS. $98,000.

Mr. PASSMAN. I shall dispense with asking any further questions on Venezuela and yield to the gentleman from Kentucky, Mr. Natcher.

INTERNAL SECURITY AGENCIES

Mr. NATCHER. I notice in the justifications that you have a statement to the effect that the internal security agencies in Venezuela are being assisted to improve their capabilities to maintain law and order. I wonder if you would amplify that just a little bit.

Mr. MANN. I can speak to that, sir. As you know, there was organized in Venezuela, supported from Cuba, a band of terrorists, guerrilla types, Communists. They operated in the capital city of Caracas. They operated in the West, and recently they have spread to the East.

You probably know that an arms cache from Cuba was discovered planted on Venezuelan beaches. The terrorist plan, supported by Castro, complete with a map, was found on the person of one of the conspirators. This matter was investigated recently by the OAS and condemned publicly.

We have been assisting the Venezuelans to cope with this thing both in their police force and with their armed forces, training police, and assisting them in the acquisition of equipment.

Also, I believe we are helping improve police capabilities in crime detection and prevention through typical police training comparable to what we have here.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

STATUS OF LOW-INTEREST LOANS

Mr. RHODES. Thank you, Mr. Chairman. I note there are three loans which are still in the book here. One was made in 1961, Central Home Savings, 4 percent, repayable in U.S. dollars. One made in 1962 to supervise agricultural credit, three-fourth of 1 percent payable in U.S. dollars. One was made in 1962 for low-cost housing and municipal improvement, $30 million, three-fourths of 1 percent repayable in U.S. dollars.

This is a fairly wealthy country, as I understand it. Why do we make these loans at rates of interest which are certainly much less than realistic?

Mr. ROGERS. I think the basic quick answer, Mr. Congressman, is that these were identified—supervised agricultural credit and low-cost housing and municipal improvement—as important target areas for institution building. This is where we thought Venezuelan society and economy and ways of doing business needed fundamental assistance. It was essential to get additional credit in the agricultural field to support land reform which is going forward, which has distributed land to some 56,000 titles, I think, as of the last number we had, and to get an effective supervised agricultural credit system working.

The low-cost housing area is far more than and quite different from merely building low-cost housing projects. It is designed to create institutions, including a nationwide foundation which will lead to the generation of very substantial resources on the part of the economy, the growth of local community institutions which will lead to better city planning, improved slum clearance, and expanded low-cost housing. That is the basis reason for these terms.

THRUST OF CREDIT PROGRAM IN VENEZUELA

Mr. RHODES. I note there are no loans for economic development as such, and very little in the grant category, which would seem to indicate that there is much in the way of interest in economic development. I submit to you, Mr. Rogers, that a person can starve to death or become a Communist, or something like that, in a low-cost public housing project as well as he can in a hovel if he does not have a job. Is it not true that one of the main problems in Venezuela is unemployment?

Mr. ROGERS. Yes, sir.

Mr. RHODES. People are moving into the cities, becoming public charges, and not going back to the farm. I suppose the thrust of your loan program on agricultural credit is to try to get people to either stay on the farm or go back, which I would say is in the right direction.

Mr. ROGERS. Yes.

Mr. RHODES. What is Venezuela doing for herself or what are we doing to help her in the other spigots in the matter of industrial development or job production?

Mr. ROGERS. I might say this quickly. The low-cost housing and municipal improvement project we discussed is not public housing as such in the old style Venezuelan pattern. It is an emphasis on community development and a cooperative kind of program. It varies from community to community.

Mr. RHODES. I wonder if you are getting the cart before the horse.

Mr. ROGERS. Your question is quite right. I think the quick answer to that is as follows: In terms of overall industrial production Venezuela is an outstanding country in Latin America right now in terms of the health of the private sector and its attraction for domestic and foreign investment at more commercial terms in the industrial area.

The industrial production index I think you will find is up substantially.

We did not feel that as far as Venezuela is concerned we ought to be providing resources for an area of the economy which in effect was now pretty much self-generating, the industrial area.

Mr. STERNFELD. The World Bank is making some very sizable loans, which is going to help them in the more productive field. Mr. Linder, of the Export-Import Bank, who was down there last year, was asked by the Government of Venezuela to look at the steel operation. They are a very sound risk for hard terms.

Mr. RHODES. That is my point. I do not know why we continue to dally with this fantasy of three-fourths of 1 percent interest.

Mr. STERNFELD. As you will notice in the book, we are not expecting that we will be making low-interest loans to Venezuela in the future.

Mr. RHODES. I would hope not. That is the point I am trying to make. I certainly hope you do not make any more like this. I do not think it is necessary.

Mr. STERNFELD. We share that view.

Mr. ROGERS. That is correct.

Mr. RHODES. Thank you.

TOTAL AID PROGRAM—WORLDWIDE

Mr. PASSMAN. Mr. Controller, would you make available to the committee about 25 of these sheets, if you have them already mimeographed, showing that we will be disbursing aid in fiscal 1965 in 99 nations plus 9 territories, or a total of 108 nations and territories?

Mr. TENNANT. Yes, sir; that is one of the inserts, is it?

Mr. PASSMAN. This is for the committee from Mr. Bell's testimony—an insert at page 1664.

I have stated that correctly. We will be disbursing some type of aid in 99 countries and 9 territories in fiscal 1965?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. A total of 108. Would you furnish 25 copies so other members of the committee may have them?

Mr. TENNANT. Yes, sir.

PARAGUAY

STATUS OF DELINQUENT LOANS

Mr. PASSMAN. Did you get that information from downtown on Paraguay?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. How much was the amount of interest they were delinquent? Give us the total amount of delinquency, both principal and interest, at the time you suspended the disbursement.

Mr. ROGERS. In July we suspended disbursement on account of a delinquency which included $20,000 of principal, $39,014 of interest.

Mr. PASSMAN. A total of how much was delinquent?

Mr. ROGERS. $59,014.

Mr. PASSMAN. $59,014 on a loan in the amount of what?

Mr. ROGERS. 7.1.

Mr. PASSMAN. $7,100,000?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. With only half of the loan disbursed, less than half disbursed; is that correct?

Mr. ROGERS. I think that is correct.

Mr. PASSMAN. And that to be paid in local currency?

Mr. ROGERS. That is correct.

Mr. PASSMAN. That is quite an inducement to get that $54 million more to come, is it not? I want to be completely fair about this. I can see sufficient inducement for them to get up $59,014 in order to get you to turn loose an additional $54 million.

AID EXPENDITURES IN PARAGUAY DURING PERIOD OF LOAN DELINQUENCY

Did you find out how much other aid we had disbursed during that same period, Mr. Comptroller?

Mr. TENNANT. This loan was delinquent from July 1963 to September 1963, $1,024,922.

Mr. PASSMAN. That makes a good enough record.

Mr. TENNANT. There is a point on those disbursements, Mr. Chairman. Part of those disbursements are the salaries and expenses of technicians we have in Paraguay.

Mr. PASSMAN. You can put a breakdown in the record. The record is rather replete.

(The information follows:)

Expenditures in Paraguay, period July 1 through Sept. 30, 1963

Development grants:	
Participants	$23,000
Technicians	124,000
Other (contracts, commodities, etc.)	182,000
Total	329,000
Inter-American social and economic program	149,000
Development loans	547,000
Total	1,025,000

British Guiana

TOTAL AID

Mr. Passman. The next country in this area is British Guiana. What has been the total aid to this country since the inception of the program?

Mr. Rogers. $5.3 million.

Mr. Passman. Do you have any unliquidated funds to the credit of this country?

Mr. Rogers. $1,831,000.

Mr. Passman. Is Jagan, who is, shall we say, a little left of center, still in the country?

Mr. Mann. Yes, he is in the country.

Mr. Passman. What is his position?

Mr. Mann. British Guiana politically does not come in my Bureau, sir.

Mr. Passman. I will not pursue it.

PROGRAM FOR BRITISH GUIANA, 1965

Do you have any program planned for British Guiana in fiscal 1965?

Mr. Rogers. $100,000 for technical support.

Mr. Passman. I want to say one thing for you people, you are really enthusiastic, that everything is going to work out to the good. It does not seem to make any difference whether it is a Communist country, or a country controlled by Communist-inclined people, and I say that in a Christian attitude.

Is this an independent nation or a British possession?

Mr. Mann. It is a British colony.

NECESSITY FOR ACQUIRING BRITISH APPROVAL OF U.S. AID PROGRAM

Mr. Passman. Did we have to get Great Britain's permission before we could start this AID program in Guiana?

Mr. Rogers. Mr. Chairman——

Mr. Mann. The answer is "Yes."

Mr. Passman. Was there any difficulty in getting that permission?

Mr. Mann. ———.

Mr. Passman. Thank you.

Mr. Rogers. Mr. Chairman, as Mr. Mann indicated, this program puts heavy emphasis on bringing 25 British Guianese to the United States for training in agriculture, health, labor, and public administration.

Mr. Passman. Are they striking for their independence, now?

Mr. Mann. Well, certainly the time will come when they will be independent. This is why we are having this training program.

Mr. Passman. But at this time, the small program in British Guiana, is by the permission of the British.

Mr. Mann. That is correct, sir.

Mr. Passman. I have no further questions on British Guiana.

Mr. Natcher.

Mr. Natcher. No questions.

Mr. PASSMAN. Mr. Rhodes?
Mr. RHODES. I have no further questions.

JAMAICA

Mr. PASSMAN. The next area in this country is Jamaica. When did they gain their independence?
Mr. MANN. 1962, I believe, Mr. Chairman.

TOTAL AID

Mr. PASSMAN. What has been the total aid program to Jamaica?
Mr. ROGERS. $28.6 million.
Mr. PASSMAN. What do you have unliquidated to the credit of this country?
Mr. ROGERS. $6,684,000.
Mr. PASSMAN. What is the population of this country?
Mr. ROGERS. 1.7 million people.

COMMUNITY WATER SUPPLY CONSTRUCTION PROJECT

Mr. PASSMAN. How much did you request last year for the community water supply project on page 385?
Mr. ROGERS. $100,000.
Mr. PASSMAN. How much did you allocate?
Mr. ROGERS. $110,000.
Mr. PASSMAN. You people must have had a tough time obligating that extra money? You had to drop in a little here and a little there, to get it all obligated.
Mr. ROGERS. We went down in industry and mining.
Mr. PASSMAN. You went down only because you didn't need it, according to your original testimony.
How much do you anticipate this project is going to cost to complete?
Mr. ROGERS. $623,000.
Mr. PASSMAN. When will it be completed?
Mr. ROGERS. 1966.
Mr. PASSMAN. How firm is that date and estimate?
Mr. MANN. I wouldn't make it too firm.
I am not certain, sir, myself. I wouldn't want to give you a firm date.

TRINIDAD AND TOBACO

TOTAL AID

Mr. PASSMAN. The next program is Trinidad and Tobago.
What has been the total aid to this country? They do have their independence now?
Mr. MANN. Yes, sir.
Mr. PASSMAN. What is the total amount of aid?
Mr. ROGERS. $39.7 million.
Mr. PASSMAN. How much is unliquidated to their credit?
Mr. ROGERS. $11,893,000.
Mr. PASSMAN. When did they gain their independence?
Mr. ROGERS. 1962.

Mr. PASSMAN. What is the population?
Mr. STERNFELD. 900,000.
Mr. PASSMAN. Is this a former British possession?
Mr. ROGERS. Yes.
Mr. PASSMAN. How much has been allocated to date to Trinidad to partially fund our $30 million commitment for base rights?
Mr. STERNFELD. It started in 1963.
Mr. ROGERS. The total is $15 million, under that arrangement, sir.

REQUEST FOR 1965

Mr. PASSMAN. What are you requesting for fiscal year 1965?
Mr. ROGERS. There will be ——— million.
Mr. PASSMAN. These people that we are aiding so substantially—countries and former possessions of present allies—do they realize it is for their own security that we are making these expenditures, as well as that of our country?
Mr. MANN. I think actually many people do, sir.
Mr. PASSMAN. Why do we have to pay such a tremendous price, then, to get these people to permit us to help set up a security system that insures their freedoms? Have you ever thought about that?
Mr. ROGERS. Yes.
Mr. PASSMAN. I shall dispense with any further questions on Trinidad and the base rights program.
Mr. Rhodes.
Mr. RHODES. Mr. Chairman, what is the economic outlook for this small nation?
Mr. MANN. ———.
Mr. RHODES. What are these people ethnically?
Mr. MANN. Half East Indian and half Negro; maybe 60–40, in one direction or the other.
Mr. RHODES. I think that is all.
Mr. PASSMAN. Thank you, Mr. Rhodes.

LATIN AMERICAN REGIONAL PROGRAM

The next program is the Latin American regional program, for which the estimate for fiscal year 1965 is $14,200,000; is that correct?
Mr. ROGERS. That is correct, Mr. Chairman.

UNLIQUIDATED BALANCE

Mr. PASSMAN. What do you have in the regional program pipeline?
Mr. ROGERS. $25 million.

USE OF REGIONAL PROGRAM TO SUPPLEMENT COUNTRY PROGRAM

Mr. PASSMAN. The regional program is something that can be used to supplement country programs in the area; is that correct?
Mr. ROGERS. It funds projects which apply to more than one country.
Mr. PASSMAN. Is that a statement of fact, that the regional program supplements your country programs?
Mr. ROGERS. Yes, that is true.

Mr. PASSMAN. We mentioned yesterday a kitty of $32 million, whereby you could supplement the regular programs of eight countries. Would those eight countries also be eligible for an allocation out of your regional program?

Mr. ROGERS. That was lending, Mr. Chairman.

Mr. PASSMAN. "Lending" according to our interpretation. To me, it is all foreign aid.

You have country programs in your books, and you say, "We want this for these countries." Out of the kitty we discussed yesterday you had $32 million in a development credit program from which these eight countries could receive an allocation? That is correct, is it not?

Mr. ROGERS. Yes, that was for last year.

Mr. PASSMAN. That was the estimate for the kitty, of course?

Mr. ROGERS. That's right.

Mr. PASSMAN. In addition you have the Latin American regional program?

Mr. ROGERS. That is correct.

Mr. PASSMAN. The same eight countries that received an allocation out of the $32 million kitty can also receive an allocation out of the regional program; is that correct?

I believe you have already answered in the affirmative, Mr. Secretary.

Mr. MANN. The regional program supplements our total country effort.

Mr. PASSMAN. That is good enough.

So, in reality, when you consider what is going into a country, it is necessary, then, to find out what they are getting out of the region program and what they are getting out of the $32 million kitty as it would apply only to these eight countries to get the grand total; is that correct?

Mr. ROGERS. I think that is right.

Mr. PASSMAN. Thank you.

NATIONAL FARMERS UNION PROJECT

Page 395 indicates the National Farmers Union contract, which was scheduled to terminate in 1965 has been extended for an additional year with the result of an increase of $165,000 in the cost of the project; is that correct?

Mr. ROGERS. That is correct, sir.

RURAL DEVELOPMENT TRAINING SERVICES PROJECT

Mr. PASSMAN. Last year you requested $300,000 for the rural development training project at page 396?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you allocate to the project?

Mr. ROGERS. $500,000.

FREE LABOR DEVELOPMENT PROJECT

Mr. PASSMAN. Last year you requested $850,000 for the free labor development project at page 399; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much have you allocated to this project in fiscal year 1964?

Mr. ROGERS. $1,016,000.

Mr. PASSMAN. I note the life of the project has been extended by 2 additional years; is that correct?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. What additional cost is involved in this extension?

Mr. ROGERS. $1,674,000 is the estimated cost at completion over and above what we said it would cost last year.

Mr. PASSMAN. As a passing statement, Mr. Moscoso said last year that the total cost of the project would be $5 million.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. Mr. Rhodes.

Mr. RHODES. I have no questions, Mr. Chairman.

PAN AMERICAN HEALTH ORGANIZATION

Mr. PASSMAN. Does the Pan American Health Organization receive assistance from other U.S. appropriations?

Mr. ROGERS. Yes, sir.

Mr. RHODES. Yesterday I asked you for a report on the magnitude of the contracts globally with the National Farmers Union and the co-ops. Would you include the AIFLD?

Current funding allocations for AIFLD contract services from fiscal year 1964 funds

[In thousands]

Regional: Worker education and social projects	$1,216
Country funding (through amendments to regional contract):	
Argentina	24
Bolivia	[1] 50
Brazil	120
Chile	30
Colombia	90
Dominican Republic	68
El Salvador	[2] 6
Nicaragua	([3])
Uruguay	75

[1] Local expenses for training.
[2] Direct contract for worker education.
[3] Small contract amendment for training.

AID efforts to provide training for Latin American labor leaders and to assist labor unions in the development of social projects are carried out principally through the regional contract with the American Institute for Free Labor Development. A regional training center in Washington provides the core of the participant training. When additional services for in-country training are approved for individual AID country programs, they are furnished under amendments to the regional AIFLD contract.

Mr. ROGERS. Yes.

PUERTO RICO COOPERATION PROJECT

Mr. PASSMAN. I note you have allocated $566,000 to the Puerto Rican cooperation project on page 402; is that correct?

Mr. ROGERS. That is correct.

Mr. PASSMAN. How much did you request for this project last year?

Mr. ROGERS. $340,000.

Mr. PASSMAN. You requested $340,000, but you allocated $566,000?
Mr. ROGERS. Yes, sir.
Mr. PASSMAN. Did you extend the life of the project?
Mr. ROGERS. No, sir

REGIONAL SCIENTIFIC PROGRAMS PROJECTS

Mr. PASSMAN. The records indicate you have allocated $300,000 for the regional scientific program project on page 404, which was started in 1964; is that correct?
Mr. ROGERS. That is correct.
Mr. PASSMAN. Did you justify any funds for this project last year?
Mr. ROGERS. No; we did not, sir.
The reason, of course, was because it was initiated after last year's book was prepared.
Mr. PASSMAN. I knew there would be some reason, weak though it may be.

COST TO COMPLETION

What is the projected completion cost?
Mr. ROGERS. $1,085,000.
Mr. PASSMAN. The completion date?
Mr. ROGERS. 1966.
Mr. PASSMAN. This is primarily contract services?
Mr. ROGERS. Yes, sir, that is true.
Mr. PASSMAN. With what organizations?
Mr. ROGERS. It is with the Latin American Science Board, established by the National Academy of Sciences. The agreement is between the National Academy of Sciences and the AID.

AGENCY POSITION VIS-A-VIS ADHERENCE TO PROGRAM JUSTIFIED BEFORE CONGRESS

Mr. PASSMAN. Do you think this program would be successful if you had some way, even though it is on an illustrative basis, of living with at least the illustrative programs until you come back before the Congress? I want to address that question to the Secretary: Since we have about 4,000 prime and subprojects, I wonder if it would make a better program if you would live with what you justified, even though it is on an illustrative basis?
Perhaps you could give some thought to such a procedure?
Mr. MANN. Yes, sir. We are going to stay as closely as we can to the programs we have presented to you.
Mr. PASSMAN. I think you are destroying the program. It may not fall this year, but this program is going to fall if some of the looseness is not removed. When you have illustrative projects we can ask questions and get some general idea as to your program, but there are too many projects all over the world that are started where there has been no indication to Congress that any such project would ever be started.
It would appear you could wait a few more months and at least give the Congress some illustrative type of justification before you initiate these new projects.

Would you like to see the program tightened up to that point, Mr. Rogers?

Mr. ROGERS. I think we are close to that point now, Mr. Chairman. As we tried to indicate, projects not previously justified to the Committee make up only a very small proportion of the projects presented in this year's book.

Mr. PASSMAN. I don't think you are anywhere near it.

We are only examining on some of the projects in your area, but you have many projects in almost every section of the world—and of course, many of them will cost millions of dollars—that have been started without a single word of justification to the Congress.

I hope that someday this thing can be tightened up to where if you don't have a line item bill or a regional bill, at least you can live by the projects that are actually in the books, unless there was some unusual emergency. I have yet to run into a project that couldn't wait at least a few more months to be presented to the Congress before it is started. I hope you give some thought to that possibility.

Mr. MANN. The new elements we really can't foresee now are Brazil and Chile and they are both important.

Mr. PASSMAN. The President wants to start a war on poverty, and he wants medicare. He wants to start the very same things that you are carrying out under this program, but he is prevented from doing that. It takes an act of Congress. Do you follow me? I don't care how badly the President of the United States wants a project for America, the law precludes him from starting that project until he can get an authorization and an appropriation.

CENTER FOR ECONOMIC AND MONETARY STUDIES

Last year you requested $50,000 for the Center for Economic and Monetary Studies project on page 406, did you not?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. How much did you allocate to this project in 1964?

Mr. ROGERS. $130,000.

INTER-AMERICAN POLICE ACADEMY

Mr. PASSMAN. The Inter-American Police Academy project at page 407 indicates that it has received an allocation of $835,000 in fiscal year 1964; is that c orrect?

Mr. ROGERS. That is correct?

Mr. PASSMAN. What did you request for this project last year?

Mr. ROGERS. $525,000.

Mr. PASSMAN. Last year, Mr. Moscoso indicated the total cost of the project at completion would be $4 million. What is the current estimate?

Mr. ROGERS. $5,581,000.

Mr. PASSMAN. What is the cost of operation of your temporary police academy in the Canal Zone, what is the anticipated cost of moving, and the annual cost of operation after you move to the Harlington Air Force Base?

Mr. ROGERS. We will have to supply that. However, I think we ought to now correct the record. Since the book has been printed, a decision has now been made, in part for reasons of economy, that this academy will be located here in Washington.

Mr. RHODES. In existing facilities?

Mr. ROGERS. Yes, sir.

Mr. STERNFELD. It is on M Street, here. It is where the International Police Academy is.

(The information supplied follows:)

OPERATING COSTS OF INTER-AMERICAN POLICE ACADEMY, FISCAL YEAR 1964 AND FISCAL YEAR 1965

The operating cost of the Inter-American Police Academy at Fort Davis, Canal Zone, is estimated at $940,000 in fiscal year 1964 and is programed at $906,000 for fiscal year 1965 as follows:

	Present location
Instructors	$350,000
Buildings and utilities	146,000
Food service contract	175,000
Staff quarters maintenance	13,000
Commodities	24,000
Transportation of students	135,000
Other local equipment and supplies	62,000
Total	906,000

In the third quarter of fiscal year 1964, the IAPA was relocated to its present site in Washington, D.C. The operating costs of the IAPA at the Washington site will remain at approximately $900,000 primarily because of (1) an increase in student per diem made necessary by the phasing out of the food service and quarters rental contracts, and (2) an increase in the curriculum and course length from 12 to 16 weeks effective May 1964. Thus, although the total costs of the IAPA will not decline, the unit cost per week of training has been reduced by 25 percent.

OVERSEA EDUCATION FUND OF THE LEAGUE OF WOMEN VOTERS

Mr. PASSMAN. Did you request or justify the $37,000 that you have allocated for the Oversea Education Fund of the League of Women Voters?

Mr. ROGERS. This was part of the seminars and workshops project and the component for it in that project last year was——

Mr. PASSMAN. Get your records straight, gentlemen.

Mr. ROGERS. It was part of the seminars and workshops project.

Mr. PASSMAN. Did you allocate $37,000 to the Oversea Education Fund of the League of Women Voters?

Mr. ROGERS. Yes, sir, we did.

Mr. PASSMAN. Did you justify that allocation last year for the League of Women Voters?

Mr. ROGERS. No, sir.

Mr. PASSMAN. Is it true, that this year the prior reference for this project is a project known as seminars and workshops in last year's justifications and there is nothing mentioned about the League of Women Voters?

Mr. ROGERS. It indicated we were going to be working on seminars and workshops specifically with respect to the role of the women in economic development in Latin America.

Mr. PASSMAN. Do the League of Women Voters fall in that category?

Mr. ROGERS. The Oversea Education Fund certainly does.

Mr. PASSMAN. In other words, this project is broad enough to do just about whatever you want it to?

Mr. RHODES. Is the Oversea Education Fund a contractor?

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I would have expected this project to have won that award. But you do have League of Women Voters projects in America, and I thought possibly somebody would think of that, but now you have been blocked from winning the prize.

WELLESLEY INSTRUCTION PROGRAM

Are you teaching these women agriculture, or what are you teaching them, at Wellesley College?

Mr. ROGERS. This is not an agricultural training program there, Mr. Chairman.

Mr. PASSMAN. You may have the DAR included in this next year, I wouldn't know. It is a fine organization.

Mr. ROGERS. It is primarily a program for civic training at the Leadership Institute up at Wellesley.

We recognize that the Latin American women must play an active role in leadership and democracy.

Mr. PASSMAN. I will not prolong your agony.

You did allocate $37,000 for the Oversea Education Fund of the League of Women Voters; is that correct?

Mr. ROGERS. That is correct.

FISCAL YEAR 1965 PROGRAM

Mr. PASSMAN. How much do you have in the estimates for the League of Women Voters next year?

Mr. ROGERS. $120,000 for 1965.

Mr. PASSMAN. From little acorns big trees grow; is that right?

Mr. ROGERS. Yes, sir.

Future year obligations after fiscal year 1965 will be $324,000.

Mr. PASSMAN. Provided you get the money.

Mr. ROGERS. Yes, sir.

Mr. PASSMAN. I am dealing with the League of Women Voters. It is a great organization, and I mean that sincerely.

Mr. RHODES. Would you furnish us a copy of your contract with the Oversea Education Fund for the committee?

Mr. ROGERS. Yes.

(A copy of the contract was supplied to the committee.)

DEVELOPMENT ASSISTANCE FUND

Mr. PASSMAN. I note your budget estimate of $450,000 for the development assistance fund project on page 413, represents the consolidation of two projects contained in the presentation book last year. However, one of the projects was scheduled to terminate in fiscal 1964, and the total cost of the other project, the OAS technical cooperation project, was estimated to be $29,100,000. Is that correct?

Mr. ROGERS. Yes, Mr. Chairman.

Mr. PASSMAN. You have increased the completion cost, have you not, from $29.1 to $38.8 million?

Mr. ROGERS. That is correct, Mr. Chairman. Part of this represents a contribution to a multilateral fund which will pick up some activities that we had been funding all by ourselves up until now.

Mr. PASSMAN. Don't let these other countries pick up any more, then.

Mr. ROGERS. No?

Mr. PASSMAN. If their picking up a part of it adds about 25 percent to what we have to give stop them now. That is what you said, that the increase is brought about by the fact that some of the others are picking up part of the tab now.

Mr. ROGERS. There will be a multilateral fund to which the other participating countries make contributions.

Mr. PASSMAN. I thought that would cause our contribution to go down, not up. I hope I have not been that far off base all these years.

How much of this estimate is in support of information activities of the national committees in Latin America?

Mr. ROGERS. This past year?

SUPPORT OF INFORMATION ACTIVITIES

Mr. PASSMAN. No. Dealing with this project in 1965 and future years. How much of this estimate is in support of information activities of the national committees in Latin Amercia?

Mr. STERNFELD. Mr. Chairman, this particular grant of $4.5 million will be the U.S. contribution, two-thirds of the total fund to be acted on by the Inter-American Economic and Social Council in November of this year when they meet in Lima, Peru. Two-thirds of that fund will be the U.S. contribution. They have not yet acted on their total budget for calendar year 1965. We could not give you the exact amount that the Inter-American Economic and Social Council will allocate to the information program in 1965.

Mr. PASSMAN. How much are they going to allocate to the total budget?

Mr. STERNFELD. $7 million.

Mr. PASSMAN. How do you know that?

Mr. STERNFELD. They agreed last year to work within the total of a $7 million budget.

Mr. PASSMAN. Then you should be able to tell me what the estimate will be for the information activities of the national committees.

Mr. STERNFELD. You mean how we would break out the $7 million budget of the Inter-American Economic and Social Council?

Mr. PASSMAN. That is right. My question is, How much of this estimate is in support of information activities of the national committees in Latin America?

Mr. STERNFELD. This $4.5 million will be support for the total $7 million budget, Mr. Chairman. For us to tell you how much of that will go toward information, we would have to go look in the budget and see how much they are going to put in, and then calculate two-thirds—which could then be attributable to our contribution.

Mr. PASSMAN. I know just a little bit less about it than when I asked the question. Thank you.

Mr. STERNFELD. All right.

USIA ACTIVITY IN ALLIANCE FOR PROGRESS

Mr. PASSMAN. What is the USIA responsibility for information with respect to the Alliance for Progress program?

Mr. ROGERS. The USIA's fundamental responsibility is to talk about what happens in the United States. They do information work with respect to U.S. activities in support of the Alliance for Progress.

Mr. PASSMAN. Have you a fund to reimburse them for expenditures they make in behalf of the AID?

Mr. ROGERS. In behalf of the AID, no, we do not reimburse them.

COST OF IDB BOARD OF DIRECTORS' ANNUAL MEETING

Mr. PASSMAN. Mr. Secretary and Mr. Rogers, as we think of the Latin American program we have to think of the total program. Sometimes we get into areas where you have no direct jurisdiction, but you certainly have an interest. I stated for the record previously the extravagance of the Board of Directors of the Inter-American Development Bank. They had a meeting in Rio de Janeiro in 1961—I think it was a 1-week clambake—prior to the time they had disbursed a dime or earned a single dime in interest. I guess they spent the money for this party out of their capital. They spent $143,558 in 1 week. Their representation allowance alone amounted to $17,740.

Mr. RHODES. Would you yield at that point for a correction. The money they spent came from the interest which was paid them by the U.S. Government on bonds which they held because the U.S. Government prepaid the capital assessments when it did not have to do so. In other words, not only did we contribute capital, but we also borrowed the money back and paid interest on it.

Mr. PASSMAN. The gentleman made a factual statement. It shows how ridiculous some of these programs can be. At least, they had not made any disbursements or collected any interest on any loans made to any of the political subdivisions or individuals in Latin America, the area which they cover. Is that a statement of fact?

Mr. RHODES. That is true.

Mr. PASSMAN. In 1962, they repeated, except that this time the meeting cost was $225,000, with a representation allowance of $20,535.

May I ask the Controller if he is in possession of any figures as to what this little clambake cost in calendar year 1963?

Mr. TENNANT. I do not have those figures here today.

Mr. PASSMAN. Would you get it for the record, even though it is not in your area?

Mr. ROGERS. $193,971, including $15,617 for representation.

Mr. PASSMAN. Now let us get the same thing for 1964.

Mr. ROGERS. It is a budget only.

Mr. PASSMAN. Have they not had the meeting already?

Mr. ROGERS. Yes; the meeting was in April in Panama.

Mr. PASSMAN. Have you reached the point now that you can make this final?

Mr. ROGERS. No; we will check it with the Bank.

(The information supplied follows:)

Actual expenses of Panama meeting of IDB Board of Governors, 1964

Current year:	*Actual 1964 expense through May 26*
Travel expense	$83,748
Representation	14,047
Local personnel	28,693
Publications and printing	-------
Supplies and equipment	1,017
Hotel deposits	1,150
Freight	5,916
Miscellaneous	5,839
Contingencies	-------
Total	[1] 143,716

[1] In addition to the above, there are approximately $14,000 in committed funds to be subsequently disbursed.

Mr. PASSMAN. Could you tell us how long the meeting lasted this time?

Mr. ROGERS. One week—Five days.

Mr. RHODES. Where did you say it was held?

Mr. ROGERS. Panama.

Mr. PASSMAN. You said it was only 5 days?

Mr. ROGERS. Monday through Friday.

Mr. PASSMAN. Thank you very much.

Mr. Rhodes, the regional program?

Mr. RHODES. No further questions, Mr. Chairman.

Mr. PASSMAN. I think of this committee, Mr. Secretary, as more or less a board of directors of a bank receiving applications for loans. If it were not so, there would be no need to have this committee, because we must base our recommendations upon your justifications. We say justifications to prove the merit of the project. Do you understand it that way, Mr. Secretary and Mr. Rogers?

Mr. MANN. I understand that this Congress, and this committee particularly, have responsibility for passing on appropriations of this kind, sir, and that you want all the information you can get to help you make a wise decision.

Mr. PASSMAN. We could not make what we would call a sensible and wise decision without interrogating to find out something about the merits of the projects. Would you agree with that?

Mr. MANN. We understand that, sir.

Mr. PASSMAN. You understand it, but do you agree?

Mr. MANN. I agree with that, sir. That is our system, and I think it is a very good system.

Mr. PASSMAN. I think it is a good system, and I am glad you feel that way.

I believe that I asked Mr. Rogers a question a few days ago, maybe yesterday, and he gave me a very honest answer. We were in some particular nation and I said:

> Mr. Rogers, the ramifications of these projects and the number of them are so great that it would take several weeks actually to do a fair job of getting into all the details pertaining to the projects.

And I believe, Mr. Rogers, you answered in the affirmative, did you not, that it would take the time that I stated to examine in detail on the projects?

Mr. ROGERS. Yes; you asked me how long it would take for the committee to do a fair job.

Mr. PASSMAN. And you said several weeks.

Mr. ROGERS. I said at least several weeks for this committee to do a fair job.

Mr. PASSMAN. I wonder if you would concur, Mr. Secretary?

Mr. MANN. Yes, sir; I would.

DIFFICULTIES ENCOUNTERED IN EXAMINING ILLUSTRATIVE FACETS OF THE FOREIGN AID PROGRAM

Mr. PASSMAN. If it would take several weeks to do a fair job of examining the projects in 1 nation—and you are very fair about it—you can imagine the extreme difficulty this committee would have in examining on projects in 99 nations and 9 territories of the world, when you have over 4,000 prime projects and subprojects.

I wanted to close the record by indicating how impossible a job it is to know as much as we should know about this program as long as it is on the present basis. It is on an illustrative basis. It is world-wide. You can transfer funds from one corner of the earth to another. I just feel that possibly I have not been as thorough as I should be, but it is not my fault. These are my words, and I do not expect you to agree. We just do not have sufficient time to ask questions to offset the propaganda that is being circulated about the tightness of the budget request this year. I think I could blow it out of the water and it would make Glenn's highest point in orbit look low, but time will not permit. However, I will do my very best.

Mr. RHODES. Mr. Chairman, I should like to associate myself with your remarks. You have made a very fair statement, Mr. Secretary, that it is impossible for us to know with certainty what this program is to be or is to accomplish in the succeeding year. We can get a fairly accurate picture in retrospect, but we are somewhat like that bird which flies backward all the time. We know where we have been, but we sure don't know where we are going.

This is no fault of yours. It is the fault of the Congress. The Congress set up this legislation. I do not think there has been a legislative program in the history of the Republic which has so completely surrendered congressional control. It shows the goodness of our heart and our great desire to get along with the peoples of the world. But the time has certainly long since passed that this Congress should exercise some prospective control as well as retrospective audit.

Really, this is an auditing committee. When we appropriate, we almost take the dollar request at face value. We have no choice. To me, it is an almost impossible job, because of the illustrative nature

of the justifications. The best we can do is to get a feel as to the type of program you envision today. Tomorrow you may have different ideas.

This is certainly no reflection on anybody in the program. I think you are all honest men. I do not think there is any doubt about it. I just feel we should all work together to try to make some sense out of it.

Mr. PASSMAN. I want to thank the distinguished gentleman from Arizona. As the curtain is drawn on the examination for Latin America, I want to assure you again that there is never anything personal about the way I interrogate. I occasionally attempt to be a little humorous. It may well be in the future I will have to dispense with that part of the proceedings, because if I make what is intended to be a perfectly humorous and I might say affectionate statement about some person that I like, like I did about the President pulling his dogs' ears, somebody takes it seriously and they tip the press off that I referred to the President as Vice President Johnson. He was Vice President before he became President, if I am not mistaken.

Mr. RHODES. And it is a pretty honorable job.

Mr. PASSMAN. Yes, it is an honorable job. If the time comes that I cannot make a humorous statement without some person indicating that it was not made in that spirit, then we are going to hear just the top echelon witnesses and we are not going to have people in the committee room making mental notes and written notes. If the time should come that I cannot occasionally be just a bit humorous in making a statement before the committee, it will be a pretty sad day.

I repeat what I have said a thousand times, that President Johnson, when he was a Senator, took a pretty hard position against the direction we are traveling, because he believed in trade and not aid. He made some rather strong statements as did his predecessor.

There has been nothing personal. I have never indicated anything but profound respect for these people who are running this program. I recognize them, of course, for what they are, and I will use everything that I have available in the limited time I have to study the program, to offset some of the propaganda that is put out and at the same time I will do my very best to be fair.

I am not talking about Latin America alone. I am speaking of the world as a whole. There is no violation of any law, but a violation of what a board of directors would accept as good faith if they were considering an application for a loan.

There is one thing particularly gratifying to me as an individual, and that is to have the assurance of the distinguished Assistant Secretary of State that he wants to make recommendations for Latin America that will make this a better program, and that he will give an attentive ear to those who may make recommendations which could better the program. I have said, and I shall say again, that this program must work for Latin America. If not this identical program, a similar program. Undoubtedly, those people realize we have no designs. All we want to do is to help them enjoy a high standard of living and to know freedom as freemen in America know freedom.

On that basis, I pledge to you my cooperation, and for my vote, I would never, never vote to give the President all that he has requested this year. But, undoubtedly, you know this is a committee of 12, and

this is about the most independent subcommittee you will ever appear before. They will make up their own minds before they vote. This subcommittee will move upon the basis of the facts. I think that is pretty nearly true for the House of Representatives.

We hope, Mr. Secretary, after the battle is over and the smoke has cleared, we can get together and have a chat.

Mr. MANN. We would like very much to, Mr. Cnairman, to get all of your ideas from your experience in these matters, and that of the other members of the subcommittee as well.

I do want to say the area for which I am responsible is in a period of change and transition, and that we do not say that the program cannot be improved. We do say that we need flexibility to meet situations as they arise. We do believe that especially with developments in Brazil, we are on the low side here as far as Latin America is concerned.

We believe this with great sincerity. We hope the committee will not cut us to the point that, in our opinion, we cannot get the job done which we think the national interest requires.

Mr. PASSMAN. May I make a promise as far as my vote is concerned, we will not cut you to that point.

Mr. MANN. Thank you, sir.

Mr. PASSMAN. But I think I should say for the record—and I do not mean to interpose my thinking unless you have finished your statement—that you do have transferability all over the world in the program, do you not? Even in Latin America, there is not a program that you are not ineligible for.

Mr. MANN. I believe in the regions we do have transferability, yes.

Mr. PASSMAN. It is completely worldwide between programs.

Mr. MANN. And between programs, yes, sir.

Mr. PASSMAN. Finally, do you feel, Mr. Secretary, that you have sufficient flexibility under your area appropriation?

Mr. MANN. Yes, sir; I think as the law now stands we have the flexibility we need.

Mr. PASSMAN. My apologies if I did interrupt. I thought you had finished.

Mr. MANN. I had finished, except to say that I want to thank all the members of this committee for the time and the interest they have taken, and say to you again that we are going to work hard to improve what we think is already a good program. We would appreciate your advice and counsel as we go along.

Mr. PASSMAN. I might say, if I may, that I am going to work to help make a good program out of what I figure is a very bad one.

TUESDAY, MAY 26, 1964.

PEACE CORPS

WITNESSES

SARGENT SHRIVER, DIRECTOR
WARREN W. WIGGINS, ASSOCIATE DIRECTOR FOR PROGRAM DEVELOPMENT AND OPERATIONS
WILLIAM JOSEPHSON, GENERAL COUNSEL
MAX MEDLEY, ASSOCIATE DIRECTOR FOR MANAGEMENT
HARRIS WOFFORD, ASSOCIATE DIRECTOR FOR PLANNING, EVALUATION, AND RESEARCH
DR. SAMUEL D. PROCTOR, ASSOCIATE DIRECTOR FOR PEACE CORPS VOLUNTEERS
NORMAN KARSH, DIRECTOR, BUDGET AND FINANCE
CHESTER R. LANE, DIRECTOR, DIVISION OF CONTRACTS

Object classification

[In thousands of dollars]

		1963 actual	1964 estimate	1965 estimate
	PEACE CORPS			
11	Personnel compensation:			
	Permanent positions	5,478	6,841	7,519
	Positions other than permanent	643	1,092	1,224
	Other personnel compensation:			
	Regular employees	1,233	1,480	1,639
	Peace Corps volunteers	4,572	7,787	12,393
	Total personnel compensation	11,927	17,200	22,775
12	Personnel benefits	4,784	12,375	14,300
21	Travel and transportation of persons	7,274	13,300	15,400
22	Transportation of things	1,766	3,200	3,700
23	Rent, communications, and utilities	1,418	2,250	2,500
24	Printing and reproduction	475	500	500
25	Other services	18,036	32,014	38,100
	Services of other agencies	4,729	7,800	8,300
26	Supplies and materials	1,652	3,250	4,600
31	Equipment	2,603	4,050	4,800
42	Insurance claims and indemnities	3		
	Total, Peace Corps	54,667	95,939	114,975
	ALLOCATION TO STATE, OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE			
25	Other services	25	25	25
	Total obligations	54,692	95,964	115,000

Personnel summary

	1963 actual	1964 estimate	1965 estimate
Total number of permanent positions	985	805	870
Full-time equivalent of other positions	90	279	315
Average number of all employees	859	1,052	1,163
Employees in permanent positions, end of year	872	800	870
Employees in other positions, end of year	238	350	380
Average GS grade	7.7	7.9	7.7
Average GS salary	$6,992	$7,504	$7,504
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve	3.9	3.9	4.1
Foreign Service Staff	7.6	7.5	7.6
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve	$12,501	$12,686	$12,271
Foreign Service Staff	$5,750	$5,859	$5,855
Average grade, positions established by the Director, Peace Corps	16.0	16.0	16.0
Average salary, positions established by the Director, Peace Corps	$17,131	$17,454	$17,454
Average salary of ungraded positions	$1,477		

Mr. PASSMAN. The committee will come to order.

We shall consider this afternoon the budget request for the Peace Corps. We have as a witness the Honorable Sargent Shriver, Director, and other supporting witnesses.

Mr. Shriver, I want to say to you that we tried to rearrange this meeting so you would not have to cancel out an appearance you had before another committee. We are trying to meet a predetermined date for reporting this bill fixed by the late chairman and endorsed by the present chairman. We have a holiday approaching, also, and I doubt if we will have any members here on Friday so we had no alternative.

Mr. Shriver, if you have a statement you would like to make to the committee, we shall be very pleased to hear from you now.

GENERAL STATEMENT

Mr. SHRIVER. Thank you very much.

May I start, Mr. Chairman, by expressing my thanks to you for the effort involved in trying to make the change and also for letting me know that I could be represented by another person. However, I felt it was important enough to be here personally.

Mr. PASSMAN. It is always important to have you before the committee and I am glad you could be with us.

Mr. SHRIVER. Mr. Chairman, thank you.

REDUCTION IN PRESIDENT'S REQUEST FOR FISCAL YEAR 1965

I am pleased to report that the Peace Corps has achieved savings which have enabled the President to reduce the funds requested from Congress for fiscal year 1965 by $8,850,000. Thus our request for appropriations has been reduced from $114,950,000 to $106,100,000.

In fiscal year 1964 we have effected about 6 percent savings in the 1964 appropriation through reductions in the costs for vehicles, housing of volunteers, supplies and equipment, transportation, improved contracting techniques, and medical costs—largely due to preventive medicine.

Our medical expenditures have been reduced substantially because of preventive medicine efforts as well as a reduction in illness and accidents below our estimates.

These savings, and others, have enabled us to reduce the average per annum cost of each Peace Corps volunteer from $9,000 in 1963 to $7,825 in 1965.

Host countries will contribute $2,700,000 in 1964 for such items as volunteer housing, living allowances, oversea staff space, furnishings, and personnel. This is $700,000 more than anticipated and represents an average of $450 per year per volunteer.

Of course, that is a worldwide average and covers countries like Nepal where the per capita income of the people is $51. The contribution in cash or in services to the U.S. Peace Corps——

Mr. PASSMAN. You are interpolating now?

Mr. SHRIVER. I am reading but I did interpolate.

Would you prefer——

Mr. PASSMAN. No.

However, I always compare the per capita figure with what you can buy with it, but I will get into that later.

Mr. SHRIVER. Fine.

CONTRIBUTIONS FROM HOST COUNTRIES

In Africa, host countries are presently contributing about 35 percent of in-country volunteer costs.

Other cost reductions include savings from cheaper printing and telephone arrangements, reduced allowances for baggage and personal effects, and from our decision to stop the shipment overseas at Government expense of staff members' private automobiles.

APPLICANTS AND PROJECTED VOLUNTEER STRENGTH

Our standards of selection for volunteers continue to go up. In the past 6 months, 29,000 Americans applied for Peace Corps service, compared to 18,000 during the same period last year. In order to accomplish this increasingly high standard of selection, we reduced our projected volunteer strength for August 31, 1964, from 10,500 volunteers to 10,000.

Our 1965 estimate may be summarized as follows:

[Thousands of dollars]

	1964	1965	Increase
Volunteer and project costs	67,100	85,250	+18,150
Administration and program support	19,900	20,850	+950
Total	87,000	106,100	+19,100

The increase of $19.1 million is to provide for a strength of 14,000 volunteers by August 31, 1965. Our savings will enable us to reach this, the President's target, while at the same time reducing the original budget estimate by 7.7 percent.

We expect to have an input of approximately 8,000 volunteers in 1965 as compared to approximately 7,200 volunteers in 1964. Applications through April of this fiscal year are running 51 percent over last, but we will be expanding the input of volunteers only by 11 percent.

While increasing volunteer strength from 10,000 to 14,000, we plan to increase our staff by only 130 to a total of 1,250 employees in Washington and abroad. This means an increase of volunteer strength by more than 300 percent between 1962 and 1965 with a staff increase of about 60 percent. In Washington we expect to have only 25 positions more than we had in June of 1963. The ratio of total administrative staff to total volunteers, which was 1 to 4.4 in the summer of 1962, will be 1 to 9 in the summer of 1964, and 1 to 11 in the summer of 1965.

VOLUNTEERS BY AREA

The largest increase in volunteer strength is planned for Latin America. We expect to have 5,900 volunteers on board for the American Republics by August 31, 1965. In Africa we plan to have 4,350 volunteers—1,400 over the previous year's level. We plan a growth of 550 volunteers in north Africa, the Near East and south Asia, and 425 additional volunteers in the Far East.

There is mounting evidence of the effectiveness overseas of Peace Corps volunteers, not only in the creation of mutual understanding, but also in the jobs done and the progress achieved.

PURSUITS OF RETURNING VOLUNTEERS

Successful volunteers are returning to this country after 2 years of service to make an increasingly valuable contribution to our national life. Of the first 545 who came back, 266 are continuing their education, mostly in graduate school, 82 are employed in business and private industry, 70 are teaching, 69 are employed by the Federal Government, and the remaining 58 are volunteers still in travel status en route home, in military service, or married women.

I am pleased to have had this chance to appear before the committee and make this statement and try to respond to questions the members of the committee may have, with the assistance of other people from the Peace Corps here with me.

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

Mr. SHRIVER. For the benefit of the members who came in after we started, may I have permission, Mr. Chairman, to introduce the members of the staff who are here with me?

Mr. PASSMAN. Surely.

Mr. SHRIVER. Seated next to me, Congressman Conte, is Max Medley, the Associate Director for Management; Warren Wiggins, Associate Director for Program Development and Operations; Norman Karsh, Director, Budget and Finance; in the back row Bob Lane, Director, Division of Contracts; Dr. Samuel D. Proctor, Associate Director for Peace Corps Volunteers, and former president of the North Carolina Agriculture and Technical College; Harris Wofford who was running the Peace Corps program in Ethiopia for 2 years and before that was in the White House with President Kennedy, and who is now Associate Director for Planning, Evaluation, and Research; and last down the line but far from least, Bill Josephson, our General Counsel who has been with the Peace Corps since it started.

Mr. PASSMAN. Thank you, Mr. Shriver.

I believe the Peace Corps has been the fastest growing agency ever created in our Government.

Maybe my research should have gone a little deeper but I believe that I am really the father of the Peace Corps. I ought to be very good to it because it was on a $10,000 Youth Corps authorization that we got this program started.

INITIAL FUNDING AND APPROPRIATION HISTORY

The Peace Corps as we know it today, was started in 1961, when the President made available $1,620,000 out of his contingency fund of which you obligated $1.4 million; is that correct?

Mr. SHRIVER. That is correct.

Mr. PASSMAN. In 1962 you asked for $40 million and the Congress appropriated $30 million. You only obligated $27,737,000. In fiscal year 1963 you requested $63.75 million and Congress made available $59 million. You only obligated $54,617,000.

In 1964 the Congress made available $96 million and I believe you plan to obligate $87 million.

Am I reading those figures correctly?

Mr. MEDLEY. Yes, sir.

Mr. FORD. What is the budget request originally made last year, $108 million?

Mr. SHRIVER. It was $108 million and we reduced it voluntarily to $102 million and Congress approved that.

Mr. PASSMAN. We want to be completely fair with the agency, Mr. Shriver. We do detect a lot of uncertainties in this and the Congress made very substantial reductions in the budget request.

UNOBLIGATED FUNDS AS INDICATORS OF APPROPRIATION ADEQUACY

In fiscal years 1962, 1963, and 1964 you adjusted downward your request before the Congress finally took action. Of course, there is a repeater on that this year, I believe. Even after these voluntary downward adjustments, it would appear we still appropriated more funds than necessary to carry out the program you had in being.

As to the specific reasons why you did not need all the money that is your decision, but we are always glad you do not need the money.

Mr. SHRIVER. Yes; but I would like to make clear that when Congress acted, it did not appropriate more money than we needed. What actually happened in each year, and I am really quite proud of it, is the fact that we have continually over a period of 12 months sought savings which would enable us to improve our financial situation. We will continue to try to save, but we will need so much at the beginning of each fiscal year. If we can then make savings which reduce the amount it ultimately turns out we need, that is what we do.

Mr. PASSMAN. I commend you. In my opinion, any time you have millions of dollars you do not use, it means Congress appropriated more money than necessary to carry out the program. However, I will not argue with you.

Mr. SHRIVER. That is not correct. That is what I am trying to say.

Mr. PASSMAN. I never make a statement that you people who spend this money agree with.

Mr. SHRIVER. The easiest thing in the world would be to spend the money and then come here and say that we needed it. That would be easy.

Mr. PASSMAN. I am not accepting your agency as being more virtuous than any other. I am glad you could not spend all of it.

Mr. SHRIVER. Thank you. So am I.

Mr. PASSMAN. I guess I have some 30 or 40 press clippings with respect to how some of the individual foreigners and heads of governments feel about the Peace Corps. I have never been very strong on reading into the record anything any of them may say unless they say it in this country.

CRITICISM OF PROGRAM BY GHANAIAN PRIME MINISTER

I believe that you do have members of the Peace Corps in Ghana?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. How many do you have there?

Mr. SHRIVER. We have 138 right now.

Mr. PASSMAN. This article says: "Prime Minister Banda warns his people." "Ghanaians scorn Peace Corps, would accept cash."

There are some things he said here about the Peace Corps I do not like because Ghana has been recipients of various types of aid.

Although the Government has invited a new group of Peace Corps men to Ghana, Baffoe called them "a Trojan horse."

He said American English teachers were "lowering our standards" by speaking with a twang and poor intonation.

"Most of our people can't understand a word they say," he said with a chuckle.

Did you read that article?

Mr. SHRIVER. Yes.

Mr. PASSMAN. How about the Prime Minister? What is his feeling about it?

Mr. SHRIVER. The principal person in Ghana, is named Nkrumah, the President. He has asked us to send 80 more volunteers.

He is having a reception for the volunteers now there and claims publicly and privately it is one of the most effective forms of assistance that his nation has received.

The statements you are referring to are frequently made in Ghana by a newspaper called the Ghanaian Times which does frequently take vociferous positions against things done by the United States or other Western nations.

However, the Ghanaian Times is not the Government of Ghana. It is a newspaper published in the capital of Ghana and the person who is in charge of that newspaper does make extreme statements just as some people in our country do.

Mr. PASSMAN. How about the Prime Minister himself? Is he friendly to us and the Peace Corps?

Mr. SHRIVER. I am sorry. I do not have the clipping.

Mr. PASSMAN. Here it is.

Mr. SHRIVER. When the article says that Americans speak with a twang, that comes, in part, from the fact these countries were opened up originally by the British and they think anybody who speaks English without a British accent does not know how to speak English. I fear to think how our own use of the English language would be described in Ghana. They would probably say we do not know how to speak English either.

Mr. PASSMAN. All of them then do not appreciate the great job the Peace Corps is doing?

Mr. SHRIVER. I would imagine 75 percent of the people do but there is always a group that does not appreciate anything in those countries, and in nearly every country I have ever been in.

Mr. GARY. Including the United States.

Mr. SHRIVER. Yes.

It is impossible for 100 percent of the people in any country to agree about anything. We never expected that and we never claimed that that was so.

Mr. PASSMAN. When the leaders of government start making statements like that, I have resentment myself. I do not think the Peace Corps volunteers are doing anything but getting a long-winded vacation. My ideas are different from yours and as long as this is America, we can express our ideas.

However, I do not like foreign people, who are recipients of our generosity, coming here and making derogatory statements. I will always defend you on that score.

Here is something that caused me some concern and I think it is only proper we bring it out in the open when you can give us some indication as to whether the man knew what he was talking about.

POLICY TOWARD INITIATION OF PROGRAMS IN VARIOUS COUNTRIES

If I recall correctly, you told the committee numerous times, for example on page 79 of last year's hearings, that you never offered to send volunteers to any country until you were asked to do so and that you had not solicited business for the Peace Corps. Is that correct?

Mr. SHRIVER. Yes, that is correct.

Mr. PASSMAN. In that connection I was rather interested to read an extension of remarks made by Congressman Zablocki, of Wisconsin, which appeared on page A–577 of the Congressional Record of February 6, 1964, which relates to your being awarded an honorary doctor's degree from the Chulalongkorn University of Bangkok, Thailand.

At the time of that presentation, the Foreign Minister of Thailand, Thanat Khoman, made a speech and I am going to quote from that speech as follows:

> Even though I do not have much connection with the Peace Corps, I have been privileged to have conversations with Mr. Shriver when he came here to approach the Government about sending Peace Corps members here. I had the honor and the pleasure of telling him that his idea was appealing and attractive.

If I interpret the remarks of the Foreign Minister correctly, it seems to me that rather than Thailand requesting the Peace Corps to come to Thailand it seems to be the reverse, that you approached the Thai Government about sending volunteers to Thailand.

Did I interpret both his statement and what happened correctly?

Mr. SHRIVER. No, sir. I do not think so.

Mr. PASSMAN. Would you like to give us a little fill-in on it?

Mr. SHRIVER. Yes, sir, I would be happy to. The circumstances with respect to Thailand were as follows: The Peace Corps was started by Executive order in March of 1961. In April and May of 1961 the new administration which had just come into office named a new American Ambassador to Thailand, Ambassador Kenneth Young. Kenneth Young came by my office and told me he was going to Thailand. He was very much interested in whether the Peace Corps would be able to come to Thailand, and he was enthusiastic about the idea himself.

I told him that I had never been to Thailand myself but the first thing we would have to have, would be a request from the Thai.

He said that he understood our position.

At that time, the ranking representative of Thailand in this country was the Thai Ambassador to the United Nations. This gentleman came from New York and asked me whether I would have luncheon with him to discuss the possibility of the Peace Corps coming to Thailand. I said that I would be happy to do so. On that occasion he said he was very much impressed by the Peace Corps and thought it could be exceptionally helpful to his Government and if it was agreeable to me, he would send a cable to Thailand.

I said I would be very happy for him to do that and subsequently the Ambassador of Thailand to the United States returned and joined in such a telegram.

As a result, I included Thailand on my itinerary for my trip around the world to explain what the Peace Corps was to countries interested in its work.

Thailand did the same thing that India and Pakistan and other countries that I visited did, and Ghana was also one of them. They said they would like to have me come to discuss with officials of their governments the idea of the Peace Corps and what the Peace Corps could specifically do in their countries.

I talked to their officials and they did not commit themselves in advance or state that, without having heard anything about the Peace Corps, other than what was in the newspapers, they definitely wanted to have Peace Corps volunteers.

What they did want was for someone to come to their country and talk to officials of their government about the idea of the Peace Corps and what the Peace Corps could do. One such country was Burma. They asked me to come. Burma never actually extended a written invitation to the Peace Corps to come to Burma and as a result, Mr. Chairman, we have never gone to Burma.

Mr. PASSMAN. Maybe it is good that you did not because they just recently asked us to stop our aid.

Mr. SHRIVER. I use that as an illustration of the way some Peace Corps projects developed. I did go to Thailand and I did go to Ghana, and Parkistan, each one of which asked me to come under circumstances similar to the Burmese, but each one of which subsequently issued a formal request to the Peace Corps for volunteers.

That is true of all of the countries.

Mr. PASSMAN. Mr. Shriver, if I was in your position and had the same enthusiasm for the Peace Corps as you have I would do just what you are doing.

I am merely indicating what some of the people have said. I should think that a person in an important position such as this man is in, would have more knowledge of it, and that is my only point.

Mr. SHRIVER. Let me explain. I am sorry I deviated from his remarks.

Mr. PASSMAN. Yes.

Mr. SHRIVER. Thanat Khoman making that speech was speaking in English. He does not have quite the fluency in English, Mr. Chairman, that you would have. You will notice that in one of the sentences he said the Thai Government was pleased at the idea and you quoted from him.

Mr. PASSMAN. I quoted that.

Mr. SHRIVER. The Thai Government was pleased with the idea. The phraseology in the opening sentence where he said he did not know as much about it, that is true; he did not. Who did, I do not know.

Mr. PASSMAN. I wonder if he is "mispleased" with the idea? I wonder if you would apply the same misinterpretation, how that would sound?

Mr. SHRIVER. What I am trying to indicate to you is that a translation from somebody who speaks Thai as a native language, and is using English, is not necessarily conclusive evidence of what they thought.

Mr. PASSMAN. I wonder if that would also apply to his entire statement, that he was pleased with the idea?

Mr. SHRIVER. The thing about——

Mr. PASSMAN. I was taking it in the whole—some good and some bad.

Mr. SHRIVER. I think the most significant evidence is not necessarily the words but the actions. The actions are these: The first group of volunteers who went to Thailand numbered, I think, 45. They were subsequently followed by another group and the Thai Government has asked us to have 300 volunteers in that country. As of today, we have about 275 there. We are putting 69 more into training who will replace volunteers coming home.

It seems to me that the actions of that Government are a pretty fair indication of what their evaluation is and whether they want Peace Corps volunteers.

Mr. PASSMAN. I think it is commendable. We have had really well-trained, seasoned technicians in President Truman's point 4 program, known as the technical aid program, and it did not get going like this. We have to give volunteers credit because with a good director they created worldwide enthusiasm.

With all of the billions of dollars that we spent on technical assistance in all of the different agencies, if that program had caught on like the Peace Corps we would have saved the world already in all probability.

TOTAL PEACE CORPS OBLIGATIONS

If my recollection is correct, it would appear that the cost of the Peace Corps on an obligational basis has now been approximately $172 million?

Mr. MEDLEY. I get $171 million.

PEACE CORPS OBJECTIVES VIS-A-VIS TECHNICAL ASSISTANCE PROGRAM

Mr. PASSMAN. Of course, this is something we want to be completely fair about. These volunteers are in the general category of technical aid and thus they are instructors. There is a similarity between the work of the Peace Corps and that of other technical aid groups, such as the regular technical aid people in the Organization of American States, the United Nations Expanded Program of Technical Assistance and our own bilateral technical assistance program?

Mr. SHRIVER. As you know, Mr. Chairman, I have always maintained that the Peace Corps was not technical assistance of that type. It was substantially different in its psychology and motivation and performance, and, therefore, was not analogous except superficially.

I do not know what you are——

Mr. PASSMAN. What I was trying to do was to help make your case in this one instance. Other witnesses have said yes, it is technical assistance, the difference being they were actually doing the work rather than instructing. We had many questions on that this year of the AID program people.

ACTIVITIES OF PEACE CORPS VOLUNTEERS

Could you give us a list of the different types of work they do? Do they not go out in these local villages and assist in all of the same types of problems our technical assistance people do with respect to teaching in the grammar schools and the building of roads, fences, or housing? Are they not in that field of work? What would be some of the things they would do?

Mr. SHRIVER. We will be glad to submit——

Mr. PASSMAN. Could you give it to us now?

Mr. SHRIVER. Anything you want in the way——

Mr. PASSMAN. We would like to know something about what they are doing. We do know they are in certain schools as teachers.

Mr. SHRIVER. That is right.

Mr. PASSMAN. You have other activities at the village level, do you not?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. With respect to farming, could you give us a list?

Mr. GARY. Would the chairman yield there?

Mr. PASSMAN. Yes.

Mr. GARY. What percentage of them are teaching?

Mr. SHRIVER. 53.4 percent.

Mr. PASSMAN. Do you have a list?

Mr. SHRIVER. Yes.

Mr. PASSMAN. A list of the different activities.

Mr. SHRIVER. We will be glad to submit that for the record.

(The information follows:)

Volunteers and trainees by category of programs, in training and overseas, by geographic area, as of Apr. 30, 1964

Category of programs	Total	Percent of total	Africa	Far East	Latin America	North Africa, Near East and south Asia
Agricultural extension	505	7.1	50	----------	307	148
Community action:						
Rural	1,492	20.9	93	179	1,027	193
Urban	404	5.7	----------	----------	404	----------
Education:						
Elementary	631	8.9	185	416	30	----------
Secondary	2,357	33.2	1,465	345	204	343
University	409	5.8	74	108	133	94
Adult	7	.1	7	----------	----------	----------
Vocational	156	2.2	15	39	77	25
Physical	230	3.2	19	42	125	44
Health	613	8.6	102	76	354	81
Multipurpose	9	.1	----------	----------	----------	9
Public works	218	3.1	112	----------	----------	106
Lawyers	18	.2	18	----------	----------	----------
Public administration	67	.9	35	----------	----------	32
Total	7,116	100.0	2,175	1,205	2,661	1,075

SUMMARY

Agricultural extension	505	7.1	50	----------	307	148
Community action	1,896	26.6	93	179	1,431	193
Education	3,790	53.4	1,765	950	569	506
Health	613	8.6	102	76	354	81
Miscellaneous	312	4.3	165	----------	----------	147
Total	7,116	100.0	2,175	1,205	2,661	1,075

Mr. PASSMAN. I would like to discuss some of the things you are doing other than teaching.

EDUCATIONAL TELEVISION

Mr. SHRIVER. One thing that is relatively new that you may not have heard about is the educational television project we are helping to run in Colombia. In Colombia, we are assisting in an entire educational television system in conjunction with the Ministry of Education

and the Ministry of Information of the Government of Colombia. Under it we are already reaching about 100,000 students in the vicinity of Bogotá. By this time next year we will be reaching over half of all the kids in all of the classrooms within range of a transmitter.

Mr. PASSMAN. That is good.

Mr. SHRIVER. We do the photography work and we make up the programs. We provide video tape and transmit over the broadcasting system. There are about 50 volunteer teachers who work in the school classrooms with the Colombian teachers showing them how to utilize television instruction most effectively. In this way, with a relatively few people, we are going to reach a huge proportion of the total school population of Colombia.

Mr. PASSMAN. Do we have a program like that in America?

Mr. SHRIVER. In Pittsburgh, there is a program where they do have teachers out in the field with the classrooms. The United States today——

Mr. PASSMAN. There is a pilot program in Hagerstown?

Mr. SHRIVER. That was one of the first. It is closed-circuit TV. A bigger one today is in Pittsburgh. The very first ETV was in Houston, Tex. What I was trying to point out is that there are many cities in America that do have educational television. The primary thing that is particularly useful about the one in Latin America is that the volunteer teachers in the classrooms are helping the Latin American teachers utilize the TV.

Mr. PASSMAN. If that is good enough for them, would it not be good enough for America?

Mr. SHRIVER. In Chicago, we have 250,000 students getting this type of instruction in the public school system. New York has it, as does Pittsburgh, Cleveland, Miami, Minneapolis, Birmingham, and Monroe, La. I would imagine practically every metropolitan area in the country has it. Miami and Jacksonville also have very good programs.

Mr. PASSMAN. Let us get into some specifics. You told us these people were going to be teaching in the villages and that they were going to live there at the same level?

Mr. SHRIVER. That is right.

Mr. PASSMAN. You are not talking about villages or rural sections now. You are talking about television. I am not saying the program is not good, but I am thinking about the mules you people were going to buy. I am not trying to pull your leg but let us get into some of the specific items.

RURAL COMMUNITY DEVELOPMENT

What do you do in the rural sections other than teach where they have no electricity?

Mr. SHRIVER. In Latin America we have 1,027 people doing what we call rural community development. We have 1,492 of them on a worldwide basis. In our presentation provided to you, there is an entire section devoted to exactly what they do.

Mr. PASSMAN. Could you tell us a few of them?

Mr. SHRIVER. Yes. There is a complete statement here 10 or 15 pages long on that.

Mr. PASSMAN. You can put that in the record.
(The information supplied follows:)

TWO YEARS OVERSEAS: RELEASING THE ENERGIES OF DEVELOPMENT

The efforts of a single volunteer are greatly amplified where they are applied in the right place at the right time. Requests for Peace Corps projects are evaluated not only on the availability of volunteers and the evident need, but also on the prospects of tapping a store of latent energy in the host people. Peace Corps volunteers already assigned in the field seek out additional projects that satisfy both the needs and aspirations of the communities they work in. Their trials, successes, and failures in the field have shaped the Peace Corps.

Today volunteers are engaged primarily in four major areas of development work: education, community action, agricultural extension, and public health. Development in these areas works its effects among people at the broadest level of society.

COMMUNITY ACTION

Community action projects are energy-releasing projects by definition, and the Peace Corps now has 1,680 volunteers working as community action organizers in 25 countries.

The pilot community action project was the Colombia program described elsewhere in this report. As a result of the success of the Colombia volunteers, similar programs were requested and established in other countries of Latin America, where 77 percent of all community action volunteers are now serving. Certain aspects of Latin American culture were favorable to community action, and many nations of Latin America were at precisely the stage in their development when community action could be most easily and most effectively introduced. In Bolivia, for example, where the first Peace Corps project was concerned with public health and sanitation, enterprising volunteers were able in their spare time to enlist a large number of citizens in the university town of Sucre in a cooperative community effort to renovate a local orphanage.

Additional volunteers were requested to work in the program closest to the core of Bolivia's plans for a stable and prosperous future: the colonization of the Alto Beni.

For 2 years some 500 families, relocated from the country's unproductive and overpopulated highlands, had been making little progress against the forest, bureaucracy, and lack of internal organization.

In 1962, a group of 20 volunteers with experience in experimental agriculture, small animal husbandry, road construction, sanitary engineering, teaching, and social work weer assigned to the Alto Beni. With the encouragement and guidance of these Peace Corps volunteers the colonists of the Alto Beni have built roads, installed water systems, cleared land, experimented with new crops, and started their first schools.

Thirty more volunteers are being requested for an extension of the Alto Beni colonization scheme, which is to be financed by the Inter-American Development Bank. Forty to fifty more are expected to be requested for proposed colonies in other sections of the country.

Outside Latin America, in Africa, the Far East and the Near East and south Asia, rural community action work is being attempted by a few test projects in each region. The spark is being applied in widely varying economic and cultural conditions. It is too early to be certain whether the same enthusiasm can be kindled as in Latin America.

URBAN COMMUNITY ACTION

The first urban community development project in Peru was an experiment to see if the amplifying effect of volunteers in rural communities could be transplanted to a city slum. A small group of 15 volunteers was requested by the Peruvian Government to work in the city of Arequipa with the National Housing Administration on many different levels of a self-help housing construction project. They arrived in the wake of a political turnover which had put a freeze on the national housing program.

The volunteers began to work, for the most part, independently of any official agency.

Together, Peruvians and volunteers embarked on projects of enormous variety: community centers and houses were built or repaired; plumbing, wiring, plastering, and roofing were done on houses financed by the residents

themselves. Nursery schools were established, midwives were trained, classes were set up in a boys' reformatory, and even the commercial production of peanut butter was undertaken to help in the financing of a handicraft cooperative.

The keynote to this proliferation of activity was community action. The volunteers gave nothing, not even their help, unless they were assured of the equal support of the local population.

In Arequipa, the benefits the Peace Corps volunteers helped bring to the slum communities earned them a silver medal from the city.

There are now 135 Peace Corps volunteers assigned to community action in the local districts of Lima, Arequipa, Chimbote, Trujillo, and Ica. Over 390 volunteers are engaged in urban community action throughout Latin America.

SCHOOLTEACHERS

Volunteer teachers in developing countries are releasing an endless flow of social energy. They are affecting the lives of hundreds of thousands of young people, chiefly at the secondary school level. A conservative estimate is that the more than 3,000 Peace Corps teachers in the field teach not less than 600,000 students during their 2-year span of service.

Nowhere is there a clearer illustration of the importance of a small number of volunteers to a nation's education system than in Nyasaland, the poorest of the three territories that once made up the Federation of Rhodesia and Nyasaland.

In July of this year Nyasaland will become an independent African nation.

The need for expanded secondary education facilities there was evident and urgent. Top priority has been given to building schools and quarters for teachers. The additional teachers needed by the country have largely been supplied by the Peace Corps, and secondary school population has nearly doubled as a result.

In 1962 there were 128 teachers teaching secondary school classes in Nyasaland. The number has increased to 227 in 1964—with Peace Corps volunteers accounting for 83 percent of the increase. The number of secondary schools has increased from 19 to 26 over the same period and additional classrooms built. There are now over 4,000 students enrolled in secondary schools in the country. In 1962 there were just over 2,000.

There is no doubt as to the responsibility that will be borne by this relative handful of high school graduates in a country where the literacy rate is estimated to be 10 percent. Here again, the effect of the volunteer is further multiplied.

The effect is of the same order in other countries where Peace Corps is sending teachers to new and expanding school systems.

In Nigeria, for example, 436 volunteers comprise 25 percent of all the graduate teachers in the country's extensive secondary school system. They are teaching 35 percent of all the Nigerian students in secondary schools and teacher training institutions. In Ghana, 117 volunteers are teaching a total of 20,000 secondary school students. The volunteers comprise approximately 50 percent of the degree-holding teachers in the Ghanaian secondary school system. In Sierra Leone the equivalent figure is 50 percent; and in Ethiopia and West Cameroon 40 percent. In Liberia over 50 percent of the primary and secondary school teachers holding college degrees are volunteers.

Volunteers in many countries are instrumental in accelerating the rate at which teachers are being trained for expanding education systems. In Ethiopia volunteers assigned to teacher training schools have doubled the faculty of such institutions and the enrollment has doubled. In addition, the volunteers teach in summer English teaching workshops sponsored by Haile Selassie I University and attended by Ethiopian teachers from every province.

Altogether there are 3,595 volunteers assigned to regular classroom teaching in the Peace Corps.

VACATION PROJECTS

Summing up the contributions of the teachers solely in terms of the classroom assignment tells only half the story. They engage the rest of the community in self-improvement efforts as well. Out-of-class hours are filled with projects ranging from poetry clubs to roadbuilding.

In some countries school vacation periods can total as much as 4 months during the year. Volunteers have organized complex cooperative projects involving other volunteers, local people, and numerous host country agencies during

these vacation periods. These contributions at first were considered a bonus by the host countries, which had been counting on volunteers only as teachers. More recently, the host country agencies themselves have been led to plan extensive vacation projects making use of the energy and organizational talents of the volunteers. Such projects include census-taking, innoculation campaigns, summer workshops in education and language, and community action projects. Many summer projects have grown into year-round activities.

Seven Peace Corps teachers stationed in Dessie, Ethiopia, planning a summer project, learned that the Selassie Leprosarium in Dessie needed a school for its 300 patients. A local teacher, a local maintenance crew, and some 20 patients were enlisted. In a month and a half they had built a school structure, tin over a eucalytus frame, consisting of five standard-size classrooms and a half-sized classroom. Only the doors and windows remained to be intalled and this the volunteers did in a month by working after regular hours. The Selassie Leprosarium now has a school for 150 students.

In Nigeria 8 volunteers and 3 Nigerian teachers from the technical college in Ibadan ran a highly successful 3-week camp for 65 fifth graders on a borrowed school compound in Ibadan. They enlisted a local women's organization as cosponsor and organized an advisory committee of neighborhood parents and community leaders.

At the request of the Ministry of Community Development the volunteers wrote a 33-page manual on the organization and operation of a day camp, and are now planning a resident vacation camp where teachers and community leaders can be taught day camp administration.

One of the most striking contributions made by a volunteer working in his vacation time came in the wake of disaster. Struck by a cyclone last May, the town of Kumira in East Pakistan was completely leveled and 200 of its 10,000 inhabitants left dead. Response to the tragedy was immediate. Twenty-five volunteers, many of whom canceled plans for their annual leave, converged on Kumira along with scores of students from the University of Dacca. They treated the injured, distributed food, cleared rubble, dug new wells and put up new homes. The Pakistani students and volunteers then built a community cyclone shelter. Planned by a volunteer engineer, it was designed to withstand tidal waves and winds up to 120 miles per hour.

The design proved workable and as a direct result the Pakistani Government immediately budgeted $1 million for a program to build 100 similar cyclone shelters in the country's Chittagong district. Volunteer engineers and construction assistants will soon be working on the project.

AGRICULTURE

The underdeveloped world is largely agricultural. Improvements in agriculture have the potential of directly affecting the lives of 80 to 90 percent of the people in most underdeveloped countries.

Although there are only a little over 400 Peace Corps volunteers assigned as agricultural extension workers throughout the world, a large percentage of all Peace Corps volunteers work in farming communities and their projects usually deal with the problems of agriculture.

In some projects the volunteers teach modern farm management to farmers who have already abandoned traditional patterns and are well on their way into the 20th century. In the Cochabamba Valley of Bolivia, volunteers work with the Government milk plant to improve the health and protection of the nation's only dairy herds. The volunteers use modern methods of testing and inoculation and promote the acceptance of the latest dairy management techniques from forage raising to milking. Besides this work, which affects almost the entire commercial milk supply in the country, the volunteers have organized 4–H-type clubs among the farmers' children to plant the seed for further improvement in farm life in the valley.

Agricultural extension volunteers have also been able to bring improvements to farming in areas untouched by modern methods. Indians in the highlands of Guatemala, on small pieces of poor land, are now raising broiler chickens with good results under the direction of agriculture extension volunteers. On land where only corn has been raised for centuries the same volunteers are running experiments in wheat raising. They have also promoted development of family gardens, and the first use of fertilizer by 70 farmers.

Elsewhere in Guatemala volunteers have introduced methods that have doubled honey production in one area; started profitable egg production; secured acceptance of modern corn-raising methods by four-fifths of the farmers in a

primitive village of 110 families; promoted pasture improvement; and started a hog-raising program supported by stock donated by Grange members in Nebraska and Massachusetts.

In Niger, two volunteers participated in the founding of a new kind of agricultural training institution, guided and financed by USAID. The volunteers and 40 students started a young farmers training center on a site of undeveloped bush. They cleared land, dug wells, built buildings, and planted and harvested crops in a single year. The successful results of the venture led to the planning of a second school to be built this fall and several more to come in the future.

Throughout the world Peace Corps volunteers are encouraging farmers to experiment with new crops, new methods of farming and of marketing. As in other areas of development, the key to success lies in triggering an organized and widespread effort with prospects of joining other streams of progress in the nation.

Substantial technical backing in this approach is provided by such American private organizations as Heifer project and the National 4–H Foundation.

The broad field of cooperatives has proved to be a fertile area for Peace Corps volunteers seeking ways to promote economic development on a significant scale. These undertakings are particularly appropriate because they tend to proliferate and because they serve as schools of practical democracy. Perhaps the most successful volunteer efforts have been directed toward organizing small farmers into growing, marketing, and purchasing units.

SOME EXAMPLES

A volunteer-assisted cooperative for marketing fique (a sisallike fiber) in Colombia has secured top market prices for the farmers' products and has recently established a village store.

Peace Corps volunteers in Chile formed a vegetable growing and marketing cooperative which not only provided the farmers with greatly increased cash income, but introduced them to certified seeds, chemical fertilizers, weed killers, and pest control sprays.

Villagers in Brazil now market pottery that was formerly produced only for local use. A volunteer helped them improve their kilns and showed them the use of glazes as well as helping to organize the marketing co-op.

In the Dominican Republic, chicken is becoming a more attainable luxury food thanks to poultry producers cooperatives employing modern chicken-raising methods taught by volunteers. The efforts of a single volunteer and his young farmers clubs have also made chicken a common item in the diet of many families in St. Lucia.

The Peace Corps credit cooperative project in Peru has assisted 250 established organizations and has helped organize 200 more, chiefly to serve agricultural communities. In addition there are eight savings and loan institutions that have been assisted by Peace Corps volunteers. Their assets now total over the equivalent of $1 million.

PUBLIC HEALTH

Public health is an area of activity to which the Peace Corps gravitated naturally as volunteers encountered illness, poor sanitation, and malnutrition among the people with whom they worked.

The will to undertake the struggles of self-improvement is too frequently sapped by sheer physical debility in the underdeveloped areas. Public health campaigns can salvage vast reservoirs of energy needed for development.

Over 500 volunteers are assigned to Peace Corps public health groups. They include volunteer doctors, nurses, nursing teachers, medical technicians, and sanitation specialists.

One such specialized project is a medical team of 18 volunteers in Togo, originally requested to staff a provincial hospital. The volunteers have extended the project to a preventive health program for the northern region of the country. The replacement team to go abroad this spring will staff the hospital and run 15 satellite clinics established under the program.

However, nearly all volunteers overseas become involved in health work at some time during their service, whether it is a matter of treating a snakebite or explaining the hazards of drinking contaminated water to a class. Volunteer school teachers often institute programs of medical examinations, inoculations and health training for their students.

In Gbarnga, Liberia, for example, Dave and Carol Smith in addition to teaching a heavy schedule of secondary school classes are conducting a full-scale health study among their 160 students. Dave, who teaches science, does stool, blood, and urine analysis on a systematic basis for all the students, while Carol keeps charts on what the students have eaten at meals each day, along with a record of their illnesses. Carol in addition conducts a nutrition and hygiene course. Together the Smiths enlisted the help of the school nurse, a local public health nurse, the school principal and an AID doctor in setting up a coordinated program to cut down the incidence of roundworm and schistosomiasis which widely afflict the students. Dave persuaded Firestone officials in Liberia to donate medicines, vaccines, malaria suppressants, and iron and mineral tablets, and the Smiths then spent part of their summer vacation in 1963 writing a comprehensive report on their study. He spent the other half of his summer vacation breaking in a Liberian apprentice in X-ray technique at the Gbarnga hospital.

Two days a week Dave also puts in 6 hours at a nearby leper colony, where he regularly examines the 160 lepers and charts the progress of lesions and nerve involvement.

Community action projects in the Peace Corps are often designed to meet certain basic public health considerations: pure water supplies, latrine building campaigns, and village medical dispensaries.

The Peace Corps training program for all volunteer groups now includes, along with instructions for maintaining personal health, an introduction to public health so that all volunteers are better prepared to teach health and sanitation wherever they work. The U.S. Public Health Service doctors who serve as physicians for Peace Corps groups overseas also play an important role as technical advisers to the volunteers who are engaged in public health activities.

Thus the relative handful of Peace Corps volunteers scattered across the world constantly work to prime the sources of constructive energy. A single teacher awakens enthusiasm in hundreds of students; a single community development worker excites the efforts of an entire village. The agricultural worker and the health worker have a like effect.

By the end of August 1965, a total of 14,000 volunteers will be broadening this effect and helping it multiply throughout the underdeveloped world.

Appreciation and acceptance of the Peace Corps volunteers in 45 countries has been expressed in a variety of ways ranging from gifts of fruit, testimonial dinners by village leaders, to receptions and official statements by heads of States. The volunteers in Asia earned the signal honor of the Ramon Magsaysay Award, sometimes termed Asia's equivalent of the Nobel Prize. Peace Corps Director Sargent Shriver accepted the award on behalf of the volunteers serving in 11 Asian nations. It was the first time the award, established in 1958, to honor the late President of the Philippines, had been conferred on a non-Asian group.

Mr. PASSMAN. You do want us to ask you some questions. Can you describe a few of them other than the TV broadcasting project? Let us get out in the rural sections where you made such a strong pitch for your program.

When you first came before the committee, you talked about those mules and the volunteers living in these little villages.

Mr. SHRIVER. That is right.

Mr. PASSMAN. I gained the impression then that they were doing on-the-farm work and getting into some of the things that would mean something to the rural people where they do not have electricity; what are some of the projects?

Mr. SHRIVER. That is correct. Your original impression is still accurate. Volunteers do go into rural towns, generally with a colleague from Colombia.

They undertake community action which you know all about, Mr. Chairman.

Mr. PASSMAN. I do not know all about it. That is why I am asking. What are some of the things they do out there?

Mr. SHRIVER. First, they have done a great deal of work in sanitation. Sewage systems have been built and they encourage the village people to develop a fresh-water supply.

Second, they started credit unions, farm and consumer co-ops. Volunteers help the local villagers construct a room not much bigger than this one which could be serviceable as a village co-op, or a recreational center. I do not mean that the volunteers build them. The construction of these things are decided on a local village basis by a junta. Volunteers have helped in road construction and not, again, as the persons building the road. The objective is to get the villages to build their own roads, schools, and their own recreational centers. What the volunteer does is to assist and encourage them, and perhaps to work out the details.

For example, if a bulldozer is needed and cannot be obtained locally, or they have been waiting for it for 6 months, the Peace Corps volunteer is able to go to the capital, with the people of the village, and seek some governmental support for the project.

Mr. PASSMAN. How about chickens, hogs, and cows, and fertilizers? Do they get into that field, too?

Mr. SHRIVER. Yes; we have had projects with the Heifer Project, Inc., from Indiana. The foundation headquarters is in Indiana and it got the name because they sent heifers overseas. The purpose was to supply a heifer to somebody and when the heifer had calves, they would be provided to other people. This was a method of increasing the quality of livestock in a country. Our volunteers are working with them and we have cattle, hogs, and chickens.

Mr. PASSMAN. You have quite a chicken and egg program going in India now; do you not?

Mr. SHRIVER. Yes, sir. It has been a great success there and doing very well.

Mr. FORD. Could I ask a question here?

Mr. PASSMAN. I yield to Mr. Ford.

Mr. MINSHALL. Mr. Chairman, I would be glad to hold off until tomorrow. Are you going to have the Director back tomorrow?

Mr. PASSMAN. Surely. You are scheduled for tomorrow, are you not?

Mr. SHRIVER. I think so.

Mr. PASSMAN. I yield to Mr. Ford.

PHYSICAL EDUCATION PROGRAM

Mr. FORD. Apropos of what the Director was saying, how big is your physical education program in the Peace Corps?

Mr. SHRIVER. As of April 30, 1964, there are 230 people around the world; 125 in Latin America; 44 in north Africa, the Near East and south Asia; 42 in the Far East and 19 in Africa. Physical education accounts for 3.2 percent of the total of 7,116 trainees and volunteers.

Mr. FORD. What do they do?

Mr. SHRIVER. They do a variety of things which go from physical education to direct coaching. For example, we sent a contingent of 27 volunteers to work in Colombian universities and trade schools,

and they originally lived in dormitories and they coached various teams of that university.

They gave physical education to those who did not actually get into competitive sports. They worked very closely with the students and they have been exceptionally helpful, I know, in creating a much better relationship and understanding with the students of that university than has existed heretofore with respect to the United States.

Mr. FORD. They do not get out into the rural areas, but they are limited?

Mr. SHRIVER. No, sir; the University of Bogotá is not the only place they teach. They also teach in the rural schools and in other countries. We also teach in villages in Tunisia.

These are small school installations which have anywhere from 2,000 to 4,000 orphans.

We have people teaching physical education in those villages with the youth of Tunisia. This is a project that got its name from the President of Tunisia, because of his great interest in the program.

All of those are in rural areas.

INSTRUCTORS IN COLOMBIA

Mr. FORD. Let us take one country, or maybe two countries and break it down. As I recall, your 1965 congressional presentation showed you had 27 in Colombia and now I understand there is additional evidence you have 54 in Colombia.

Mr. SHRIVER. I am sorry. I do not happen to know the exact number there. We add to them in the course of a year. When the presentation was made, it was undoubtedly correct and we had 27 there. I do not know all of the towns in Colombia where they are located but we may be able to get that if that is what you want.

Mr. FORD. Let us get to the specifics.

As I undertsand it in your original presentation, you had 27 there. Would you show for the record where those 27 were at the time of the congressional presentation?

Mr. SHRIVER. Yes. I cannot do that right now.

Mr. FORD. Yes; but I want it in the record.

Mr. SHRIVER. Yes, sir.

Mr. FORD. Then show where you intend to put the 57 or 54 which I understand is now the figure being used. You have indicated at least in your original comments that they were at the university and now you have modified the program or added to it, so indicate where they are in the villages.

Mr. SHRIVER. What I said was the first group in Colombia was 27 in number. They went to universities and the trade schools in Colombia. As we add additional people they do not stay in the same places, but also go to other places in the country.

We will be glad to supply that.

Mr. FORD. Your information will show that?

Mr. SHRIVER. Where they are. If you would like we can also show what they are doing.

Mr. FORD. All right.

(The information supplied follows:)

COLOMBIA

PEACE CORPS PHYSICAL EDUCATION PROGRAMS IN COLOMBIA

The first group of 27 physical education volunteers arrived in Colombia in January 1963. On December 31, 1963, they were working in universities and trade schols in the following locations:

Barranquilla	2	Medellin	5
Bogotá	5	Pereira	1
Bucaramanga	3	Popayan	1
Buga	1	Santa Marta	2
Cali	5		
Ibague	1	Total	27
Manizales	1		

These volunteers are currently working at the same sites.

An additional group of 27 physical education volunteers arrived in January 1964. Their assignments range from teaching in universities and trade schools to working with sports leagues in cities and villages. This second contingent is working at sites in—

Armenia	1	Monteira	2
Barranquilla	2	Neiva	2
Bogotá	4	Palmira	1
Bucaramanga	2	Pasto	1
Cali	4	Popayan	1
Cucuta	2	Villavicencio	1
Ibague	1		
Medellin	3	Total	27

At the university level, volunteers are called upon to help students organize intramural programs, as well as to give formal courses in physical education.

These volunteers also assist the departmental offices of physical education by coaching various teams, and by helping to write instructional materials. They conduct seminars and clinics for elementary, high school, and university teachers, and have organized mobile teaching units which work in rural areas.

At the national trade schools, volunteers assist in the formation of teams in soccer, volleyball, and other sports. In addition they conduct workshops in the fundamentals of various sports throughout Colombia.

The volunteers working with sports leagues are located in cities and in rural villages throughout the country. They organize and coach teams in a number of sports for league competition. Their work is with young people who have had little experience with organized sports, and they encourage the development of teamwork and fairplay.

Volunteers work with Colombian teachers, and are supervised by Colombian athletic directors. Extracurricular activities include cooperating with the Colombian Red Cross in water safety projects and other activities, and organizing recreation programs for children at orphanages.

PROGRAMS IN VENEZUELA

Mr. FORD. Let us take Venezuela. I understand in the original presentation you had 25 in Venezuela but subsequent information indicates you now have 55?

Mr. SHRIVER. Yes, sir.

Mr. FORD. Let us do the same thing in the case of Venezuela.

Mr. SHRIVER. Yes, sir.

Mr. FORD. Indicate where they were under the lower figure and where they are now under the higher figure.

Mr. SHRIVER. Yes, sir.

Mr. FORD. Indicate precisely what they do there.

Mr. SHRIVER. Yes, sir.

(The information supplied follows:)

PEACE CORPS PHYSICAL EDUCATION PROGRAMS IN VENEZUELA

The first group of physical education volunteers arrived in Venezuela in October 1963. On December 31, 1963, these 25 volunteers were serving as instructors of physical education in liceos, or secondary schools, and as YMCA assistant program directors in the following locations:

Barinas	1	Puerto Cabello	2
Barquisimeto	2	Punto Fijo	1
Caracas	1	San Cristobal	2
Ciudad Bolivar	2	San Ferndando de Apure	1
Cumana	2	Trujillo	1
La Victoria	1	Valera	1
Maracaibo	5		
Maracay	2	Total	25
Merida	1		

Since that time, one volunteer has returned to the United States. Currently, the remaining 24 volunteers are stationed in—

Barinas	1	Puerto Cabello	2
Barquisimeto	1	Punto Fijo	1
Cabimas	1	San Cristobal	1
Caracas	3	San Ferndando de Apure	1
Ciudad Bolivar	1	San Juan de los Morros	1
Cumana	1	Trujillo	1
La Victoria	1	Valera	1
Maracaibo	4		
Maracay	2	Total	24
Merida	1		

Twenty of these volunteers teach gymnastics, basketball, baseball, volleyball, track and field, and swimming and organize various athletic clubs and events. On weekends and holidays, they often engage in various community development activities, most of which have an emphasis on sports and recreation.

One male volunteer is teaching physical education in the liceo and coaching a Spanish club soccer team. He has a basketball program in one of the city's parks. He also has undertaken a track program every afternoon at a nearby stadium, and coaches liceo teams on Saturdays in track, baseball, basketball, soccer, and volleyball, and is trying to organize a gymnastics club.

A female volunteer teaches 33 hours per week of girls physical education. She has been asked to lend her services to one of the primary schools once a week and on Saturdays. Her activities so far have consisted mainly of teaching volleyball, track and field, and gymnastics.

Four volunteers are working with the YMCA as assistant program directors, assigned to slum areas. They improvise playgrounds, start Y summer camps, help organize and manage new YMCA centers and through their work, teach the Venezuelan youth the principles of good sportsmanship as well as good citizenship.

Twelve additional volunteers, all of whom will work in YMCA centers, arrived in Venezuela on May 11, 1964. Their sites are currently being designated.

Nine additional physical education instructors are now training in Puerto Rico and will depart for Venezuela on or about June 16. Their exact assignment will be determined upon their arrival.

VOUNTEERS AND TRAINEES IN PHYSICAL EDUCATION PROJECTS

Mr. FORD. Do you have any indication of the percentage of physical education people related to the total in December 1962?

Mr. SHRIVER. I do not know that as of December 1962.

Mr. FORD. Let us compare it with December 1963.

Mr. SHRIVER. Yes, sir.

Mr. FORD. The figures I have indicate it is more than double as a percentage of the total.

Mr. SHRIVER. That is possibly true, Congressman, because the program has proved to be exceptionally successful.

If we have the volunteers and the program works well, the total overseas increases both in numbers and percentages. When we find something works, we develop it.

(The information follows:)

Volunteers and trainees in physical education projects

	As of—	
	Dec. 31, 1962	Dec. 31, 1963
Total number of volunteers and trainees	4,350	6,988
Total number of volunteers and trainees in physical education projects	68	220
Percent of volunteers and trainees in physical education projects to total	1.6	3.1

Mr. FORD. I have some reservations as to its benefit to the Peace Corps program.

Mr. SHRIVER. I would like to submit for the record also a letter, for example, from the American Ambassador Fulton Freeman who is now the Ambassador to Mexico.

Mr. FORD. Those letters come——

Mr. SHRIVER. Perhaps you would like to call him? He said explicitly that it had done more to create proper information as well as good will among university students in Colombia than any program the United States ever ran down there.

When people talk about the Latins, they often talk about the necessity of reaching the young people and the upcoming generations of these countries.

In the opinion of people like him—which you may discount but I happen to have a high regard for him as an Ambassador and as a man—our program has been very successful.

There are others who could testify about it also, not necessarily an Ambassador like Mr. Freeman, but there could be other people.

Mr. FORD. It is a far cry from what I thought was the basic concept of the Peace Corps. Would you not agree?

Mr. SHRIVER. No, sir; I do not.

For example, I think today we have something like 409 university teachers in the Peace Corps.

EMPHASIS ON PHYSICAL EDUCATION PROGRAM

Mr. FORD. That is true, but those are not interested in physical education and athletics?

Mr. SHRIVER. No, sir; all I meant was that I was going to add that I think some people, when we started the Peace Corps, would have been surprised had they heard then we were able to get 350 or 400 men and women of sufficient capacity to go overseas and teach in universities. A lot of people thought of the Peace Corps in the beginning as a rural effort for young people who would do good work, be pleasant, and create a good image. It is a lot more than that.

Mr. FORD. I must confess that my impression was the one you thought most people had. Perhaps from its inception.

I was a little surprised that we are getting off into these programs that really do not have much to do with building the economy in one way or another of so-called underdeveloped areas.

Mr. SHRIVER. I had a discussion about this with Senator Ellender last year. The Peace Corps actually specified all of these things that we are now doing. This is in the record, even in the earliest days. For example, Senator Ellender did not think we were going to send teachers overseas, or at least that is what he said.

Mr. FORD. I had plenty of indication that that was a possibility but I did not know you were going to send athletic coaches overseas. That is what you are doing, are you not?

Mr. SHRIVER. Yes; as teachers, too.

Mr. FORD. But they go there as athletic and recreation directors, do they not?

Mr. SHRIVER. And teachers of those subjects. They are on the faculty.

Mr. FORD. Teachers of those subjects?

Mr. SHRIVER. At the University of Michigan, let us say, they have a physical education department. These volunteers are in the physical education department at Colombian universities. In addition to being in that department they are also teaching these sports. That is true.

Mr. FORD. That is a far cry from getting out in the rural areas and undertaking programs to help the agricultural economy or working on sanitation problems, and things of that sort.

Mr. SHRIVER. That is true; but what I am trying to say is that right from the beginning we said we would try to do both; that we would try to do health programs, agricultural programs, educational programs, and so forth.

We said we would try to do this across the board. We never said we would work just in the rural parts of the country, nor did we know, for example, Mr. Congressman, at the beginning, whether we would get a large number of volunteers to permit us to move into different fields such as registered nurses, of which we now have 265 in the Peace Corps.

If no nurses volunteered we would not have any. These things were included in the original presentation to Congress as typical of the kinds of work we would undertake to do.

Mr. FORD. What do you envisage in this sports program? How big is it going to get?

Mr. SHRIVER. It is very difficult to answer because we never know for sure exactly how many people are qualified for this work and will volunteer for it.

Mr. FORD. Do you base your program on the number of volunteers or on the need in the country?

Mr. SHRIVER. Both; because the country expresses its need and all we can do to meet the need is to find qualified people to meet it.

If they ask us, as many countries do, for 150 teachers of math and science and we have only 75 qualified volunteers, all they get is 75, even though they have asked for 150.

If we had 1,000 medical doctors, I am sure they would be sent overseas but we do not have 1,000 medical doctors.

PARTICIPATION IN PHYSICAL EDUCATION PROGRAMS

Mr. FORD. Do you have more volunteers than you need or do you have less than you need in the sports program?

Mr. SHRIVER. Many less than were asked for. I would suspect that we could probably send two or three times as many into situations like the ones I have been describing if they were available. We are actively trying to make it clear to America, to our experts, that they are needed and that they do very good work for the United States overseas.

Mr. FORD. What kind of sports do these volunteers teach?

Mr. SHRIVER. For the most part they are doing what you might expect: track and field, basketball, wrestling, swimming; some of the fellows who happen to like baseball start baseball but obviously that is not a sport that exists in most of those countries.

In Indonesia the Communist countries have had several hundred people doing this explicitly.

Mr. FORD. How many students or participants do they get per man in this coaching area?

Mr. SHRIVER. Of course that is one of the best parts of it. I cannot give you a figure on that specifically but we would be glad to submit one for the record, but the number of people that they reach is tremendous.

(The information follows:)

IMPACT OF PEACE CORPS PHYSICAL EDUCATION PROGRAMS

Because of the wide variety of physical education programs in which Peace Corps volunteers are engaged, no single average number of students or participants per volunteer can be given. Peace Corps volunteers in the broad area of physical education are engaged in four main types of activity: (1) Coaching of national amateur athletic teams, (2) teaching physical education in schools, (3) organizing extracurricular school sports programs, and (4) conducting broad sports programs not connected with educational institutions such as community physical education projects. Frequently volunteers are engaged in a combination of these activities.

It is estimated that the average volunteer physical education teacher in a school will work with 400 students in a 2-year period. Coaches work with a smaller number which varies from country to country, but many of these athletes will themselves become physical education teachers. Those volunteers engaged in community sports programs and extracurricular school programs have contact with large groups of people. These volunteers often travel from village to village or from school to school organizing programs. In some cases they may work with more than 2,000 people. It has been estimated that the physical education volunteers now overseas will have reached 300,000 persons before their terms of service are completed.

Mr. FORD. How many would they reach in wrestling for example?

Mr. SHRIVER. Let's say the wrestling team only had 20 people on it.

Mr. FORD. You have one volunteer for 20 men?

Mr. SHRIVER. No. In addition to doing one thing, let's say wrestling, he would not be restricted to that nor would he only do one thing. We don't send somebody over just to teach chess or any other single thing like that.

Mr. FORD. Do you send somebody to teach tennis?

Mr. SHRIVER. Not that I have heard of. The people we send over are persons qualified, generally speaking, to teach a variety of things and they do teach a variety of things. One volunteer may come in contact with 200, 300, or 400 people. There is nothing better for contacting younger people in a way that is totally outside the formal business of constitutional ideology than to do it through sports. Frequently these people live in the dormitories. Other organizations have been trying to do this for years. They have been unsuccessful. They wern't even permitted to go into these places. We have been able to work in the very places, called the universities of Marxism, and provide antidotes for the propaganda that was spread in the past. If you went in there as a professor of political science you could not even get in the place.

Mr. FORD. You are providing athletics as an antidote to communism.

Mr. SHRIVER. That is not the point. I am trying to make the observation that—better known to you than probably anybody—that coaches have a terrific influence on the people with whom they are associated. I think it is a very fine influence to the benefit of our country. I look at this program, not as somebody going or not going over, but whether it is a justifiable way in which to spend the taxpayers' money. Is this a program that serves the interests of the United States of America? If it does not do that, then I do not think we ought to do it. That is why we are very keenly interested in what the Ambassador I mentioned said or thinks about it or what other of our officials abroad think of it. Is it constructive? Is it helping them? Does it do a job for the United States? If it does, I am in favor of it even though at the very beginning, I said, we might be ridiculed for sending coaches.

Mr. PASSMAN. Who is the main interpreter as to whether it is doing a good job, Mr. Shriver?

Mr. SHRIVER. The Congress is. If the Congress does not appropriate the money we are out of business.

Mr. GARY. Will the gentleman yield?

Mr. FORD. I yield to the gentleman from Virginia.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. SHRIVER. If I might go back on the record for a moment in further extension of my remarks to Congressman Ford——

Mr. PASSMAN. All right, sir.

Mr. SHRIVER. I have a copy of the original presentation to Congress for 1961, and in the case of the Ivory Coast in West Africa it says we have been asked to send people there to teach math, physical science, physical education, home economics, English. That is what we intend to do. In the case of Sierra Leone volunteers it says we have been asked and assigned to their specialty, math, home economics, music,

physical education, commercial subjects, and domestic science. I am trying to indicate this is something that has been in the Peace Corps from the early days.

Mr. FORD. Will you submit for the record the countries in which you have a recreation director or recreation volunteer, listing the country and the number?

Mr. SHRIVER. Sure.

(The information supplied follows:)

Volunteers engaged primarily in physical education and recreation by country (as of Apr. 30, 1964)

	Number of PCV's
Ceylon	9
Colombia	54
Ecuador	11
Indonesia	31
Ivory Coast	6
Jamaica	10
Morocco	19
Senegal	13
Thailand	11
Tunisia	16
Venezuela	50
Total	230

INDONESIA

Mr. FORD. I notice, at least I have some indication, that in Indonesia you have 31——

Mr. SHRIVER. That is right.

Mr. FORD. Thirty-one against a total of how many?

Mr. SHRIVER. The total in Indonesia is 31. I think it is 21 coaches and did we add 10 more or are there 10 from another field? I cannot remember that. I am sorry.

Mr. WIGGINS. Thirty-one is the total, of which 30 are coaches and 1 is an English teacher.

Mr. FORD. What do they teach in Indonesia?

Mr. SHRIVER. Those people unlike the ones I mentioned before are not connected with universities. They are usually in provincial capitals, all the way from Surabaja up to Sumatra. Indonesia has organized the country into a number of provinces. I cannot remember exactly how many they have there, but it seems like 23, and in each of those provinces there is a physical education committee. In Indonesia, I think you will agree one of the things they need is just that kind of a program. They have a national program, and they are trying to get the people to participate in physical fitness programs in a big way for a whole variety of reasons. In each of these provinces they have a representative of the national ministry of sport. Our

volunteers are connected with the local committees. They go out and teach all kinds of physical education activities in that country.

Mr. FORD. Let's get for the record what they actually teach.

Mr. SHRIVER. I would say they teach swimming, track and field, basketball, but mostly track and field, and basketball, and then in their offtime hours they frequently are teaching adult Indonesians how to speak the English language. They work out of local centers as teachers in the hours that they are not doing straight physical education work.

Mr. FORD. They teach those sports and then have this time to do these extracurricular activities. They are pretty busy.

Mr. SHRIVER. You are right. Most of them are not married people. They do not have to worry about the family, kids, going to the movies, or hanging around. They may work 15 hours a day. That is not only typical of these people but typical of 90 percent of the people of the Peace Corps.

Mr. FORD. Let's take Indonesia for example. Let's find out the names of the individuals you have there, what their background was before they went and what they are actually doing there at the present time.

Mr. SHRIVER. All right.

(The information follows:)

Volunteers in Indonesia (as of Apr. 30, 1964)

Name	Age	State	Peace Corps skill	Occupation prior to Peace Corps	College and degree
Axline, Sue	25	California	Physical education teacher	Physical education teacher	San Jose State, California; B.A.
Axline, Joseph	34	do	do	do	Kent State University, Ohio; B.S.
Bjorn, Walfrid G	28	Connecticut	Physical education	Physical education instructor	Springfield College, Massachusetts; B.S.
Burghdorf, Harry	24	California	Physical education teacher	Physical education teacher	Pasadena State, California; B.A.
Chapon, Joseph	25	Ohio	Physical education	Student	Kent State University, Ohio; B.S.
Cleveland, Robert W	23	New York	do	do	Kenyon College, Ohio; A.B.
Dakan, Robert	25	California	Physical education teacher	do	San Jose State, California; B.A.
Donnelly, Dennis M	23	Massachusetts	Physical education and swimming.	do	Boston College, Massachusetts; A.B.
Doughty, Richard	26	California	Recreation director	Physical education teacher	University of California, California; B.A.
Eaton, Douglas B	25	do	Physical education	Fisherman	Shasta Junior College, Chico State College, California; none.
Fitzgerald, Marylou C	25	New York	do	Teacher	College of St. Rose, New York; College of St. Catherine, Minnesota; Ithaca College, New York; none.
Godfrey, Victor	24	South Dakota	Physical education teacher	Student	Northern State University, South Dakota; B.S.
Hollis, Keneth	33	Massachusetts	Gym instruction	Physical education teacher	Springfield College, Massachusetts; M.S.
Kauppinen, Ronald	28	Illinois	Physical education	Teacher	Northern Illinois University, Illinois; B.S.
Kravitz, Richard	23	Pennsylvania	Physical education teacher	Physical education teacher	Temple University, Pennsylvania; B.S.
Larson, George	24	Oregon	Track and field teacher	Student	University of Oregon, Oregon; B.A.
Leupold, Robert J	23	New York	Physical education	do	Moorehead State College, Kentucky; A.B.
Majors, Norman	24	Missouri	Basketball coach phsycial education teacher.	do	Rockhurst College, Missouri; B.S.
Miller, Diane E	23	Illinois	Physical education	Student and secretary	Eastern Illinois University, Illinois; B.S.
Miller, William S	27	do	do	Student	Do.
Moore, William T	25	Iowa	do	Wrestling coach and graudate student.	Grinnell College, Iowa; B.A. State University of Iowa; M.A.
Morrisey, James P	25	Oregon	Basketball coach and physical education teacher.	Physical education teacher	Portland State College, Oregon; B.S.
Morrisey, Peter	24	California	Swimming coach and physical education teacher.	Student	University of California, California; B.A.
Noonan, James G	24	Minnesota	Sports instructor and physical education teacher.	do	Colorado State College, Colorado, B.A.
Radford, James A	26	Texas	English education	do	University of Alberta, Canada, B.A.
Rickert, Nancy L	32	Washington	Recreation programs	Teacher, physical education and sciences, etc.	Central Washington College, Washington, B.A.
Safine, Jordan	24	California	Physical education and conducting sports clinics.	Military service	San Francisco State, California, B.A.
Second, John	23	do	Physical education, swimming coach, also track and boxing.	Student	Chico State College, California, B.A.
Stikes, Gregory W	24	do	Physical education	do	University of the Pacific, California, B.A.
Weng, Peter	24	New York	Coaching basketball and physical education.	do	College of Emporia, Kansas, B.A.
Wyckoff, Phillip J	23	do	Physical education	do	Dartmouth College, New Hampshire, B.A.

CONTRACT ADMINISTRATION

Mr. FORD. How do you pick the private groups or private organizations with whom you have contracts or relationships?

Mr. SHRIVER. Well, we pick them usually because of an expertise they have in the subject that we are trying to carry on, or an expertise about the country where we are working, or because they have an exceptionally fine record in working overseas. Let me give you some illustrations. The first program we had in Colombia in Latin America was conducted with CARE. CARE has been down there for a number of years. At the request of the Colombian Government, they prepared a survey for the development of a community action program. They had a number of people down there who were familiar with the country. The Government of Colombia asked us to help supply volunteers to go to work within this new section of the Government of Colombia, the Division de Accion Communal, for which CARE was providing support. We said yes. We have a large number of people there. It is a joint CARE-Peace Corps project.

RELATIONSHIP WITH YWCA

Mr. FORD. Do you have a relationship with the YWCA?

Mr. SHRIVER. We have one in Santiago, yes.

Mr. FORD. You did or do or both?

Mr. SHRIVER. We do. The contract will expire in August 1965. I can tell you why it started and who is in it if you want me to.

Mr. FORD. Put it on the record.

Mr. SHRIVER. First of all the YWCA in Chile had very few local places where it worked. They wanted to expand it greatly in Chile. We were very keen about doing it and we had extended negotiations with the YWCA headquarters in New York. We ultimately agreed to send 15 to 20 volunteers. They worked in the suburbs of Santiago. It turned out on the scene that YWCA did not have as much participation by Chileans as we think is desirable. There are a lot of American women who live in Chile who were interested in the YWCA. As a matter of fact one of the top people in it was the wife of an official in our Government who lived there, and it did not sink deep enough into Chilean life in our judgment at the end of 2 years so we did not continue with that program. We now have a program with the YMCA of Venezuela.

Mr. FORD. Where do you have that program?

Mr. SHRIVER. In Caracas, Maracaibo, and other cities in Venezuela.

Mr. FORD. How long has that been in operation?

Mr. SHRIVER. It must be 22 months now. It started pretty early in the game. That one had a very shaky start but now it is in fine shape. It got off to a shaky start because the YMCA had a man in charge who was very able, but he was taken out of the program and sent to another YMCA installation 3 or 4 months after we got there. His replacement was not nearly as good. We had difficulty there for 6 months but the program has matured. It is doing exceptionally well. We have volunteers in the slums outside of Caracas, outside of Maracaibo, and other cities in Venezuela.

In physical education we work with the American Association for Health, Physical Education, and Recreation, one of the top associa-

tions for that business in this country. A representative of theirs is stationed in Rabat, Morocco, and works the whole west coast of Africa with us, making sure that the work that our people do over there is well done.

COOPERATION WITH FARM ORGANIZATIONS

Mr. FORD. You have a number of programs in cooperation with various farm organizations.

Mr. SHRIVER. Yes, sir. I mentioned one a minute ago, the heifer project has been running a project with us in Ecuador and the Dominican Republic.

Mr. FORD. Do you have one with the National Grange?

Mr. SHRIVER. We did have one, yes, in Bolivia. That did not turn out so well.

Mr. FORD. Why not?

Mr. SHRIVER. First of all the National Grange had great difficulty—excuse me not the National Grange, that was the Farmer's Union. I am sorry the National Grange is in Guatemala.

Mr. FORD. Which organization are we talking about?

Mr. SHRIVER. I am sorry. I will start all over again. You asked about the National Grange. That program is in Guatemala, not Bolivia. We have been working with the National Farmers Union in Bolivia. Warren, maybe you would like to talk about the National Grange program in Guatemala.

Mr. WIGGINS. This is really the first time the Grange has ever gone abroad in any international activity comparable to this. They were particularly delighted to join with the Peace Corps in terms of trying to provide expertise to our volunteers there, based upon their whole U.S. organization, and so far that has done well.

Mr. FORD. What about the one the Farmers Union had that I believe did not work so well? Where was that and why did it fail?

Mr. SHRIVER. It is in Bolivia. I would not say it had failed but it has not developed the way we would like. Let me give you an example of what I mean. They are supposed to send overseas under such a contract, a contractor's oversea representative. That is the technical title. The union had a terrific time trying to find somebody who was really qualified to do that kind of work. They could not get a fellow who spoke Spanish and also knew enough about agriculture, who wanted to go to Bolivia, so that for the first year of our contract they were not able to produce the kind of leadership down there we thought they should.

Mr. FORD. Have you canceled the contract?

Mr. SHRIVER. I think that contract has been completed. I am not sure. Is that still going or not?

Mr. LANE. It expired. We did not terminate it.

PROGRAM IN SENEGAL

Mr. FORD. Is that the only contract you had with the Farmer's Union?

Mr. LANE. No; we had two, one in Bolivia and one in Senegal.

Mr. FORD. You had one more?

Mr. LANE. Yes.

Mr. FORD. How is the one in Senegal doing?

Mr. SHRIVER. I do not know about that particular one.

Mr. WIGGINS. I know of no particular problems in that one.

Mr. FORD. What about the Farm Bureau? Do you have a contract with them?

Mr. SHRIVER. No.

Mr. FORD. Why not?

Mr. SHRIVER. Probably because they never suggested that they were interested in having one with us.

Mr. FORD. Did these other organizations volunteer or did you solicit their cooperation?

Mr. SHRIVER. I would say in most cases that it has been both. I have frequently talked to meetings of voluntary agencies which would include 150 to 200 people representing the whole cross section of voluntary agencies and solicited their cooperation with the Peace Corps. We have a division in the Peace Corps which is devoted specifically to this, helping to develop relationships.

Mr. FORD. Did you ever extend an invitation to the Farm Bureau to participate in these programs?

Mr. SHRIVER. I do not know. I would have to check.

Mr. FORD. Let's find out what the record shows. Let's put in the record whether you did or did not invite the Farm Bureau to participate.

Mr. SHRIVER. Yes. We have the Heifer project, another farm operation.

You asked about that. It has its headquarters in Indiana. We have had programs with them in the Dominican Republic and Ecuador.

Mr. FORD. That is all, Mr. Chairman.

Mr. PASSMAN. I trust the gentleman can be with us some more.

Mr. SHRIVER. We have the Future Farmers and the 4–H Foundation.

Mr. FORD. Two good organizations.

Mr. SHRIVER. They both work with us.

Mr. FORD. It struck me as rather peculiar that you had not established some relationship with the Farm Bureau. I think it is the largest farm organization in the country. You have a relationship with the Farmer's Union and you have one with the Grange.

Mr. SHRIVER. I do not know why that is, but it is possible that we may have asked them and they were not interested.

Mr. FORD. Let's get for the record whatever your records show in this regard.

Mr. SHRIVER. Yes. We have the 4–H, Future Farmers, the Heifer project and I thought we were working with practically every farm organization there was. I guess we were not.

The initial Peace Corps contact with the National Farm Bureau was made to obtain their support and endorsement for recruitment.

When the Peace Corps set up an Agricultural Advisory Committee, the Farm Bureau was represented.

When a contract relationship was suggested in December 1962, a National Farm Bureau was not interested. At the State bureau level the Ohio Farm Bureau expressed an interest. Several projects have been discussed with the Ohio Bureau, who would welcome a Peace Corps program. We are actively seeking an appropriate rural community development project for them.

Mr. FORD. That is all. Thank you, Mr. Chairman.

NUMBER OF COUNTRIES HAVING PEACE CORPS PROGRAMS

Mr. PASSMAN. Mr. Shriver, you mentioned earlier, and I commented during Mr. Ford's examination about who decided whether the Peace Corps was a success and you said the Congress. I doubt if there has been actually 20 Members of Congress privileged to check into the operations of the Peace Corps because we just do not have an opportunity to get out of the country and to go into many of these countries where you have a Peace Corps. In how many countries do you have a Peace Corps presently?

Mr. SHRIVER. Forty-five.

Mr. PASSMAN. Last year I believe you submitted a list that would have brought it up to 51, did you not?

Mr. SHRIVER. I am not sure what we submitted specifically last year.

One thing has happened during the course of the year, three countries we were in became one country.

Mr. PASSMAN. What country?

Mr. SHRIVER. Malaya and Sabah and Sarawak all became one, just recently.

Mr. PASSMAN. There is another country that has a population about half the size of New Orleans. They joined up with another country, too. You do not have a Peace Corps in Zanzibar?

Mr. SHRIVER. No. We are in Tanganyika.

Mr. PASSMAN. I think that we should know the facts about this program. You do know that I have a very great admiration for you, Mr. Shriver. I enjoy discussing this program with you.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. I have often said if I could go back to your age and the two of us, your salesmanship and the little knowledge I have of what people need, I could become a thousandaire again and you could become a millionaire, because you are a good one.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. Do we have a Peace Corps going in any country where we do not have some other type of foreign aid program?

Mr. SHRIVER. Some other type? The place that I think of usually as an example, and I have talked about it here before, was Sarawak and North Borneo, now known as Sabah.

In Sabah there isn't a foreign aid program. There isn't even a foreign office.

Mr. PASSMAN. I never heard of that country. What did you call it?

Mr. SHRIVER. There is a place out there called Sarawak. It has been there for a number of years.

Mr. PASSMAN. Yes, we do have an aid program in Sarawak, too. If you will look at your records, you will find we do.

Mr. SHRIVER. They may have started since. There was none there when we went there but I think a consulate may have been opened very recently in Kuching, Sarawak.

Mr. PASSMAN. I think this is great experience for these youngsters. I am honest about that.

OVERLAPPING FIELDS OF ENDEAVOR OF PEACE CORPS AND TECHNICAL ASSISTANCE PROGRAMS

As Mr. Bell said, I have always thought that a good part of it was technical assistance. I shall read from the transcript of our hearings with Mr. Bell:

Mr. PASSMAN. Is it to benefit the volunteers? You made a factual statement. I am glad it is on the record. Would you say something else about it?

Mr. BELL. Yes, sir. What I started to say was that the benefit, the advantages of the Peace Corps is partly for the young Americans who are in it.

Mr. SHRIVER. Are you going to talk further about that?

Mr. PASSMAN. I am going to find out if you actually know what these kids are doing. If you will let me ask you some questions and if you will give me some answers, because when you get started on this program, you are so enthused about it you never get back to answering my question.

Mr. SHRIVER. Come out to my home Memorial Day and we can sit there in the shade and talk.

Mr. PASSMAN. I am trying to establish that there is some good coming out of this program, because it is a tremendously expensive program.

You have 53 percent of your personnel engaged in some type of teaching work?

Mr. SHRIVER. Yes, sir.

TYPES OF PEACE CORPS PROGRAMS

Mr. PASSMAN. Isn't that also true of the U.N. expanded technical aid program, our bilateral technical aid program, where they are teaching basically at a higher level, instructing in colleges on about the same subjects? I remember several of the contracts concerned with the production of corn, swine, chickens, rural extension, rural electrification, rural banks, and development banks and it would appear to me that maybe this is a good supplement to it. As long as you do not try to make your case to assure me it is not in the technical aid field, I do not think it is fair for the people who read the record. I believe Mr. Bell said these people are engaged in teaching people how to raise better swine, as well as chickens and cows? Aren't they doing generally technical aid work out in these villages and farms?

Mr. SHRIVER. That is part of what they are doing, yes, sir.

Mr. PASSMAN. Could you give us a list? We have never actually asked the technical aid people for a list. We are going to when Mr. Cleveland comes before us. We will find out what the U.N. technical assistance people do—if they are actually imparting knowledge to make life more bearable on the farm; then we want to know. If you would, furnish a list for the record of some of their activities out in the villages and on the farms. We would like to have that. I didn't know you ever intended getting into the educational TV field. I thought maybe the volunteers would ride donkeys bareback to get into the villages occasionally. I do not believe you have been able to correct

very many of the deficiencies in the rural sections to the point where our next step has to be a 20th century educational program.

PEACE CORPS PROGRAMS IN INDONESIA AND PANAMA

Can you think of any other country where we have a Peace Corps project, where we don't have a foreign aid program? How about Indonesia? Do you still have the Peace Corps there?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Sukarno told us to go to hell with our aid. We pretended not to understand him. He said again, "Go to hell with your aid, we don't need it." I don't believe he applied that same formula to your Peace Corps, did he?

Mr. SHRIVER. No.

Mr. PASSMAN. Did you see that press article?

Mr. SHRIVER. I saw the statements in the paper. There were the same when Panama broke off diplomatic relations with us; they said, "Take your aid out but leave the Peace Corps."

Mr. PASSMAN. You read a different article. They said: "They had a right to have aid. How dare you cut it off? You either give us aid or we will take you to the U.N."

Mr. SHRIVER. I did not see that.

Mr. PASSMAN. Let's exchange articles. I will give you mine and you give me yours. They are getting ready to sue us for aid.

Mr. SHRIVER. If that is the case, I am sure you will be to handle it in any court.

Mr. PASSMAN. If I cannot, I will yield to you. Jointly, I know we can.

VOLUNTEER TRAINING IN DONKEYMANSHIP

Mr. SHRIVER. For the record, we have 62 donkeys in Columbia which is only 3½ hours from Washington by jet.

Mr. PASSMAN. They did not go down by donkey; did they?

Mr. SHRIVER. No. We have plenty there. They are in Colombia. As a matter of fact after they stopped the cavalry training at Fort Leavenworth we are the only agency that actually teaches horsemanship now.

Mr. PASSMAN. Teaches what?

Mr. CONTE. Fort Riley, not Leavenworth.

Mr. SHRIVER. Donkeymanship. I said horsemanship. I should have said donkeymanship. We teach that in the Indian reservations in New Mexico where we have a community development training camp. They are taught to handle the animals. They use those for a large part in Colombia.

Mr. PASSMAN. Local people are teaching the corpsmen?

Mr. SHRIVER. In New Mexico.

Mr. PASSMAN. The Peace Corps men are teaching them how to use the donkeys? This is an honest question.

Mr. SHRIVER. I understand. We are sending people to Colombia.

Mr. PASSMAN. You are teaching them to properly utilize the donkey.

Mr. SHRIVER. No. We are teaching our people before they go there, since their mode of transportation in Colombia to get around the villages is by donkey. Like driving an automobile we teach them how to handle a donkey.

(Discussion off the record.)

PEACE CORPS ACCOMPLISHMENTS

Mr. PASSMAN. Looking at the results from the point of view of the recipient governments, would you indicate for the record how many miles of roads have been built, the number of schoolhouses they have built, the number of pupils who have graduated from high school and college and any other pertinent statistics that you care to put in the record as to what these youngsters have accomplished for us? That is an open invitation.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. Try not to draw on your imagination any more than is necessary. We would like to have the actual statistics if you have them.

(The information follows:)

ACTIVITIES OF VOLUNTEERS IN PEACE CORPS PROGRAMS

Peace Corps volunteers are assigned overseas to carry out the three purposes of the Peace Corps Act. These purposes call for volunteers to assist developing nations requesting help and to promote mutual understanding between the American people and the peoples with whom the volunteers work.

Although it is not possible to quantify the benefits of better understanding, this does not diminish its importance as a goal. In the area of developmental activities, however, the Peace Corps has achieved significant measurable results.

The following examples are representative of the activities of volunteers in 45 countries:

In Togo, a medical team of 16 volunteers has given physical examinations and immunizations to well over 4,000 people in Sokode where they have been assigned to a local hospital. In addition, other volunteers in Togo have worked with the Togolese in starting 6 inland fish farms and building 10 new schools.

The 54 volunteers now in Guinea have already completed an irrigation dam, three poultry houses, four experimental rice and corn plots, and an irrigation pipeline. They are currently working with Guinean farmers in setting up three commercial vegetable farms. The 23 secondary school teachers in this group represent 40 percent of all the teachers of English in the country and will reach over 3,000 students.

In October 1962, 29 Peace Corps volunteers arrived in Sierra Leone to work in rural development and medical assistance. The presence of the 10-man medical team has enabled the medical clinic at the Magburaka Hospital to double its outpatient load from 42,000 cases in 1962 to 95,000 cases in 1963. At the same hospital, major surgical cases rose from 283 in 1962 to 621 in 1963.

The 19 volunteers in rural development have helped the Sierra Leone Government to complete 15 new classrooms, 33 miles of new road, 13 miles of improved road, 37 culvert installations, and 17 bridges which spanned a total of 300 feet. Eleven additional roads have been surveyed for construction. This same rural development team has also helped initiate seven water supply projects resulting in the construction of three gravity flow systems involving 7,500 feet of pipe, two small dams, one storage tank, two new wells, and three improved wells.

The Peace Corps has had an impact upon many African school systems. During the period from December 1962 to January 1964, the number of secondary school teachers in Nyasaland increased 77 percent, from 128 to 227. Of these 99 additional teachers, 82 were Peace Corps volunteers. In Liberia, the 280 volunteers teaching in elementary and secondary schools are in daily contact with approximately 14,300 students. Also, in Nigeria, 442 Peace Corps volunteers are teaching over 40,000 pupils—35 percent of all Nigerians in all secondary schools and teacher training colleges.

At the request of the Government of Sarawak, now a part of Malaysia, 22 volunteers who arrived in August 1962 began an active 4–H program in that country and have established more than 40 4–H Clubs.

Since the inception of the Peace Corps program in the Philippines over 2 years ago, nearly 800 volunteers have been teaching at all levels of the educa-

tional system and have already reached some 80,000 Philippine students in the areas of English instruction, mathematics, and science.

In the Dominican Republic, three volunteers organized an association for the production of livestock feed. With a present membership of 200 farmers, it is producing 10 tons of feed monthly and has branched out to supply balanced hog and poultry feed, livestock medicine and veterinary services to its members. In an another community, four volunteers have organized a poultry production association that is now the largest association of its kind in the entire country and produces over 1,000 fryers per week. In the past year, all such programs have raised over 150,000 chickens.

In Colombia, as indicated in the Peace Corps Fiscal Year 1965 congressional presentation, volunteers in the first community development project participated in the completion of 44 rural schools (with another 55 schools under construction); helped build 200 miles of rural roads, 20 aqueducts (with 29 others started), and 4 health centers (13 others started). They also initiated latrine programs in 33 different rural areas and more than 1,000 latrines were installed. The volunteers also helped to establish 26 cooperatives, built many farm ponds and stocked them with fish, and laid out and cleared innumerable sports fields.

In Panama, in a remote isolated village of only 670 people, 1 volunteer initiated a home sanitation project which in 5 months resulted in the construction of 71 latrines. The entire cost of the cement and other materials was obtained from the villagers themselves.

In Bolivia, volunteers in a rural colonization project participated in the construction of five large rice silos in the Alto Beni region which serve approximately 1,500 people.

In a Bolivian health project, 5 volunteers have helped distribute milk to approximately 1,650 people in Sucre; 2 volunteers in the Alto Beni region administered penicillin to about 600 Mosetene Indians and gave 590 tuberculin tests in the Cochabamba area. A volunteer in Mineros has assisted in the construction of 29 latrines and has begun another 18. As part of this health project, 2,430 people were given yellow fever immunizations in 6 rural villages. A volunteer in Santiago de Huata worked with Bolivian laborers in laying 700 feet of pipe for 2 water systems, installed 8 toilets, 10 washbasins and waterlines.

In Peru, in the barriadas, or slums, surrounding Arequipa, 62 volunteers have worked with Peruvians in building 230 cesspools, 46 new roads, several new schools, and a community center. They have given between 20,000 and 30,000 vaccinations, assisted in the preparation of more than 36,000 school lunches daily, established nursery schools serving more than 400 children, and recreation programs involving more than 5,000 children. In addition they maintain a summer camp and have established a secondary school athletic program.

Poultry development volunteers in India have, to date, assisted over 200 persons in undertaking commerical poultry raising. The volunteers have helped organize four poultry cooperatives, one of which has already marketed over half a million eggs. Another is now marketing over 250,000 eggs per year.

The Tunisian Government has earmarked 25 percent of its public investment budget over the next 10 years for housing and public works construction. Twelve volunteer architects who have been in Tunisia since July 1962 have played an important role in the implementation of this project thus far. In their first 16 months of work, they have been involved in the planning, design, and construction of some 112 buildings—schools, public housing, dormitories, market centers, and other structures. These volunteers represent about 12 percent of the total number of architects working for the Government of Tunisia.

Irrigation volunteers in Morocco have participated in the planning and construction of a number of small irrigation projects—canals, barrages, retaining walls, and other structures—along the intermittent streams in the southern province of Quarzazate. One volunteer has helped with the completion of: (1) a 1,790-foot cement pipeline under the riverbed, (2) a cement-lined earthen diversion canal, (3) a rock and mortar flood control wall. Still another volunteer, working near Tadoula, has planned and supervised the construction of a network of small flood control jetties.

A volunteer in Nepal, working with 10 Napali coworkers, has increased the production of chicks in a local hatchery from 25,000 to 56,000. These results were mainly due to improvements initiated in feed, heating, and cleanliness.

Mr. SHRIVER. I do not want to take up a lot of your time telling about all that.

Mr. PASSMAN. Please do.

Mr. SHRIVER. There is so much. I would like to mention one country in Africa, I think it is. It is rather interesting.

Mr. PASSMAN. While you are looking that up, does "Chicken" Davis work for you? You are familiar with "Chicken" Davis?

Mr. SHRIVER. He is terrific. Yes, he is doing very well.

Mr. PASSMAN. Is Chicken Davis with the Peace Corps? What was that you were going to mention, Mr. Shriver?

Mr. SHRIVER. I was going to give you the statistics from Nyasaland.

Mr. PASSMAN. If you find it, put it in the record.

PEACE CORPS IN NYASALAND

Mr. SHRIVER. Let me say what it is. In Nyasaland the high school population has nearly doubled in the 2 years that the Peace Corps has been there; of the 33 secondary schools and colleges that are assisted by the Government, with a certain amount of money per annum, 27 of them are places where the Peace Corps volunteers are working.

Mr. PASSMAN. When did they go out there?

Mr. SHRIVER. Two years ago, when I gave you the opening statistics.

Mr. PASSMAN. You do not take the students directly from the village and graduate them because they are being taught by the Peace Corps? Don't they have to do some studying before they get their diploma? The Peace Corps is not old enough to have a moustache yet. If you are graduating these students from high school, and the Peace Corps is only 3 years old, you have something to take notice of. That is a terrific accomplishment.

Mr. SHRIVER. In 1962 there were 128 teachers teaching secondary school classes in Nyasaland.

Mr. PASSMAN. It is about 20 months ago, in 1962.

Mr. SHRIVER. 1962.

Mr. PASSMAN. We are not that far from 1962. We are 16 months away from 1962.

Mr. SHRIVER. Now they have 227 there, in 1964.

Mr. PASSMAN. 227 what?

Mr. SHRIVER. Secondary teachers; 82 percent of the increased number of teachers are volunteers and by coincidence they are 82 percent of the total number of teachers. The number of secondary schools has gone from 19 to 26, including the additional classrooms built. There are now over 4,000 students enrolled in the secondary schools of that country and in 1962 there were only 2,200. The school population has gone from 2,200 to 4,000 high school population and the number of teachers has gone from 128 to 227, 82 percent of the increase the result of the Peace Corps. Let's say you had an equal number of Communists out there.

Mr. PASSMAN. You do not know whether those statistics would have been just the same or not without the Peace Corps?

Mr. SHRIVER. I do know they wouldn't.

Mr. PASSMAN. Those people are getting foreign aid. You do not know how many teachers they would have hired by themselves.

Mr. SHRIVER. Excuse me.

Mr. PASSMAN. You cannot say, Mr. Shriver, simply because you have Peace Corps men, that you would not have had some advance

in the educational field without them. If you are making that statement it is your statement because we were educating people before we ever heard of the Peace Corps. The program is only 3 years old.

Mr. CONTE. It is or was a British protectorate until last year.

Mr. SHRIVER. Yes.

Mr. PASSMAN. Let's take a minute.

Mr. SHRIVER. Dr. Hastings Banda, the Prime Minister of Nyasaland, said if we hadn't had the Peace Corps there this would not have been accomplished. You do not have to rely on me.

U.S. CONTRIBUTIONS TO NYASALAND THROUGH THE FOREIGN AID PROGRAMS

Mr. PASSMAN. I am trying to keep this program in perspective and not let your imagination get the best of you. A lot of people do not believe this propaganda. I want statistics. You said it wasn't so—about the aid program in that country.

Mr. SHRIVER. I didn't say anything about the aid program.

Mr. PASSMAN. We did have an aid program in Nyasaland in 1963, $1,026,000; in 1964, $974,000; proposed, 1965, $1,377,000 and in the field of education we had $456,000. That is the foreign aid program. So we do have a terrific educational program in this country out of the foreign aid program.

Mr. SHRIVER. How many teachers do they have there?

Mr. PASSMAN. I don't know, Mr. Shriver. It could be quite a few.

Mr. SHRIVER. I understood they spent $450,000.

Mr. PASSMAN. $456,000 for education in this country.

Mr. SHRIVER. It went down from $1.02 to $974,000 in the aid program.

Mr. PASSMAN. It is back up to $1,377,000. We haven't determined that. That is a lot of money to me. It may not be much to a lot of people.

Mr. SHRIVER. You asked me what we had down in terms of people taught. I wanted to give you an example.

Mr. PASSMAN. I know. But you may be taking credit for what everybody else is doing. I don't know. I know you are honest about it, but your imagination and enthusiasm is a rare combination.

Mr. SHRIVER. I am working on the figures and facts they give us, Mr. Chairman.

ESTIMATED VOLUNTEER INPUT

Mr. PASSMAN. I note on page 49 of the justifications that your volunteer input for fiscal year 1965 is estimated at 7,994 to provide a strength of 14,000 during the year; is that correct?

Mr. SHRIVER. Yes.

Mr. PASSMAN. It would appear that your number of questionnaires received will have to increase substantially in the future if there is to be any growth in the Peace Corps strength beyond the proposed level; is that correct?

Mr. SHRIVER. Yes, sir.

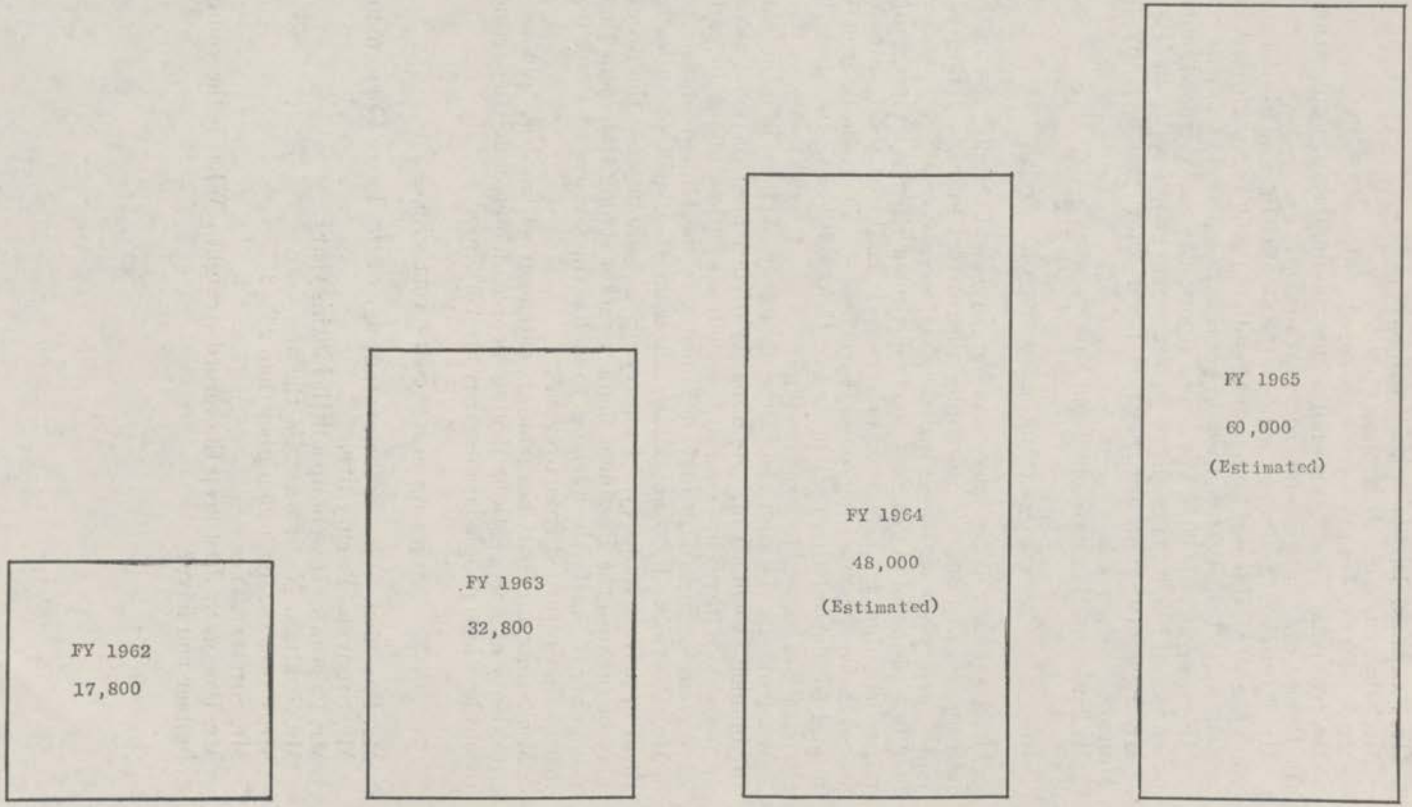
Mr. PASSMAN. The proposed 14,000 level?

Mr. SHRIVER. Here is a chart we got up just this morning.

Mr. PASSMAN. Insert it in the record at this point.

(The chart follows:)

33-361—64—pt. 2——75



Mr. PASSMAN. Do you agree it will have to?
Mr. SHRIVER. Yes. It is going up.
Mr. PASSMAN. What do you have here?
Mr. SHRIVER. That chart shows how the number of applications in the Peace Corps has gone up from year to year.
Mr. PASSMAN. You mean with all the advertising and all the money you spend ballyhooing and propagandizing this program that is all it went up? I thought you would get that much alone from my State.
Mr. SHRIVER. 60,000? We haven't gotten as many from Louisiana as we would like to, though we do have some good ones from Monroe.
Mr. PASSMAN. Who are they? I never knew you had any from Monroe.
Mr. SHRIVER. We have one from Monroe.

EMPLOYMENT OF RETURNED VOLUNTEERS

Mr. PASSMAN. What success is our President having getting Federal agencies to employ returning Peace Corps men? I noticed he had a pretty strong statement on that recently. Is it necessary to submit a proposal to Congress to employ them all or is he just going to take those that have had experience? It could be their experience would be worth something to our Government. Does the Civil Service intend to blanket them all in or are they just going to select those they feel can be used to an advantage?
Mr. SHRIVER. I think the latter obviously. There is no intention to "blanket" them all in. As a matter of fact most of them, already, 49 percent of them are continuing their education, about 15 percent have gone to work with private industry in the United States.
Mr. PASSMAN. I do not know but what they will be subsidizing them in private industry. I am trying to find out what the program may be because the President made a rather strong statement that he was going to notify the agencies to utilize the services of Peace Corps men as they returned from overseas.
Mr. SHRIVER. That is a similar statement as has been put out by presidents of corporations urging people in personnel departments to employ these people because they are very good.

AGES OF PEACE CORPS VOLUNTEERS

Mr. PASSMAN. What is the average age of the Peace Corps man?
Mr. SHRIVER. Twenty five.
Mr. PASSMAN. It went up a little bit this year?
Mr. SHRIVER. No, it was 24½ the first year.
Mr. PASSMAN. Isn't 25 higher than 24½?
Mr. SHRIVER. Yes.
Mr. PASSMAN. Just keep the record straight. What is the youngest volunteer you have?

Mr. SHRIVER. You have to be 18 to get in.
Mr. PASSMAN. Really?
Mr. SHRIVER. We have a man 77 in Pakistan.
Mr. PASSMAN. How did you get him over there, on a stretcher?
Mr. SHRIVER. No, he is very able.
Mr. PASSMAN. Would you give us a list of the age groups?
Mr. SHRIVER. I would be happy to.
Mr. PASSMAN. He couldn't be very active in certain fields of endeavor at 77 years of age.
Mr. SHRIVER. He is very effective in his field of endeavor, which happens to be agriculture.
Mr. PASSMAN. What is his field?
Mr. SHRIVER. He is an agricultural civil engineer, excuse me, I am sorry, I thought he was agriculture, he is a civil engineer in Pakistan.
Mr. PASSMAN. What is the normal retirement age in our country to get your benefits under social security? Isn't it 65? Isn't it mandatory in banks and in most private companies? I don't think it is good to force an active man to retire at age 65, but when you talk about 77 that is getting a little old, and I wonder whether you should send a man that old so far away?
Mr. SHRIVER. If he can pass the physical exam and has the stamina to do it, it seems desirable to me.

AVERAGE AGE OF VOLUNTEERS

I want to correct myself if I may for the record, Mr. Chairman. The average age is still 24.5, so there you are, we haven't gone up at all. The men are 24 only, and the women are 25.4. The women are older than the men in the Peace Corps.
Mr. CONTE. What is the 77-year-old man doing in the Peace Corps?
Mr. SHRIVER. He is a civil engineer in Pakistan.
Mr. PASSMAN. How many 77-year-old men do you have?
Mr. SHRIVER. He is the only one we have.
Mr. PASSMAN. Do you have any others above 25, I mean 24½?
Mr. SHRIVER. Any people in the Peace Corps?
Mr. PASSMAN. Yes.
Mr. SHRIVER. We have two very attractive women, one 60 and one 64, who teach school in Ethiopia, where Mr. Wofford was in charge. We have about 131 people over 50 in the Peace Corps.
Mr. WIGGINS. Sixty over 60.
Mr. PASSMAN. You must have a large number of them under 20, don't you. How about putting a list in the record?
Mr. SHRIVER. We would be delighted to do that.
Mr. PASSMAN. Could you give us a complete breakdown for the record?
Mr. SHRIVER. Yes, sir, it is right here. I will give it to you right now.

Volunteers and trainees by age and education (as of Apr. 30, 1964)

AGE

[Ages computed as of June 30, 1963]

	Total	20 and under	21 to 25	26 to 30	31 to 40	41 to 50	51 to 60	61 to 70	71 to 80	Average age
Total	7,116	563	5,198	847	293	84	71	56	4	24.5
Male	4,376	361	3,208	565	175	33	21	12	1	24.0
Female	2,740	202	1,990	282	118	51	50	44	3	25.4

EDUCATION

Beyond high school	212	A.A., A.S., etc	157
Training other than college	99	A.B	3,037
Attended college but no degree:		B.S	1,646
1 to 2 years	811	M.A., M.S	609
3 to 4 years	294	Ph. D., LL.B., D.V.S., J.D., etc	77
5 years or more	33		
Graduate nurses	141	Total	7,116

Mr. PASSMAN. You have 563 under 20 years of age?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. That is male and female?

Mr. SHRIVER. That is right. We have 131 over 50, 4 over 70.

Mr. PASSMAN. Your biggest bracket is 21 to 25—21 to 25 and under.

Mr. SHRIVER. That is right. The largest number is between 20 and 30. We have a fairly good group up to 40.

Mr. PASSMAN. Between ages 21 and 25 is your big bracket?

Mr. SHRIVER. Yes, that is right.

Mr. PASSMAN. In other words, most of them are in the college group age; is that correct?

Mr. SHRIVER. Most of them are in the college group age, because most of them get out of college by the time they are 25.

LEPROSARIUM IN BOLIVIA

Mr. PASSMAN. Last month there was an article in the Washington Daily News of April 6, by George Clifford and Tom Kelly, with the caption "Silent Otto" commenting about my lack of knowledge about one of your newest projects, which was the use of volunteers to work at the Los Negros Leprosarium in Bolivia. When did you ever present such a proposed project to this committee since you have been justifying the Peace Corps program since its inception?

Mr. SHRIVER. The only project that we presented as such in Bolivia was a health project.

Mr. PASSMAN. I said specifically now, about the leprosarium. You did not submit such a project to the committee, did you?

Mr. SHRIVER. I was trying to say so far as I know the only project we submitted for Bolivia was a health project, and what happens frequently and happened there probably is that we did the same thing in Malaya. We send nurses out and a large part of what they do, they are able to do on the spot. I remember in the case of this leprosarium in Bolivia we had two volunteers there in the health field and they found out about this leprosarium, requested permission to add this to what they were doing and it was granted, so——

Mr. PASSMAN. My point is you did not submit any such project to this committee, did you?

Mr. SHRIVER. Last year we put in the record that public health volunteers were working, and this sentence "volunteers are taking over administration and operation of a leper colony with 70 patients in Bolivia," was included. I do not see any reason why you should know that.

Mr. PASSMAN. Thank you for that, Mr. Shriver. It was not presented to this committee. It was something that you inserted in the record subsequent to your appearance, is it not?

Mr. SHRIVER. No, sir; this was in the report that we sent to the committee. I do not see how anybody in the Congress can be expected to know about every one of these things. You remember last year we sent over three volumes.

Mr. PASSMAN. You started the project though after your appearance before the committee last year, did you not?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. Let me tell you what I am trying to say to you. There has never been a man any more in sympathy with these leprosariums and particularly, the patients in them, than I am. When I was out in Okinawa a month or so ago, even the doctors would not go as far as I would to fraternize and socialize with them. I spent considerable time on one leprosarium. In fact, we spent over half a day. I guess, in that field. I visited room after room after room and, I guess, I have 40 pictures in my office standing between these victims of this dread disease.

There is one in my State at Carville, the only one in the United States. I visit those people regularly, correspond with them regularly and even called the White House this week to get the President to address a letter to my friend Stanley Stein, who is publisher of the Star. President Kennedy wrote him a nice letter which was on the fly page of his book. I just wanted George Clifford and Tom Kelly to know I did not know anything about any leprosarium in Bolivia. If I had I would have helped in every way I could because I could be the next victim. That is the only reason I brought the article up.

Mr. SHRIVER. Could I make a statement, Mr. Chairman.

Mr. PASSMAN. Certainly.

Mr. SHRIVER. I do not want to defend what they have written because I do not think it is a fair thing to say that somebody in the Congress, even you, doesn't know about a specific one sentence in a great big report like this. The only point I was trying to make is, so far as we are concerned, that we do try to provide information, but I do not feel that anybody in the Congress is expected to know every word in this volume that came over here last year.

Mr. PASSMAN. You funded the project. You assigned personnel subsequent to the time you appeared before the committee anyway.

Mr. SHRIVER. It was going on at the time we were here but it did not come up. There is no reason why it should come up. In this book there is plenty of stuff in here——

Mr. PASSMAN. It was not presented to us the year before last, is that correct, Mr. Wiggins?

Mr. WIGGINS. I will have to check the report. I believe that is so, sir.

Mr. PASSMAN. I want those gentlemen to know they do not know what they are talking about.

Mr. SNHRIVER. I don't think it is a fair thing to criticize a Member of Congress because he doesn't know about one sentence in a report.

Mr. PASSMAN. Let me say I am always glad to get my name in the press. I would prefer to have it favorable. If it must be unfavorable I only hope they spell my name right.

Mr. SHRIVER. This is from the fiscal 1963 presentation. I think this is a good illustration of what I refer to, and I do not think anybody here should be criticized. This reads as follows:

> Bolivia. The first project to be initiated in Bolivia will require up to 50 nurses, health educators, and sanitary workers. The Peace Corps nurses and health educators first will work in health centers of the Inter-American Cooperative Public Health Service near La Paz and later will expand to centers elsewhere.

But there is no reason why you should know that they expanded to a center which is a leprosarium.

PEACE CORPS AND OTHER TECHNICAL ASSISTANCE PROGRAMS

Mr. PASSMAN. That is good enough.

May I ask you this question: You have certain projects, do you not, in which the U.N. technical aid people and the bilateral technical aid people and the Peace Corps men are working together?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. So my conception of this program, and it will help you, is that it is a form of technical aid. Either it is or else the bilateral technical assistance program is misjudged. You have teachers. You send them into all types of schools and colleges as instructors. They teach regular classes. In how many countries are there joint efforts by technical aid people, bilateral aid, and Peace Corps?

Mr. SHRIVER. How many countries?

Mr. PASSMAN. Yes; in which you have all those different program personnel working jointly on projects.

Mr. WIGGINS. Four or five.

Mr. SHRIVER. The point I think is this: Some people have a certain idea what technical assistance is. That is not this. That is the difference.

Mr. PASSMAN. I am quite opinionated about it.

Mr. SHRIVER. I do not know whether you are in favor or opposed to it. That is not my point. This is not the same thing.

Mr. PASSMAN. I would like to find out what these volunteers are doing. They are of voting age. I am trying to find out, if it is technical aid, we might be able to justify this extravagance. That is why I am asking. I think our foreign aid program would have been much better had we limited it basically to good technical aid—teach the people how to do these things rather than to give them money that they could live on to keep them from doing these things. Sometimes I am trying to help you.

ESTIMATE AVERAGE ANNUAL COST OF VOLUNTEER

Last year, on page 243 of the hearings, you submitted a table of estimated cost of volunteers at various levels ranging from $6,000 to $13,000. In view of the fact that your average annual cost per volunteer has been reduced from $9,000 to $7,825 in 1965, would you

submit a revised table similar to the one you submitted last year to the committee?

Mr. MEDLEY. Yes, sir.

(The information follows:)

Estimated annual cost of volunteers at various levels

[Dollars in millions]

Level of volunteers	Total	Volunteer and project costs	Administrative expenses
14,000	$110.9	$89.4	$21.5
13,500	107.4	86.1	21.3
13,000	103.9	82.8	21.1
12,500	100.3	79.5	20.8
12,000	96.7	76.2	20.5
11,500	93.1	72.9	20.2
11,000	89.4	69.6	19.8
10,500	85.7	66.3	19.4
10,000	82.0	63.0	19.0

Mr. PASSMAN. I can understand with an enthusiastic program like this, a nice bunch of young fellows in it——

Mr. SHRIVER. Max Medley likes to hear that.

Mr. PASSMAN (continuing). That you would exaggerate or let me say overstate your needs and accomplishments. But you should begin to deal with this thing a little more realistically you understand because if your average annual cost per volunteer has dropped from $9,000 to $7,825 that would certainly justify a lower appropriation. Every year you have requested more funds than you needed—the Director says, "used"—but I will say more funds than you needed. I do not think there is anything commendable about inflating your request just so you can say "I am holier than thou. Look what I turned back." We would rather deal with realistic presentations because not all people are honest like you are. Some of them may spend it if we give them more than they need. Do you understand, Mr. Shriver?

Mr. SHRIVER. As soon as they start doing that I stop giving it to them.

Mr. PASSMAN. Some agencies get funny ideas. If you give them more than they need, they may spend it. That is why with this agency we try to work it to a level of need, not a level of desire, or to a level where you can turn back money every year. Let's take a brief recess.

Mr. SHRIVER. The very point there is it is a level of need and the fact we make savings during——

Mr. PASSMAN. For your administration. As far as I am concerned I would bring these youngsters home on the first planes they could get. My wishes will not prevail, I realize. The most I can do for you is to help you keep the program down to a reasonable level before it gets bigger than the Defense Department.

FIELDS OF PEACE CORPS ENDEAVOR

Mr. PASSMAN. Page 25 indicates that the Peace Corps is engaged primarily in four major areas: Education, community action, agricultural extension, and public health.

We have discussed earlier the different fields. I think it would be of some help to the committee if you would make that insert we requested earlier as complete as you can, so the Congress will know in how many fields of endeavor you are engaged.

I may say, naming this program "the Peace Corps" has made it popular, temporarily. But when people begin to see through it, as I think I see through it—this is my personal opinion—you may want to give some thought to calling it what it is, and that is "the Technical Aid Corps." I think such a name would be a lot better, as they are in that field of endeavor, and if that is where you can achieve your objectives let us have it that way. I have contended that you can overdo it. Technical aid, I believe, is worth much more than the direct appropriations we are giving, because if you don't teach these people how to do these things correctly and efficiently, they are not going to be able to carry on after we get out. Therefore, I am certainly in favor of a satisfactory technical aid program.

PEACE CORPS VOLUNTEERS ASSIGNED TO U.N. PROJECTS

How many volunteers do you have assigned to international organizations?

Mr. SHRIVER. Fifty-one.

Mr. PASSMAN. Would you submit for the record a table indicating the total cost of the volunteers assigned to international organizations, whether or not you are reimbursed, or could you tell us now? Are you reimbursed by the international organization for the Peace Corps men you have assigned to them?

Mr. SHRIVER. No, it isn't quite that way. Volunteers are assigned to work with—not to work for—the international agency, so they are not getting services from us for which they would pay us.

What we do is, if there is a program, let's say a U.N. food and agriculture program someplace, we can assign some volunteers to work on that program. If the volunteers can get some technical assistance from the U.N., we will assign them there. It is not primarily to work for them. The volunteers work for us, but on a project which is already going on in the country, such as malaria eradication, or something like that.

Mr. PASSMAN. In reality, it is the same as we established earlier in the record, like our bilaterial technical aid. Your people and theirs are working together on certain programs. Would this be the same thing as the technical aid program?

Mr. SHRIVER. Of the U.N.?

Mr. PASSMAN. That is where you have your expanded technical aid program, and your people are working with those people?

Mr. SHRIVER. What happens, in reality, is that they have one man, let's say, on the Ivory Coast. One fellow can't do very much, but if we could, in a particular case, supply a group of volunteers to the work, more would be accomplished. The Ivory Coast is a poor example. The best is perhaps Tunisia, where we have 13.

Mr. PASSMAN. How many U.N. technical aid programs are there where you have Peace Corps men working with their personnel?

Mr. SHRIVER. There are three.

Mr. PASSMAN. We want to know the number. You said 51, originally.

Mr. SHRIVER. That's right, 51 volunteers in 3 countries. That is the formal arrangement with FAO, a U.N. agency.

Mr. PASSMAN. You have 51 volunteers with international organizations. Will you submit for the record a list of those volunteers who are with international organizations, if you can't tell us just offhand?

Mr. SHRIVER. May I ask a question about that?

Would you want us to submit, for example, CARE?

Mr. PASSMAN. I should think we ought to have all of it, because if you have so many more people than you need, and you are now letting them go into the bilateral field, working with our bilateral technical aid people, if they are with CARE, if they are now working in the ministries, if they are working in the U.N. technical aid program, we want to know how many and in what fields they have gotten into. That is all we need. Whether it is good or bad, if you will give it to us, we will be grateful.

(The information supplied follows:)

The only international organization formally involved with Peace Corps volunteers in oversea programs is the Food and Agriculture Organization of the United Nations. Volunteers are assigned to projects under its direction as follows:

Country	Volunteers	Project
Colombia	26	Agricultural extension, co-ops, and home extension.
Pakistan	12	Irrigation extension.
Tunisia	13	Agricultural mechanics and agricultural extension.
Total	51	

In addition, seven volunteers are in training for assignment to a fisheries project in Togo. The Peace Corps reimbursed FAO $3,944 for calendar year 1963 for administration of these volunteers.

ASSIGNMENT OF VOLUNTEERS TO FOREIGN MINISTRIES

Mr. PASSMAN. Last year did you not indicate that you had a program going where Peace Corps volunteers were assigned to ministries?

Mr. SHRIVER. Yes.

Mr. PASSMAN. How many do you have in that field? Furnish that information for the record, if you will.

(The information follows:)

PEACE CORPS VOLUNTEERS ASSIGNED TO MINISTRIES OF HOST COUNTRY GOVERMENTS

Peace Corps volunteers are assigned overseas only at the request of the governments of developing nations. They work in programs supervised by governmental ministries, quasi-governmental agencies, and officially recognized private organizations. The vast majority of the volunteers do fieldwork for the various ministries in their countries of assignment. However, some have been assigned at the operational level within the offices of the ministries themselves. Volunteers are working directly for ministries in the following countries:

Country	*Number of volunteers*
Afghanistan	22
Indonesia	1
Liberia	38
Nigeria	6
Peru	1
Turkey	2
Total	70

BACKGROUND ON THE NAMING OF THE PEACE CORPS

Mr. PASSMAN. How did they ever get this name, Peace Corps, attached to this bunch of technical aid people? How did that name actually come into being?

Mr. SHRIVER. I know about our own decision concerning the use of it.

Mr. PASSMAN. Put it in the record.

(The information follows:)

HOW THE PEACE CORPS GOT ITS NAME

The following appeared as part of an article by Sargent Shriver in the Foreign Affairs magazine of July 1963 entitled, "Two Years of the Peace Corps":

"On November 2, 1960, Senator John F. Kennedy proposed a 'peace corps' in a campaign speech at the Cow Palace in San Francisco. Thirty thousand Americans wrote immediately to support the idea; thousands volunteered to join.

"Even the choice of a name took on serious overtones. The phrase 'Peace Corps' was used in the original San Francisco speech, but many of our advisers disliked it. 'Peace,' they claimed, was a word the Communists had preempted, and 'Corps' carried the undesirable military connotations. We did not want a name contrived out of initials which a public relations firm might have devised; nor did we want to restrict participation in the program by calling it a youth corps. What we did want was a name which the public at large could grasp emotionally as well as intellectually. Whatever name we did choose, we would give it content by our acts and programs. We wanted it, also, to reflect the seriousness of our objectives. We studied dozens of other names and finally came back to the original. Peace is the fundamental goal of our times. We believed the Peace Corps could contribute to its attainment, for while armaments can deter war, only men can create peace."

Mr. PASSMAN. I know some of these names have an appeal to people putting up the money. The name is important.

Mr. SHRIVER. Defense support.

Mr. PASSMAN. And it is purely economic aid. The program may have a military title, and then you pick up a lot of votes.

"Food for peace," for instance; "War on poverty"; all those programs have an appeal.

VOLUNTARY CAREER INFORMATION SERVICE

Page 41 of the justification indicates you have established a voluntary career information service which has been financed in the past by a 1-year grant from the Carnegie Foundation; is that correct?

Mr. SHRIVER. Yes.

Mr. PASSMAN. When does this grant expire, and what are your plans for the future?

Mr. SHRIVER. It expires June 30, 1964. In the last session of Congress we had a request for permission to establish this as part of the permanent operation of the Peace Corps. The authorization was given by Congress.

Mr. PASSMAN. What committees of Congress?

Mr. SHRIVER. We go before Foreign Affairs in the House and Foreign Relations in the Senate. But we get it from the Congress.

Mr. PASSMAN. You say you made this a permanent part of the Peace Corps. Go a little bit further into detail, as to how far you are going to advance this. At page 41 of the justification it is indicated you have established a voluntary career information service, which has been financed in the past by a 1-year grant from the foundation. Now, is that the way it is going to be handled in the future?

Mr. SHRIVER. The General Counsel pointed out to me, Mr. Chairman, that the Committee on Foreign Affairs issued on November 7, 1963, a report on H.R. 9009. Page 6, page 7, and part of page 8 explains this section in detail, and perhaps that might be incorporated in the record, and I would be glad to add verbally——

Mr. PASSMAN. Put it in the record.

(The information follows:)

VOLUNTEER COUNSELING

Section 2(f) of the bill adds a new subsection (k) to section 5 of the act. In order to assure that the skills and experience which former volunteers have derived from their training and their service abroad are best utilized in the national interest, this subsection authorizes the President, in cooperation with agencies of the United States, private employers, educational institutions, and other entities of the United States, to undertake programs under which volunteers would be counseled with respect to opportunities for further education and employment.

Requests have come from many sources for information from the Peace Corps about returning volunteers and requests that the Peace Corps make available to returning volunteers information about employment and educational opportunities which they offer. Such sources include other Government agencies, such as the Department of State, the U.S. Information Agency, and the Public Health Service; private enterprises, such as the International Business Machines Corp., E. I. du Pont Co., and Standard Oil (New Jersey); State and local government agencies, such as the New York State Board of Education, the Chicago Board of Education, and the California school districts; many private organizations engaged in public service work; and colleges and universities throughout the United States. The Peace Corps has felt free to respond to these requests for information about returning volunteers, as it would to any requests from the public for information about its program. Similarly, it has felt free to accede to requests from such entities to make available to volunteers information about employment and educational opportunities.

The Peace Corps has not felt free to take the initiative in efforts to assure that returning volunteers, both collectively and individually, are fully apprised as to the opportunities available to them, to advise them of alternative opportunities, and to guide them in determining which opportunities will best utilize their Peace Corps training and experience.

The proposed amendment is intended to permit the Peace Corps to engage in such activities without which it is believed that the skills and experience of the returning volunteers will not be utilized to the maximum benefit of the United States. Under the requested authority, the Peace Corps has informed the committee that assistance will not be provided to a former volunteer if more than a year has elapsed since the termination of his service, unless he has been fulfilling U.S. military service obligations since the end of his service.

Mr. PASSMAN. Just tell us briefly how it will operate in the future.

Mr. SHRIVER. It will operate in the future the way it has in the past year, when it was financed by the grant from the foundation. The reason Carnegie was interested in putting up money to run this was, first of all, because of their belief that it was an important thing to make sure that the returning Peace Corps volunteers got accurate information about the opportunities in the United States, and secondly, they thought it was important for American businesses and American universities and American private organizations to be able to reach the volunteers.

Mr. PASSMAN. Is it a catalog or something similar that you are getting up and submitting to the volunteers?

Mr. SHRIVER. That is one thing they do, yes. They have a continuing——

Mr. PASSMAN. You say "they do."

Mr. SHRIVER. Bob Calvert does. He is the head of it.

Mr. PASSMAN. The Peace Corps?

Mr. SHRIVER. No, that is not quite correct.

Mr. PASSMAN. When you say, "they," we have to clear it up, you understand.

Mr. SHRIVER. I never should have said it. "We" do it.

Mr. PASSMAN. Fine.

Mr. SHRIVER. There is a fellow named Bob Calvert. He is the head of an organization called the Peace Corps Volunteer Career Information Service. He is on leave of absence from the University of California where he did placement work with graduates and undergraduates, graduate students, and so on.

Mr. PASSMAN. What does this cost, per year, Mr. Shriver?

Mr. SHRIVER. Well, in the first year, I think Carnegie will give about $75,000.

Mr. PASSMAN. Now, you are operating the service under Peace Corps legislation?

Mr. SHRIVER. I am trying to find out what it costs, per year. We haven't had it a year, yet.

Mr. PASSMAN. It is coming now into the Peace Corps Agency, is it not?

Mr. SHRIVER. I am trying to tell you what it has cost for the year it has been operating.

Mr. PASSMAN. I am going to let you do it. I am not going to say a word until you give me the cost.

Mr. SHRIVER. $75,000 to employ this man, Bob Calvert, as well as a couple secretaries or one assistant, to get this thing explored and see whether this was a worthwhile thing to run.

Mr. PASSMAN. Who determines whether it is worthwhile?

Mr. SHRIVER. Congress does.

Mr. PASSMAN. What do you mean, "Congress"?

Mr. SHRIVER. I will tell you exactly what I mean. It has run with Carnegie Foundation money since July 1963. Last fall, we submitted to the Committee on Foreign Affairs a request for legislation to authorize the Peace Corps to do what this particular division was doing.

Mr. PASSMAN. Did you operate without legislation the first year?

Mr. SHRIVER. Well, it was a properly privately financed thing. It was not ours. It was run by the foundation, and the American Council on Education.

Mr. PASSMAN. That was the first year.

Mr. SHRIVER. That's right. Then——

Mr. PASSMAN. Have you made any allocation to it out of the Peace Corps appropriation?

Mr. SHRIVER. No.

Mr. PASSMAN. Where did the $75,000 come from?

Mr. SHRIVER. From the foundation, and they ran it. Now, on the basis of its experience, we came to Congress and said, "It is a very effective program. We now would like to have congressional approval for us to run it," and Congress said "Aye."

Mr. PASSMAN. What is it going to cost the Peace Corps in fiscal year 1965?

Mr. SHRIVER. About $75,000.

Mr. PASSMAN. Is that the total cost, the catalog and all?

Mr. SHRIVER. Yes, about $75,000.

Mr. PASSMAN. How many catalogs are you printing?

Mr. SHRIVER. We don't print catalogs.

Mr. PASSMAN. I thought you said earlier you did.

Mr. SHRIVER. I said it was something like that. What we do is maintain the number of jobs that have been requested, and what the people are employed in overseas. If we have a list of all the things people have asked the volunteers to do, we mimeograph it and send it overseas. The returning volunteers will know what is open for them.

Mr. PASSMAN. Is that like the operations of the AID—to get every person, almost, who eats and sleeps, to be a beneficiary of the AID, to the point where everybody is supporting it?

Mr. SHRIVER. No.

Mr. PASSMAN. I am merely asking the question because under the AID practically every university, college, school workshop, graduate school, trade school, and so on has some kind of contract with the AID. They are now in 46 States.

If you would project this into the future, what do you feel the ultimate cost would be of this program? I am not quarreling with it, if it isn't just to get more people saying "Peace Corps," like you see in the theaters and at the end of the news broadcast when there is a strong appeal for these youths to volunteer for the Peace Corps. I am trying to find out if this is part of a program to get all the business houses to believe in the Peace Corps. I yet don't know just what the objective of the Peace Corps is unless it is technical aid, and you wanted to disassociate the Peace Corps from that program until we began to pull you back on to the road.

What do you think this thing will cost us in the future, Mr. Shriver?

Mr. SHRIVER. Mr. Medley, who is in charge of management for us and administration, says $75,000 to $100,000, when the large numbers of volunteers begin to return to the United States.

Mr. MEDLEY. You see, this is fundamentally a placement service, Mr. Chairman, for the returning volunteers.

Mr. PASSMAN. A kind of employment bureau?

Mr. SHRIVER. Well, let's say you are teaching in Nigeria, and you want to find out what the opportunities are in graduate schools in the United States. Well, you can sit out there in Nigeria and write 35 letters back to the United States, trying to find out what opportunities there are, what graduate schools are available, what the requirements are and so on, or you can write one letter to the Peace Corps and receive all that information. It actually provides a source of information to the volunteers out in the field, so that when they come back, they get into the right graduate school. Or if there are 35 companies who want people, the volunteer can now know about all 35 without having to write 35 different letters back here.

Mr. PASSMAN. Our President issued a very strong statement recently and I think he made a direct appeal to the Federal agencies, you understand, to employ these youngsters when they returned. I wonder if that would direct their attention toward the Government, rather than toward the free enterprise sector.

Mr. SHRIVER. I wouldn't say, rather than, but I think it puts the Government in a competitive position.

Mr. PASSMAN. Did you know that one out of every two adults today gets a check every month, from either the Federal, State, or municipal government. Out of every four people employed in the United States today, one is working for the Government. That is 25 percent working for the Government. Either State, local, or Federal. I want to get these returning volunteers into the free enterprise sector. Would you tell us whether or not that Presidential statement would encourage them?

Mr. Shriver, last year, to take your own figures on page 37, employment of the nonteaching volunteer: private industry, 82; and Federal Government, 69.

I wonder if that Presidential statement wouldn't encourage them to enter the Federal civil service?

Anyway, you don't think that statement within itself will indicate that the Federal Government owes them a job?

Mr. SHRIVER. It certainly does not.

Mr. PASSMAN. Thank you.

Mr. SHRIVER. We hope not.

CONTRACT WITH PRIVATE ORGANIZATIONS FOR ADMINISTRATION OF PROJECTS

Mr. PASSMAN. Page 60 indicates that you have contracts with 16 private organizations which are administering projects in 19 countries. This program is going to be as broad as the foreign aid program if it keeps on.

Would you furnish for the record a list indicating the organization, the type of project, the country, the number of personnel, and the estimated cost of this contract?

Mr. SHRIVER. Yes, we will. We have about half of that right here, now.

Mr. PASSMAN. We don't want half of it, we want it all.

Mr. SHRIVER. We will give you half now and the other half——

Mr. PASSMAN. Give it all to us when you get it.

Mr. SHRIVER. At least it gives you an idea of who we are working with.

Mr. PASSMAN. Yes, indeed.

(The information supplied follows:)

Oversea administration contractors—Private organizations

Name of organization	Type of project	Country	Number of contractor personnel [1]	Estimated cost [2]
American Association for Health, Physical Education, Recreation.	Physical education	Colombia	3	$339,532.00
	do	Venezuela	2	269,428.00
	do	Senegal, Ivory Coast, Morocco	1	109,640.00
Agricultural Technical Assistance Foundation	Rural development	Sabah, Sarawak	2	190,916.00
CARE, Inc	Agricultural education	Thailand	3	137,844.00
	Rural community action	Colombia	9	1,671,538.00
	Urban community action	do	3	260,029.00
	Agricultural extension	do	3	313,745.00
	Rural health	do	3	278,954.00
	Rural community action	Guatemala	4	355,152.00
Cooperative League of the USA	Health, rural community development	Sierra Leone	3	234,045.00
	Cooperative development	Panama	2	67,532.00
Credit Union National Association	Credit cooperatives	Colombia	2	77,774.00
Experiment in International Living	Credit unions	Ecuador	2	72,386.00
	Agricultural extension	Pakistan	3	195,998.00
Future Farmers of America/New Farmers of America	Community action	Brazil	1	287,257.00
Heifer Project, Inc	Agricultural extension	Pakistan	2	76,874.00
	Rural community action	St. Lucia	2	128,911.00
	Agricultural extension	Bolivia, Ecuador	7	455,979.00
International Voluntary Services	do	Ecuador	4	341,476.00
Laubach Literacy Fund, Inc	Education	Liberia	1	47,675.41
	Literacy education	Colombia	2	26,631.00
National 4-H Club Foundation	do	Pakistan	1	9,781.00
	Agricultural extension	Brazil	3	327,627.00
National Farmers Union	do	Uruguay	2	162,180.00
National Grange	do	Bolivia	2	116,785.00
Near East Foundation	Rural community action	Guatemala	2	246,714.00
YMCA	Education	Iran	2½	232,434.28
YWCA	Recreation and social work	Venezuela	1	22,116.00
	Community development	Chile	1½	136,700.00

[1] As of Apr. 30, 1964.
[2] Cumulative obligations.

Mr. PASSMAN. You people are just breaking out of your pants. I note you have contracts with 13 universities, which are serving programs in 13 countries, is that correct?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. What do they do? You have 13 contracts with 13 universities in 13 countries. Does that mean that your personnel is assigned to those universities?

Mr. SHRIVER. What it means is that in certain programs we have been able to contract with universities to supply certain specialists, specialized assistance, which we felt was worthwhile for the taxpayer to pay for, as an example.

Mr. PASSMAN. It is a supplement to your personnel and your Corps?

Mr. SHRIVER. Yes, sir. For example, let's say we have a group of geologists or a group of foresters working in a country. Now, these people are very competent, and they can do good work. But we have thought that it was worthwhile exploring whether a school or university that had a school of forestry or school of geology, whether or not they would not like to have an arrangement with us whereby one of their top geologists would go over there. That saves us the problem of putting a guy on the Government payroll, and it would be very difficult for us to find a geologist of that capacity.

Mr. PASSMAN. Are they serving free of charge?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. Why do you put one of these people on the payroll, and not one of yours?

Mr. SHRIVER. There is no overhead to the taxpayer.

Mr. PASSMAN. What do you mean? If you employ personnel of the university, there is overhead built into the contract, is there not?

Mr. SHRIVER. I think we have very good figures with the universities in terms of overhead.

Mr. PASSMAN. Why don't you answer my question, then?

Mr. SHRIVER. It is cheaper for the taxpayer.

Mr. PASSMAN. You say it is cheaper, but you also said there was no overhead built in.

Mr. SHRIVER. I said we reduced the overhead. I didn't say we eliminated it.

Mr. PASSMAN. The record will show what you said.

Mr. SHRIVER. That's right.

Mr. PASSMAN. Let's take just one university, and let's find out what you pay a professor. Do you have one of your contracts here?

Mr. SHRIVER. Bob Lane is in charge of contracts. I don't know if he has one with him, but he can testify on this.

CONTRACT OVERHEAD

Mr. PASSMAN. We want some facts. Do you have one of your contracts?

Mr. LANE. To answer his question directly, there is customarily some overhead built into these contracts, and the average is 6.3 percent for fully administered contracts.

Mr. PASSMAN. That is what I thought. How much?

Mr. LANE. 6.3 percent.

Mr. PASSMAN. What are you paying the professor from that university, now?

Mr. LANE. The average contractor representative makes $10,500 a year.

Mr. PASSMAN. And all the related expenses?

Mr. LANE. No; that is purely his salary.

Mr. PASMAN. Let's get everything else that goes with it. We want this for the record. You have 13 contracts with 13 universities. Is it just a coincidence that it is 13 countries?

Mr. LANE. We have been in 26 countries with these contracts, out of the 46 in which Peace Corps volunteers are serving.

Mr. PASSMAN. Then, what you are doing, you are employing university personnel to work with the Peace Corps men, is that correct, sir.

Mr. LANE. Yes, sir.

Mr. PASSMAN. I know you don't want to get this information in the record.

Mr. SHRIVER. We do want it in the record. It has been in the record two or three times. We will be glad to put it in this time, and in the future.

NUMBER OF CONTRACTS

Mr. PASSMAN. We have always recommended more money than you could spend in previous years, because you have done such a good selling job. You have 26 contracts?

Mr. LANE. We have 59 contracts in 26 countries.

Mr. PASSMAN. You have tripled this since we picked this out of your justification. How many countries?

Mr. LANE. In the history of the Peace Corps there are 59 contracts in a total of 26 countries.

Mr. SHRIVER. That is private agencies.

Mr. LANE. And universities.

Mr. PASSMAN. Let's talk about 1965. Let's get back on one contract, now, and take this professor's salary and everything related to his salary. Do you have one of them with you?

Mr. LANE. Which contract would you like?

Mr. PASSMAN. I don't know. You pick it. Pick one that's most advantageous to the agency.

Mr. LANE. I can talk in average terms.

Mr. PASSMAN. That is the way you have been talking ever since you have been presenting this bill. I don't know why we should.

Mr. SHRIVER. Why don't we put a contract in the record?

Mr. PASSMAN. I want it in the record, but I want to know something about it now.

Mr. LANE. The average university professor makes $11,000 a year, under our contract.

Mr. PASSMAN. What are the related expenses?

Mr. MINSHALL. It went up a thousand dollars just since he has been sitting there.

Mr. LANE. My first response to him was the average contracted overseas employee—there are two kinds. There are universities and private organizations like CARE. The university individual makes more than the private agency individual, as a rule. The average private agency individual makes about $10,000.

Mr. PASSMAN. We have an $11,000 salary pinned down.

Mr. LANE. All right, sir.

Mr. PASSMAN. What are the other expenses in connection with this salary?

Mr. LANE. There would be a plane ticket——

Mr. PASSMAN. I know what it is, but how much would it amount to? I wouldn't want him to swim over.

Mr. LANE. It depends on where he goes. I suppose it would average $500, worldwide.

Mr. PASSMAN. You must get a special price.

Mr. SHRIVER. We do.

Mr. MINSHALL. Does that get him home, too?

Mr. PASSMAN. Gentlemen, I am going to let up on you, because we are about to establish you don't know anything about what you are doing.

Let's find out what the AID pays for the same technicians from the same university. I think they tell us the average is $25,000; is it not?

Mr. SHRIVER. We are not qualified to testify about what the AID average costs are on a contract.

Mr. PASSMAN. They get the same salary.

Mr. SHRIVER. They don't.

Mr. PASSMAN. Do they get cheaper board, a lower airplane ticket—I am not trying to quarrel, I am trying to find out what it is costing per year, total upkeep on one of these professors, including salary.

Mr. LANE. Again, I am going to have to answer in average terms? Would that be all right?

Mr. PASSMAN. No; it is not going to be all right. We want specifics.

Mr. SHRIVER. Give the average cost, Bob, and then, if you have a specific contract, go into it.

AVERAGE SALARY AND EXPENSES FOR A UNIVERSITY PROFESSOR

Mr. LANE. I estimate that the average cost of a university professor overseas would be equal to $11,000 a year, plus about $1,500 for a housing allowance, plus about $1,500 for his household goods shipments to his assignment, plus an education allowance of $600 for his children, so it comes out at about $15,000 or $16,000, annually.

Mr. PASSMAN. How about the airplane ticket over and back, what will that cost?

Mr. LANE. It depends on where it goes.

Mr. PASSMAN. You are using averages here. Why don't you use an average on that? Let's say he is going to Leopoldville?

Mr. LANE. I would guess the average round-trip ticket to Leopoldville is approximately $1,000.

Mr. PASSMAN. Gentlemen, this is something I have never gone into before. You get Peace Corps men and then go to a university and get an instructor to instruct the Peace Corps or work with them.

Mr. SHRIVER. To work with them, not to instruct them.

Mr. PASSMAN. You said you hired them on account of their experience, did you not?

Mr. SHRIVER. That's right. It would be very simple for us to put them all on the Federal payroll and build up a great big bureaucracy and have them all permanent people on your back. So——

NUMBER OF PERSONNEL ON UNIVERSITY CONTRACTS

Mr. PASSMAN. What we would like to know—I would like to have you furnish for the record, the number of personnel involved in the 13 universities that you will have contracts with in fiscal year 1965.

At the time of the printing of the book, you had 13 institutions. If that figure is still good for fiscal year 1965, give us the university, the number of personnel involved, the cost, and what you have budgeted for it, because you would never be able to put all these figures together unless you could work up a budget.

Mr. LANE. Yes, sir.

Mr. PASSMAN. Bring us a copy of the budget sheet.

Mr. LANE. Yes, sir.

(The information supplied follows:)

Oversea administration contractors, universities

Name of university	Type of project	Country	Number of contractor personnel [1]	Estimated cost [2]
Cornell University	Rural community action	Peru	6	$91,044.00
University of Illinois	Secondary education	Sierra Leone	([3])	68,934.00
University of Kansas	do	Costa Rica	2	183,228.15
University of Minnesota	Rural public works	Pakistan	4	135,634.00
New York University	Secondary education	Somali Republic	1	240,812.00
University of Notre Dame	Rural community action	Chile	4	994,638.00
Ohio University	Secondary education	Cameroon	1	359,639.81
University of Oklahoma	Health and sanitation	Bolivia	1	216,563.00
St. Louis University	Health and social welfare	Honduras	3	121,815.00
San Francisco State College	Elementary and secondary education	Liberia	1	134,277.00
San Jose State University	Secondary education	Philippines	1	35,734.00
University of Washington	Rural community action	Dominican Republic	1	42,703.00
	Health and sanitation	Bolivia	1	405,741.00
University of Wisconsin	Secondary education	Ivory Coast	2	360,858.00

[1] As of Apr. 30, 1964.
[2] Cumulative obligations.
[3] Peace Corps volunteers overseas, but contractor has not yet hired contractor's oversea representative.

Mr. PASSMAN. This is really about the first definite indictment of the Peace Corps that we have had. That is, that you employ the volunteers and you then go to a university and you employ some person who is teaching in that field to work with the Peace Corps men. The Peace Corps men profess this knowledge, you understand, as indicated before, and I don't think you would have to have a man who possibly had majored in teaching in that field to go out with them.

Mr. SHRIVER. We have, of course, and the record ought to show that we have a staff overseas for the purpose of supervising and giving advice and leadership to all the Peace Corps volunteers. They are all chosen because they are qualified people. On this respect, many of them are qualified teachers or geologists or qualified in a special way, for the program in the country to which they go.

Now, the easiest thing in the world would be to add to that group the people who go out from the universities. It is less expensive that way.

NUMBER OF CONTRACTS PER STUDENT

Mr. PASMAN. May I ask you this: We have had 13, 29, and 59 contracts mentioned. Let's settle on one figure. How many universities have you had a contract with, Mr. Lane?

Mr. LANE. Thirteen universities.

Mr. PASSMAN. What is this 59 figure you used earlier?

Mr. LANE. Some universities have had more than one contract. The total number of contracts would equal 59 in the total history of the Peace Corps.

Mr. PASSMAN. How many States do you have?

Mr. LANE. I have never counted them. I can furnish it for the record.

Mr. PASSMAN. You are going to furnish an awful lot of material for the record, aren't you?

Mr. LANE. Yes, sir.

(The information supplied follows:)

Peace Corps oversea administration contracts by State of contractor from inception of Peace Corps through Apr. 30, 1964

	Number of contracts
California	5
Colorado	2
District of Columbia	7
Illinois	3
Indiana	6
Kansas	1
Maryland	4
Massachusetts	1
Michigan	1
Minnesota	1
Missouri	2
New York	16
Ohio	2
Oklahoma	1
Vermont	3
Washington	2
Wisconsin	2
Total	59

AVERAGE ANNUAL VOLUNTEER COSTS

Mr. PASSMAN. I believe I mentioned earlier that the average annual cost of the volunteer had been reduced from the old estimate of $9,000 to the new estimate of $7,825. It might be appropriate to insert in the record the breakdown of the various elements of cost which are involved in this annual figure for personnel cost.

Mr. SHRIVER. We have that available now. You don't want it read now, do you?

Mr. PASSMAN. Yes; I want it read.

If you put your justification in the record and called them hearings, we could not ask questions, so start reading.

Mr. MEDLEY. Under the old factor?

Mr. SHRIVER. Put the new one in.

Mr. PASSSMAN. Take the $9,000 figure and tell us what made up the $9,000. How much was propaganda and administrative strength? What do you have for propaganda?

Mr. MEDLEY. We have background investigation by the Civil Service Commission of $448. We have medical examination at $23. We have travel to the training site of $298. A cost of training is $2,240. Training at Puerto Rico, $44. Readjustment allowance during that period, $259. After the volunteer was selected, we had travel of——

Mr. PASSMAN. Would you go over the new factor? I believe the new factor is higher, isn't it?

Mr. MEDLEY. The new factor totals up to $7,825. The old factor is around the figure of $9,000. This is shown on page 63 of the book, and if permissible, we will insert that in the record at this point:

(The information supplied follows:)

Average cost per volunteer

	Old factor	New factor	Change
PRESELECTION			
Background investigation	$448	$460	+$12
Medical examination	23	33	+10
Travel	298	301	+3
Training	2,240	2,830	+590
Puerto Rico training	44	40	−4
Readjustment allowance	259	270	+11
Subtotal	3,312	3,934	+622
POSTSELECTION			
Travel	1,493	1,330	−163
Equipment and supplies	830	435	−395
Vehicles	750	290	−460
Housing	1,240	306	−934
Oversea orientation and instruction	100	63	−37
Readjustment allowance	1,638	1,638	
Settling-in and living allowance	2,750	2,562	−188
Leave allowance	273	336	+63
Clothing allowance	200	200	
In-country travel	225	114	−111
Medical care	525	231	−294
Subtotal	10,024	7,505	−2,519
Total direct cost for 2 years of service	13,336	11,439	−1,897
Annual cost	6,668	5,720	−948
Annual cost per volunteer for—			
Puerto Rico Training Center	110	72	−38
Administrative expenses	2,000	1,763	−237
Contract-administered projects	296	270	−26
Average annual cost for each volunteer (net)	9,074	7,825	−1,249
Rounded—Average annual cost for each volunteer	9,000	7,825	−1,175

Mr. PASSMAN. Your preselection is up from $33 to $39, isn't it?

Mr. MEDLEY. Yes; and that is a result of increased training costs, going to 12 weeks of training, Mr. Chairman.

Mr. PASSMAN. Now, in category (2), that is the postselection——

Mr. MEDLEY. Travel is down $163. Equipment and supplies is down $395. Vehicles is down $460. Housing is down $934. Oversea orientation and instruction is down $37. The readjustment allowance remains the same. Settling and living allowance, down $188. Leave allowance, plus $63. In-country travel down $111. Medical care, down $294—for a net reduction of $2,519.

MEDICAL CARE COSTS

Mr. PASSMAN. The reduction in the medical care item is because you are getting healthier personnel, or what is the reason?

Mr. MEDLEY. As the Director explained in his opening statement, it is largely due to preventive medicine, where the medical care costs have actually not been as much as we thought they would be.

Mr. PASSMAN. You are not neglecting these youngsters' health to save money?

Mr. MEDLEY. No, sir.

Mr. PASSMAN. Because you put in $525, and that is down over 50 percent; it is down to $231, I believe?

Mr. MEDLEY. Are you getting some of the treatment furnished free by the medical staff of the embassies in countries where we have——

Mr. SHRIVER. No, we don't. I might say these figures are compiled with us by the U.S. Public Health Service, which is in charge of this part of our program, so it is not some idea that we have about medical costs; it is the U.S. Public Health Service.

Mr. PASSMAN. Who gave you this original cost?

Mr. SHRIVER. USPHS sat down with us and worked it out.

Mr. PASSMAN. Who gave you the $231?

Mr. SHRIVER. The USPHS. They work with us in the development of the whole medical program for the Peace Corps.

Mr. PASSMAN. It is an indication, not just of your agency, but of all Federal agencies where they make sure they put in enough. At a subsequent date if it is double what they need it is finally worked down. You give just about the same medical care and attention now that you did previously, do you not?

Mr. SHRIVER. No. The point is this, the figures he read from the first column are figures from the first year. At that time the USPHS and we did not know exactly what we would run into in the face of medical costs over a 2- or 3-year period because nobody had ever run one of these operations before. Now on the basis of our experience and the better preventive health programs, better health teaching before they go overseas we cut that cost.

Mr. PASSMAN. You are not saving any money.

Mr. SHRIVER. Sure we are saving money. We could have spent it.

Mr. PASSMAN. I hate to hear you say that, you "could have."

Mr. SHRIVER. Sure we could have.

Mr. PASSMAN. We know it is done, and we hope to hear people admit it.

Mr. SHRIVER. I do not admit it at all.

Mr. PASSMAN. It is down. I am very happy to see that. It only indicates the original estimate was plenty high, as it is now down over 50 percent. That is in health care only.

Mr. MEDLEY. We worked hard to get these various costs down, on vehicles, supplies, housing, on all items of costs.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. I yield.

Mr. GARY. Do I understand that the reductions that you are asking for in your appropriation are due to these reductions in this item?

Mr. MEDLEY. That is exactly right.

Mr. GARY. Did those reductions just happen or are they results of efforts on your part to really reduce them?

Mr. MEDLEY. They are results of hard work on our part to get them reduced.

Mr. PASSMAN. Let's see if that works out. Let's take medical. I am interested. You talked the PHS into better administration to get this price down. You use PHS facilities, do you not?

Mr. SHRIVER. Well——

Mr. PASSMAN. Answer my question please, and then elaborate.

Mr. SHRIVER. PHS has no facilities in most of the countries where we work. We do not use their facilities.

Mr. PASSMAN. I am referring to Washington.

Mr. SHRIVER. We have doctors detailed to us from the PHS, that is correct.

Mr. PASSMAN. Let me ask you this: The old factor was $525 for medical care for each of your personnel.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Someone gave you that formula?

Mr. SHRIVER. The USPHS.

Mr. PASSMAN. The USPHS. At a subsequent date it was established that the cost was only $231, is that correct?

Mr. SHRIVER. That is right.

Mr. PASSMAN. That does not indicate any better management. It indicates dealing with realities rather than dealing with speculation. You have had experience. This is actually brought around by the experience you had with the costs after you started operating. Isn't that a fair statement?

Mr. SHRIVER. Not exactly, no.

Mr. WIGGINS. I would like to give an example of what the Peace Corps did in the health field that has resulted in lower health costs. The Peace Corps through the PHS for the first time in the history of any Government agency started using massive doses of gamma globulin to reduce infectious hepatitis and we have in fact overseas practically cut out one of the worst diseases for the oversea Peace Corps volunteer to which all the other Americans abroad in any agencies were subject. This is an example.

Mr. PASSMAN. How many doctors do you have in your agency?

Mr. WIGGINS. Overseas today as of April 30 we have 61 medical officers assigned.

Mr. PASSMAN. In 45 nations?

Mr. WIGGINS. Yes.

Mr. PASSMAN. That is an average of about one a nation.

Mr. WIGGINS. A little more.

Mr. PASSMAN. You have eliminated this disease?

Mr. WIGGINS. What I say is what we did with the massive injection of gamma globulin, we almost cut out the incidence of infectious hepatitis with the Peace Corps volunteers. This was a very significant change in medical practice.

Mr. PASSMAN. That is the volunteers, and not people in foreign countries?

Mr. WIGGINS. That is right, volunteers. This results in actual savings.

Mr. PASSMAN. We are glad you are making savings. You have new Peace Corps men going abroad every year. Don't you have to give them the same injections?

Mr. WIGGINS. Yes. We have reduced the cost of medical care as a consequence of this example.

Mr. PASSMAN. How much on this item?

Mr. WIGGINS. I cannot qualify that although the injections of the gamma globulin are a very important item.

Mr. MINSHALL. Costs of medical care is $525. Under the old factor that was a guess figure.

Mr. PASSMAN. That is exactly right.

Mr. MINSHALL. In actual practice we came down to $231, is that right?

Mr. WIGGINS. It is a consequence of making some changes.

Mr. MINSHALL. What changes have you made? This first figure was a guess mark. It was a speculation. How did you arrive at $525?

Mr. WIGGINS. The figure was arrived at by the PHS people and the Peace Corps together.

Mr. MINSHALL. It was a guess mark though.

Mr. SHRIVER. No, not a guess.

Mr. MINSHALL. Did you actually go in the field?

Mr. SHRIVER. Exactly. That is exactly what we did. They went, too.

Mr. PASSMAN. They came back with $525.

Mr. CONTE. They came back with $525.

Mr. SHRIVER. That is exactly right.

Mr. MINSHALL. Over how long a period did you do this?

Mr. SHRIVER. In each country. When we went in a country a survey was made.

Mr. MINSHALL. A survey.

Mr. SHRIVER. On the spot, right there.

Mr. MINSHALL. But it was not a practical figure. It finally cranked out $231.

Mr. SHRIVER. Originally it cranked out $525. We broke our back to get it down. We have a much better health education program now as a result of which our volunteers do not get sick the way a lot of people thought they would.

Mr. PASSMAN. Mr. Shriver, is this reflected——

Mr. SHRIVER. That is the result of factual work, not just of luck.

Mr. PASSMAN. Can I ask you to do this for us?

Mr. SHRIVER. Sure.

Mr. PASSMAN. Make your accomplishment known to the Defense Department and to our 112 embassies around the world because if you

people, with these youngsters, are able to do all the things you claim here, it is too good for all these other people not to know all about it.

Have the embassies, and your agency is a small part of the personnel compared to the total personnel that we have abroad, been able to bring down their costs as a result of building up these immunities in the same proportion you have?

Mr. SHRIVER. I do not know about their costs. They are now following for example the gamma globulin technique in all the embassies.

Mr. PASSMAN. Their cost may be 30 cents for this. I do not know. If you people are so smart—I would not know of any other term to use, and I am just as honest as I can be—you should make this known to all of the other Federal agencies that are operating overseas because you are just as familiar with fact as I am, that the balance-of-payments situation is still quite critical because more dollars are going out than are coming back.

I would make sure they know this formula because when you can cut down over 100 percent in the medical costs per person for an 18-month tour, or is it 2 years——

Mr. SHRIVER. Two.

Mr. PASSMAN. Two years, it is something to write home about. You should familiarize them with it. I do not know how you did it, but you seem to work a lot of miracles in this agency.

Mr. SHRIVER. There is no miracle.

Mr. PASSMAN. It was a guess figure originally and even though I believe you think that you are putting the facts in the record correctly, I would love to put my money on the side that it was a guess figure. It was an estimate originally of what it might cost per person to get these things going and then by actual experience, you wound up with a figure of $231. If you had put it in the record as it is rather than make this thing look so virtuous and so superior to any other agency I would have no argument with you.

Mr. SHRIVER. The fact of the matter is that this was an achievement that took 2½ to 3 years to accomplish. The first year, between the first and next year, it did not go down this much. It goes down as we find better ways to do it, each year, so these things do not start in 1960, on the old factor and new factor. This is after 3 years. If you went back and took the factor the second and third year you would find it goes down gradually and it does that because people work at it. If they just sat on their duff it would go up gradually, as it usually happens.

Mr. PASSMAN. One group comes back and another goes over. You give both groups the same treatment; do you not?

Mr. SHRIVER. No; we changed the length of training and the length of training adds in.

Mr. PASSMAN. I am talking about overseas.

Mr. SHRIVER. I am talking about medical care. The length of training includes better health, which includes this.

Mr. PASSMAN. In other words, if he is trained here properly he is less apt to get sick when he goes abroad?

Mr. SHRIVER. Exactly.

Mr. CONTE. As you train more corpsmen your cost goes down. You are buying wholesale now.

Mr. SHRIVER. Not per volunteer.

Mr. PASSMAN. May I ask you a question to get along?

Mr. SHRIVER. The training has gone up if you look at the figures. When you see the old figure starting in 1960 and the one for 1965 it looks as if that all happened in 1 year. It did not. What happens is it is the result of progressive work on those figures.

Mr. PASSMAN. You say you train them better and that makes them healthier; therefore, it costs less money to maintain them when they get overseas. Is the Defense Department familiar with your formula?

Mr. SHRIVER. Yes; they are.

Mr. GARY. It is the same situation; we are spending thousands of dollars in the United States to give people polio vaccine to stop polio, and when you reduce the number of polio cases you reduce the expense of polio; is that correct?

Mr. SHRIVER. No question about it. That is exactly right.

Mr. GARY. It looks very simple to me.

Mr. SHRIVER. You have to do these things progressively.

Mr. PASSMAN. What if we find out it is still costing all the other Federal departments and agencies overseas the same amount per person that it did previously? You give two reasons why. One is better management. Another reason is better training. I do not believe you people know enough about this. You have gotten by with a lot of fancy claims for this outfit that are not supported by facts, for my money.

This is America. You have your opinion. Other Members of Congress can have theirs. There is nothing personal about it. I have never known of you people to do anything wrong.

Mr. SHRIVER. Last year we had two or three pages of things we did wrong.

Mr. PASSMAN. You have possibly reams of things you did right.

Mr. SHRIVER. We had a whole section. Where is that section?

Mr. PASSMAN. I am honest about this. If this is so good, impart that knowledge to our embassies and to other agencies that maintain medical services for our personnel abroad.

Mr. SHRIVER. Here are two pages with seven problems and four subsections which you definitely should have because you can make a lot out of that.

Mr. PASSMAN. You people make a lot of claims and you say that the Congress is convinced. I do not see how a man can sit here in Washington and know anything about what Peace Corps is doing unless you go out, see the Peace Corps in action, and make some recommendations.

Mr. SHRIVER. Fortunately, quite a few have gone.

Mr. PASSMAN. This thing is good primarily because Sargent Shriver says it is good.

Mr. SHRIVER. That is not true at all. What I say does not make any difference. What the countries where they work say about it, what people from other agencies say about it and your colleagues in the

Congress who have seen them, like Congressman Ben Reifel, came back from Peru, said he never voted for Peace Corps but he changed his mind. He was down there and saw them.

Mr. GARY. I talked to him just before he went. I said, "I have great respect for the Peace Corps." He said he did not. He thought it was ineffective and a waste of money, and about 3 or 4 weeks later he came back and said, "I want to take back what I said to you; I have been down there and after I have seen them operate, I am for them from now on."

Mr. SHRIVER. That is Congressman Ben Reifel. He was there, the same way with others. John Pilcher was the same way; John Pilcher from Georgia.

Mr. PASSMAN. I think it is an unintentional fraud. I am not a sucker; I am not easy to sell and I respect every man's views. Some people try to stand on their head every morning but I am not against them. As far as I am concerned, you people have misnamed the program and overclaimed results in my opinion. I get an awful lot of correspondence about these jeeps running over the hillsides and all that. I haven't asked you how many jeeps you had. You volunteered 61 donkeys. You did not tell us about jeeps.

VEHICLES

How many jeeps and automobiles do you have in this program?

Mr. SHRIVER. In the first place, we do not have any passenger automobiles.

Mr. PASSMAN. Anything that takes gasoline to run. You might have misnamed them, Mr. Shriver.

Mr. SHRIVER. No, sir.

Mr. PASSMAN. How many things that run on four wheels that you have to put gasoline in to make them move, do you have?

Mr. SHRIVER. We have 859; we have 200 less than we had this time last year.

We have 859 jeeps, 1,534 bicycles, 183 scooters, and 9 boats and canoes.

Mr. PASSMAN. Where do you have the jeeps located, Mr. Shriver?

Mr. SHRIVER. I am sorry, this is last year, up to May 1963. That is the last count.

Mr. PASSMAN. You are not changing the donkey figure?

Mr. SHRIVER. We may raise it and lower the jeeps. As a matter of fact, the jeeps go down next year from 859 down to 780.

Mr. PASSMAN. You started out with a 200 reduction.

Mr. SHRIVER. That is right.

Mr. PASSMAN. Is that an indication you overestimated the number of jeeps you needed, bought them, and are now reducing the number in the program?

Mr. SHRIVER. I made a terrible mistake. I made a terrible mistake. I want to show it on the record. I read from a column of volunteers utilizing the vehicles. What we did have, this is the record, this is on the jeeps all around the world: We had 424 in 1962 and we had 829 in 1963, 859 now and 780 next year. We are cutting down on these.

Mr. PASSMAN. You were giving the reduction in the number of jeeps to me and if I had not pursued the matter, the record would show you had the number of personnel as jeeps.

Mr. SHRIVER. No. What I did was, there are two columns here and I didn't catch it.

Mr. PASSMAN. In other words, you folks will give any kind of an answer to get off dead center?

Mr. WIGGINS. We were correcting the record.

Mr. PASSMAN. You could not possibly correct the impression you formed here.

Mr. MEDLEY. That is why I called his attention to it.

Mr. PASSMAN. How many jeeps total now?

Mr. SHRIVER. 859, last year——

Mr. PASSMAN. Earlier you indicated you had cut the jeeps by 200 and made a terrific point about your economy drive. How many jeeps did you cut now, when you move off the personnel figure and correct your error? How many did you cut them?

Mr. MEDLEY. Let me say it this way: Until we started really working on this thing we had plans that the jeeps would go up around in excess of 900.

Mr. PASSMAN. You did not answer the question. If you will tell me how many you reduced jeeps from last year to this year, 1962 to 1963.

Mr. SHRIVER. We did not.

Mr. PASSMAN. You made a good pitch about your being so economy minded that you reduced the number of jeeps by 200. Do you see what kind of answers you people give us?

Mr. SHRIVER. Aren't you getting the truth?

Mr. PASSMAN. You never seem to want to give it.

Mr. SHRIVER. Sure we are.

Mr. PASSMAN. You give a lot of imaginary figures. You said "Look how economical we are. We overestimated our need for jeeps and cut it by 200." We pursue the question and find you gave me an answer to get on to the next question. You people seem to give any kind of answer that comes to your mind, don't you?

Mr. MEDLEY. No, sir. That is why I was getting his attention to indicate he had made a mistake.

Mr. PASSMAN. He made a great economy drive on the 200 jeeps he cut out, only to find you had not cut out one.

Mr. MEDLEY. We have made an economy drive.

Mr. PASSMAN. How many jeeps did you cut?

Mr. MEDLEY. We have increased from last year to this by 30, but——

Mr. PASSMAN. This is going to make a different record. You had me just about convinced that you are really practicing economy.

Mr. SHRIVER. We are.

Mr. PASSMAN. You gave the reason why you cut these 200 jeeps back. Now we find out that you increased them. How in the world am I going to be able to accept with any degree of confidence other information you give?

Mr. SHRIVER. Anything that is in this record that is there I stand by beginning 1960 when I first testified before you and that is still true. It will be true this year.

Mr. PASSMAN. You were making a good point about the economy you practiced.

Mr. SHRIVER. We are.

Mr. PASSMAN. You cut down on the number of jeeps. You had a good point. You turned around and said, "We had to increase them." I ask if you could be mistaken on a lot of other information, too?

Mr. SHRIVER. Any time I make a mistake, I admit it. As I said, today I made a mistake. I am delighted to have the record show I admitted I made a mistake.

Mr. PASSMAN. This question represents the question of 195 million Americans. This is not personal.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. You give thousands of reasons why you do this or that. Most of the time, I figure, well, he is enthusiastic about this program and that I would do the same thing. He is a salesman, same as I am, and he is going to give me his best points. Now we run into this jeep deal. You were pointing out you were economy minded——

Mr. SHRIVER. I am glad we are.

Mr. PASSMAN. Because you had reduced the number of jeeps by 200. Subsequently we find out that you were reading the wrong figure; that you did not reduce the number; in fact, you had increased them. I wonder if you are as far off base on a lot of the other claims as you are on this one. That is my only point.

Mr. SHRIVER. My only point to that is any place I am off base, you will know it and you have known it for 3 years.

Mr. MEDLEY. Could I make a point on jeeps, Mr. Chairman?

Mr. PASSMAN. Surely.

RATIO OF JEEPS TO VOLUNTEERS

Mr. MEDLEY. Presently our ratio is one jeep to every seven volunteers. Next year it will be 1 jeep to every 13 volunteers. That to me is stretching out the jeeps pretty good.

Mr. PASSMAN. Of course you had 20 volunteers per mule when you first started the program. It was almost unthinkable that you would ever get jeeps into the program. Now I know that you had——

Mr. SHRIVER. That is not true. Excuse me.

Mr. PASSMAN. You said it is not true. I said you would make statements just to get onto another question. I said you do things unintentionally.

Mr. SHRIVER. In the first year I said we were not going to have any automobiles. We had jeeps in the organization from the beginning.

Mr. PASSMAN. You said you would have mules and donkeys.

Mr. SHRIVER. That is right. We always said where it was necessary we would have animals.

Mr. PASSMAN. Let's see what you have, Mr. Shriver.

Mr. SHRIVER. That is a fact.

Mr. PASSMAN. I am going to have less faith in this program when I finish today than when I started.

Mr. SHRIVER. That is very little.

Mr. PASSMAN. You are right.

I was particularly inquisitive about the things you were going to use gasoline for. I was afraid to mention automobiles.

Mr. SHRIVER. That is right, because we do not have one.

Mr. PASSMAN. Therefore, I referred to anything that rolls on rubber, that you put gasoline in it, and it moves. I do not know how to describe it any better to take in every possibility.

Mr. CONTE. Are these donkeys or jackasses?

Mr. SHRIVER. Sometimes I wonder.

Mr. MINSHALL. We could have a donkey race, Mr. Chairman, and settle the whole thing.

VOLUNTEER TURNOVER

Mr. PASSMAN. Would you furnish for the record a revised table somewhat similar to the one you furnished last year on page 183 of the hearings, indicating the separation date of the personnel in 1964, the name of the country, and if you would, add an additional two columns indicating the number of personnel to be returned from that country, indicating the number of personnel that would go into the country during the year and date of entry?

Mr. SHRIVER. Yes.

Mr. WIGGINS. My problem, Mr. Chairman, is this involved the estimation by country through the coming program year.

Mr. PASSMAN. Fiscal, yes.

Mr. WIGGINS. We do not have that by country through the following fiscal year. We have it by region, sir.

Mr. PASSMAN. I wish you would do the best you can because someone testified before the committee previously—I believe it was Mr. Shriver—that if this program does not work, let's stop it. We won't have any other appropriation.

I thought possibly you might go into 4 or 5, maybe 10 countries at the most, and have a trial program of some 4 or 5 years before expanding the program but I find now you are in 45 countries.

If you can, give it to us the best you can.

Mr. WIGGINS. Thank you.

(The information supplied follows:)

Country strengths

1964 PROGRAM YEAR

	On board Aug. 31, 1963	Input	Returns	On board Aug. 31, 1964
AFRICA				
Cameroon	90			
June 1964		91		
July 1964			43	138
Ethiopia	415			
June 1964		328		
July 1964			306	437
Gabon	75			
June 1964		53	3	125
Ghana	141			
June 1964		87	70	158
Guinea	55			
July 1964			1	54
Ivory Coast	56			
June 1964		79	32	103
Liberia	285			
June 1964		190	90	
July 1964			11	374
Niger	15			
June 1964		60	6	69
Nigeria	394			
September 1963		56	69	
October 1963		52		
February 1964		72		
June 1964		295	93	
August 1964			101	606
Nyasaland	44			
September 1963		56		
June 1964		40		
August 1964		78	5	213
Senegal	66			
June 1964		73	4	
August 1964		20		155
Sierra Leone	134			
October 1963			32	
November 1963			5	
February 1964		32		
June 1964		119	56	
July 1964			3	189
Somali Republic	33			
April 1964			33	
June 1964		60		60
Tanganyika	102			
March 1964		27		
June 1964		71	27	
August 1964			5	168
Togo	39			
March 1964		26		
June 1964		58	26	
July 1964			18	79
Uganda				
August 1964		22		22
Total Africa	1,944	2,045	1,039	2,950
FAR EAST				
Indonesia	17			
September 1963		16		
August 1964		15	3	45
Malaya	168			
September 1963		74		
October 1963			36	
February 1964		34	56	
July 1964		124	53	255
Philippines	610			
September 1963			31	
December 1963			41	
March 1964			53	
June 1964		91	314	
July 1964		38		
August 1964		100		400
Sabah/Sarawak	90			
October 1963		52		
February 1964		30		
June 1964		15	72	115

Country strengths—Continued

1964 PROGRAM YEAR

	On board Aug. 31, 1963	Input	Returns	On board Aug. 31, 1964
FAR EAST				
Thailand	274			
September 1963		24		
October 1963			45	
February 1964		45		
June 1964		69	70	
July 1964		13		310
Total, Far East	1,159	740	774	1,125
LATIN AMERICA				
Bolivia	125			
September 1963		32		
January 1964		24		
February 1964		1		
March 1964			37	
June 1964		170	34	
July 1964		10		
August 1964		50	5	336
Brazil	256			
November 1963		34		
January 1964			43	
March 1964		42		
June 1964		317	30	
July 1964		89	104	
August 1964		110	34	637
British Honduras	30			
June 1964		32	30	32
Chile	108			
February 1964		35		
April 1964			18	
June 1964		158		
July 1964		6	34	
August 1964		57		312
Colombia	423			
September 1963		118		
October 1963		72		
February 1964		36	38	
June 1964		271		
July 1964		12	70	
August 1964		54	47	831
Costa Rica	67			
February 1964		2		
July 1964		6	3	72
Dominican Republic	211			
February 1964		34		
March 1964			21	
June 1964		40		
July 1964		6	43	
August 1964			31	196
Ecuador	282			
September 1963		9		
November 1963		34		
February 1964		21		
March 1964			49	
June 1964		239		
July 1964		20	125	
August 1964		47		478
El Salvador	48			
December 1963		20		
January 1964			24	
February 1964		4		
July 1964		8	2	54
Guatemala	122			
June 1964		36		
July 1964		10	19	149
Honduras	63			
February 1964		3		
June 1964		33	26	
July 1964		59	15	117
Jamaica	42			
September 1963		24		
February 1964		24		
April 1964			26	
July 1964		5		69
Panama	53			
January 1964		40		
February 1964		27		
July 1964		91	60	151

Country strengths—Continued

1964 PROGRAM YEAR

	On board Aug. 31, 1963	Input	Returns	On board Aug. 31, 1964
AFRICA				
Peru	374			
September 1963		34		
March 1964			24	
April 1964			44	
June 1964		205	81	
July 1964		31	49	
August 1964		40		486
St. Lucia	17			
August 1964			2	15
Uruguay	18			
June 1964		13		31
Venezuela	105			
February 1964		73		
April 1964			20	
May 1964			35	
June 1964		179		
July 1964		12	12	
August 1964		25	18	309
Total, Latin America	2,344	3,184	1,253	4,275
NORTH AFRICA, NEAR EAST, AND SOUTH ASIA				
Afghanistan	35			
October 1963		33		
June 1964			9	
July 1964		60	14	105
Ceylon	34			
May 1964			34	
Cyprus	22			
February 1964			22	
India	146			
September 1963		48		
October 1963			26	
February 1964		25		
June 1964		90	63	
July 1964		9		
August 1964		50		279
Iran	47			
February 1964		27		
June 1964		142	43	
July 1964		5		
August		35	4	209
Morocco	107			
June 1964		85		
August 1964		55	10	237
Nepal	101			
February 1964		45		
June 1964		28	70	
July 1964		9		
August 1964		25	8	130
Pakistan	215			
September 1963		44		
June 1964		12		
July 1964		45	64	
August 1964		21	38	235
Turkey	144			
June 1964		149	40	
July 1964		65		
August 1964		25	21	322
Tunisia	93			
April 1964			22	
June 1964		95	43	
July 1964		10		133
Total	944	1,237	531	1,650
Grand total	6,391	7,206	3,597	10,000

1965 PROGRAM YEAR

Africa	2,950	2,650	1,250	4,350
Far East	1,125	1,000	575	1,550
Latin America	4,275	3,200	1,575	5,900
North Africa, Near East, and south Asia	1,650	1,144	594	2,200
Grand total	10,000	7,994	3,994	14,000

STAFF HOUSING COSTS

Mr. PASSMAN. Last year the committee indicated its concern as to the rental costs of staff housing overseas. Would you furnish for the record a list of staff housing overseas, indicating the name of the country, the annual rental, and so forth?

Mr. SHRIVER. Yes, sir.

(The information supplied follows:)

Summary of Peace Corps oversea rentals as of Apr. 30, 1964

Area	Residences			Functional space		
	Number of units	Annual rental	Average rental	Square footage	Annual rental	Rent per square foot
Africa	72	$221,384	$3,074	19,908	$49,979	$2.51
Far East	37	62,309	1,684	29,528	33,051	1.12
Latin America	3	3,936	1,312	49,169	52,734	1.07
North Africa, Near East, and south Asia	28	50,567	1,806	29,952	34,530	1.15
Total	140	338,196	2,415	128,557	170,294	1.39

AFRICA

RESIDENCE RENTALS

Post	Number of units	Average rental	Annual rental
Cameroon	5	$2,852	$14,261
Ethiopia	11	1,857	20,427
Gabon	1	5,877	5,877
Ghana	6	3,226	19,357
Guinea	7	3,692	25,846
Ivory Coast	3	3,008	9,025
Liberia	4	3,175	12,700
Niger	2	2,569	5,138
Nigeria	13	4,223	54,898
Nyasaland	2	2,352	4,704
Senegal	4	4,472	17,889
Sierra Leone	4	2,695	10,781
Somali	7	2,117	14,822
Tanganyika	2	1,604	3,209
Togo	1	2,450	2,450
Total	72	3,074	221,384

FUNCTIONAL SPACE RENTALS

Post	Number of square feet	Rent per square foot	Annual rental
Cameroon			
Ethiopia	2,940	$1.07	$2,693
Ghana	3,000	2.26	3,150
Guinea	1,300	.92	6,777
Ivory Coast			1,200
Liberia	2,926	3.44	4,898
Nigeria			9,000
Nyasaland	1,159	2.00	1,769
Senegal	2,430	4.16	2,318
Sierra Leone	3,989	1.17	10,121
Somali	750	1.60	4,528
Tanganyika	900	.79	1,200
Togo	514	3.15	708
			1,617
Total	19,908	2.51	49,979

Summary of Peace Corps oversea rentals as of Apr. 30, 1964—Continued

FAR EAST

RESIDENCE RENTALS

Post	Number of units	Average rental	Annual rental
Indonesia	4	$1,731	$6,924
Malaya	5	1,528	7,640
Philippines	16	1,555	24,883
Thailand	6	2,149	12,898
North Borneo	6	1,660	9,964
Total	37	1,684	62,309

FUNCTIONAL SPACE RENTALS

Post	Number of square feet	Rent per square foot	Annual rental
Indonesia	1,900	$0.85	$1,620
Malaya	2,500	.64	1,560
Philippines	21,300	1.12	24,118
Thailand	2,100	1.38	2,905
North Borneo	1,728	1.53	2,848
Total	29,528	1.12	33,051

LATIN AMERICA

RESIDENCE RENTALS

Post	Number of units	Average rental	Annual rental
Chile	2	$1,710	$3,520
Ecuador	1	416	416
Total	3	1,312	3,936

FUNCTIONAL SPACE RENTALS

Post	Number of square feet	Rent per square foot	Annual rental
Bolivia	5,387	$1.78	$9,622
Brazil	4,410	.99	4,390
British Honduras	7,200	.52	3,798
Chile	1,735	.81	1,225
Colombia	2,489	1.47	3,656
Costa Rica	1,300	1.12	1,450
Dominican Republic	2,750	.76	2,100
Ecuador	7,932	.52	4,128
El Salvador	1,150	.97	2,160
Guatemala	1,675	.97	1,620
Honduras	1,300	.92	1,200
Panama	1,000	2.40	2,400
Peru	6,806	1.41	9,657
Venezuela	4,035	1.32	5,328
Total	49,169	1.07	52,734

Summary of Peace Corps oversea rentals as of Apr. 30, 1964—Continued

NORTH AFRICA, NEAR EAST, AND SOUTH ASIA

RESIDENCE RENTALS

Post	Number of units	Average rental	Annual rental
Ceylon	2	$1,550	$3,101
Iran	1	1,740	1,740
Morocco	3	1,980	5,940
Nepal	4	1,671	6,684
Pakistan	13	1,879	24,428
Tunisia	5	1,735	8,674
Total	28	1,806	50,567

FUNCTIONAL SPACE RENTALS

Post	Number of square feet	Rent per square foot	Annual rental
Afghanistan	1,820	$1.03	$1,869
Ceylon	1,345	.94	1,265
India	3,096	2.16	6,600
Iran	2,700	1.52	4,105
Morocco	5,162	.78	4,020
Nepal	3,800	.66	2,520
Pakistan	10,080	.63	6,395
Tunisia			2,292
Turkey	1,949	2.85	5,464
Total	29,952	1.15	34,530

Mr. PASSMAN. I think we should have an interest in this item and you should, too, because in many countries, as soon as you mention the United States, the price goes up.

Mr. SHRIVER. That is right.

INTERNATIONAL PEACE CORPS

Mr. PASSMAN. Do you have any money in this fiscal budget for the International Peace Corps?

Mr. SHRIVER. Any money? No.

Mr. PASSMAN. Nothing in here at all?

Mr. SHRIVER. No, sir.

CANCELLATION OF NONREIMBURSABLE ASSIGNMENTS TO THE INTERNATIONAL PEACE CORPS

Mr. PASSMAN. Have you assigned any personnel to the organization on a nonreimbursable basis?

Mr. SHRIVER. Are there any individuals assigned to us?

Mr. PASSMAN. No. Have you assigned any personnel to the International Peace Corps Organization on a nonreimbursable basis?

Mr. SHRIVER. We did have them that way before but we have not had any this year. I canceled them all this year. We did have them but they were canceled December 31, I believe.

Mr. PASSMAN. Under the amendment contained in several appropriation bills last year, would you have been legally precluded from continuing such a practice?

Mr. SHRIVER. I think not; but when Congress acted on our request for legislative authority at the end of the year—I cannot remember the exact date—I decided then that we would just unilaterally terminate those details, which we did.

Mr. MINSHALL. What prompted you to do that unilaterally?

Mr. SHRIVER. Because I thought at that time that while the Congress had indicated it was permissible for us to do it, assign personnel, I wanted to find out whether the foreign countries we were working with in the International Peace Corps Secretariat were sufficiently interested to assign people and put up money. I decided to take our people out and see if they would come forward, and I am happy to say they did and they have.

They have come forward now with about $110,000 of the total budget for that agency or that organization of about $150,000. Now, I am of the opinion I might assign some people back in, three or four Americans, because the foreigners are now putting up 60 percent of the cost.

Mr. PASSMAN. Mr. Shriver, during our hearings earlier we received testimony——

Mr. SHRIVER. When we talked about the donkeys at the beginning——

Mr. PASSMAN. Not so much the donkeys, but the jeeps.

Mr. SHRIVER. What I have always said and what I say now is that the Peace Corps would not have any passenger-carrying vehicles, and I used to testify about that. I testified about it now, and I did so because at the time there was a definition that everybody accepted.

Mr. CONTE. I asked that question right in this committee.

Mr. SHRIVER. That is right.

CORRELATION BETWEEN TECHNICAL ASSISTANCE GOALS AND PEACE CORPS ACTIVITIES

Mr. PASSMAN. Here is what Mr. Bell said, Mr. Shriver, and I will address this to you.

During our hearings earlier, we received testimony from David Bell, the Administrator of the Agency for International Development, and in his general statement to the committee, he said:

> * * * Technical cooperation is our best means for conveying U.S. ideas, techniques, and know-how. It builds directly the most vital ingredients of growth, skilled people, and functioning human institutions.

I certainly do not quarrel with that statement. However, I have never been able to get you to say, "Yes, this is just another technical aid program but it is staffed with energetic, young people who are desirous of making more sacrifices than some of the older but more experienced technicians who, for one reason or another, could not endure what these youngsters could."

It has never been presented on that basis, but some day I am going to find out whether it is technical aid or not, as I think of "technical aid." If it is, it will have at least a higher degree of support from me personally than it is presently getting.

Mr. Bell further stated, and I quote:

> The justification of the Peace Corps is partly because of the benefits to the young Americans who are overseas in it.

I think we should have a little clearer definition of what he actually meant. I can understand that it would benefit these young Americans to have this oversea experience. Whether it is broad enough to be of some value to the Government I do not know. However, he did not elaborate to that extent.

Subsequently he did supplement his statement by adding two other reasons.

The second reason is that the Peace Corps volunteers do make a direct contribution of types of skills which are frequently very short in countries where they work and that is beneficial.

A third reason he testified to was that this provided a very significant personal demonstration of the interest of the United States in wanting to help the people of these countries where they were.

To me, these three reasons are stated clearly by the Director of the foreign aid program and I cannot help but repeat his first reason which was the benefits to young Americans overseas in Peace Corps programs.

This reason, however, does not seem to me to be adequate justification for the expenditure of approximately $100 million a year to carry out the operations of the Peace Corps.

I agree with Mr. Bell's evaluation of the AID technical cooperation program, that it is our best means of conveying U.S. ideas, techniques, and know-how. I agree with him, also, that it builds directly the most vital ingredients of growth, skilled people, and functioning human institutions.

If the Peace Corps is not a technical aid program, imparting that knowledge that is so important as stated by President Truman in his original request to the Congress for the part IV technical aid program, then I am going to try to find out, whether you tell me or not, if it is a technical assistance program.

If it is, it might have my support.

VOLUNTEERS ASSIGNED TO AID FINANCIAL PROJECTS

How many volunteers do you have assigned to AID-financed projects?

Mr. SHRIVER. I do not think we have any such figures. Do you mean if AID built the school and we would then work in that school? What do you mean?

Mr. PASSMAN. The question is a lot broader than that.

Do you have AID-financed projects where you have Peace Corps personnel working right with the AID personnel.

Mr. WIGGINS. I think I understand the question, Mr. Chairman. We have a number of projects where we are working together and AID is financing some part of the project and the volunteers provide the middle level manpower.

I do not have the category of that but we can supply that for the record if that would be satisfactory.

Mr. PASSMAN. I would have thought you people would have volunteered this information because it is your own statement and I am quoting a complete sentence from paragraph 2 of page 93:

* * * The school construction program is fulfilling one of Gabon's immediate needs through the combined efforts of Peace Corps volunteers, the Government of Gabon, the Gabonese people, and classrooms and housing for teachers are

taking form throughout the country. Each basic unit consists of three classroom schools and sometimes three houses for teaching personnel.

All of the construction work is done by teams of volunteers and the Gabonese working together.

AID is supplying important materials such as cement, roofing and tools while the Gabonese Government contributes wood, gravel, and laterite which can be obtained locally.

Now, how many volunteers do you have assigned to AID-financed projects?

Mr. WIGGINS. I regret to say, around the world——

Mr. PASSMAN. All right. I like those kinds of answers. Then bring it tomorrow.

Mr. WIGGINS. We will supply it for the record.

Mr. PASSMAN. Good.

(The information follows:

Listed below are programs whose operations are currently financed entirely or in part by AID and for which the Peace Corps supplies midle-level operational manpower:

	Number of volunteers
Brazil, school lunch program [1]	52
Colombia, educational television	67
Dominican Republic, school construction	15
Dominican Republic, co-op development	19
Ecuador, school construction	60
Ecuador, rural community action	4
El Salvador, rural community action	26
Gabon, school construction	56
Pakistan, public works [1]	80
Peru, savings and loan	19
Peru, school lunch program	99
Sierra Leone, rural community action	42
Tanganyika, public works	50
Togo, health	16
Total	605

[1] Supported by food-for-peace funds.

There are no countries in where Peace Corps volunteers are working under the direct supervision of AID technicians or where they are working as equals with AID technicians within a particular project. However, in many countries Peace Corps volunteers are able to take advantage of technical guidance from the more-experienced AID technicians working in the country.

Mr. WIGGINS. Perhaps I did not make myself clear. Could I make the record clear as to what you are talking about?

Mr. PASSMAN. Could you furnish for the record a table indicating the country, the name of the project, and the number of personnel you have assigned to it?

Mr. WIGGINS. Surely.

Mr. PASSMAN. On pages 91 through 135, there is a one-page summary of the Peace Corps program in the various countries in which it operates. Would it be possible for you to ascertain for the record how many of these projects, especially the number of volunteers who are functioning as operating personnel, and how many are involved in the category of technical assistance as described by Mr. Bell?

His statement is completely to the point.

Mr. MEDLEY. What were those page references?

Mr. PASSMAN. Pages 91 through 135 which contain the one-page summaries.

Would it be possible for you to ascertain or put in the record how many of these projects, especially the number of personnel that are

functioning as operational personnel, and how many are involved in the category of technical assistance as described by Mr. Bell?

Mr. WIGGINS. All right.

(The information supplied follows:)

The Peace Corps volunteers described on pages 91 through 135 of the Peace Corps fiscal year 1965 congressional presentation are all operational personnel as defined by Mr. Bell.

Mr. PASSMAN. Are you able to associate my question with your understanding on the statement of Mr. Bell?

Mr. SHRIVER. There is one thing we do know, and that is if we do not, we can always ask Mr. Bell.

Mr. PASSMAN. You are a former AID man?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. You know what AID technical assistance is?

Mr. WIGGINS. Yes, sir.

Mr. SHRIVER. It is not Peace Corps.

Mr. WIGGINS. That is our problem.

Mr. PASSMAN. You mean the Peace Corps is your problem?

Mr. WIGGINS. No, sir. The fact that technical assistance is not the Peace Corps is the problem in answering your questions. I understand your question.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Any time your money goes one way and nothing comes back but some imaginary benefit centuries or generations in the future, it is a giveaway program to me.

PROPOSALS TO UNDERTAKE PROJECTS IN ADDITIONAL COUNTRIES IN FISCAL YEAR 1965

Do you propose to initiate a Peace Corps project in any country in fiscal 1965?

(Discussion off the record.)

Mr. PASSMAN. Why not say, "Yes, we propose to take the Peace Corps into several countries"?

Mr. SHRIVER. That is fine and I am glad you said that. I thought you wanted to know precisely.

Mr. PASSMAN. Then go off the record and tell me the names of the countries if there are several countries.

Mr. SHRIVER. That is what I was trying to do.

Mr. PASSMAN. I shall never forget the figures of the first year. Let us try this, and if it does not work, stop it, but I say that you are the ones evaluating.

The main reason this thing is a success is that you say it is a success; you laugh but you know that is what makes it a success.

Mr. SHRIVER. That is not true.

Mr. PASSMAN. Sargent Shriver says so, period.

Hurrah for Shriver.

Mr. SHRIVER. You speak more loudly and are heard more clearly than I am, Mr. Chairman.

Mr. PASSMAN. Every time I see Sargent Shriver has talked another country into getting into this program, I wonder how these people heard about it.

SUKARNO'S POSITION ON RETENTION OF PEACE CORPS ENVOYS

Take Sukarno, for example. How could he possibly turn you down, a man in your position?

Mr. SHRIVER. I understand he said that he would throw the other people—or he told the other people to go to hell earlier in the day.

Mr. PASSMAN. He did tell us to go to hell twice.

Mr. SHRIVER. He could have told me to go to hell.

Mr. PASSMAN. At that time he was dipping pretty deep into the foreign aid well. You should not have had any trouble getting a Peace Corps project in that country. I could have told you that before you went over to see him, and if you spent 2 hours with him, you wasted an hour and 45 minutes.

How could he turn you down?

Mr. SHRIVER. I thought you said he told everybody to get the hell out?

Mr. PASSMAN. That was this year and he said it twice.

Mr. SHRIVER. Why did he not tell us to get out?

Mr. PASSMAN. The chances are that he did.

Mr. SHRIVER. You had better talk——

Mr. PASSMAN. You had better talk with the State Department. If you do not know Sukarno told us twice this year to get the hell out with the AID program——

Mr. SHRIVER. He did not say to get us out and that is the difference.

TERMINATION OF PEACE CORPS PROJECTS

Mr. PASSMAN. Are you going to terminate any Corps project in any country during 1965?

Mr. SHRIVER. We might if it does not work out.

Mr. PASSMAN. Do you plan to? Do you have any prospects now where your goal has been accomplished to the extent you are going to terminate your services in any country?

Mr. SHRIVER. I do not think we see any country in fiscal 1965 where we plan to discontinue.

Mr. PASSMAN. That was my question.

DISCONTINUANCES IN FISCAL YEAR 1964

Mr. SHRIVER. We did discontinue our work in two places in 1964——

Mr. PASSMAN. What places?

Mr. SHRIVER. The island of Ceylon and the island of Cyprus in the Mediterranean.

Mr. PASSMAN. Did you do it simply because you imparted all of the knowledge you possessed for all of the problems to be met, or for some other reason?

Mr. SHRIVER. We did it in each case as one usually does, for a variety of reasons. It was true that in the case, for example, of Cyprus, the program, or a substantial portion of the program, was designed to accomplish a certain thing and it was done.

The geological mapping and surveying was finished.

Mr. PASSMAN. It is not because you made them so smart in Ceylon that you got out?

Mr. SHRIVER. No, sir.

ANTICIPATED DURATION OF PEACE CORPS PROGRAMS

Mr. PASSMAN. How long do you figure it will take the Corps to finish these programs in these underdeveloped countries? How long do you propose to be there?

Mr. SHRIVER. It depends on the country and it depends——

Mr. PASSMAN. In all these underdeveloped countries, on the average?

Previously, you have been pretty quick on giving the average, and this is one place we will take the average.

Mr. SHRIVER. I do not have an average on this. I could perhaps furnish one.

Mr. PASSMAN. I could not perhaps ask for a better answer.

Are we just going to keep throwing this money away as long as the American taxpayer will put up with it and as long as we can borrow the money? We are doing these things on borrowed money.

Seriously, you do not have any phaseout plans in the making in these countries?

Mr. SHRIVER. I did not say that.

Mr. PASSMAN. What did you say?

Mr. SHRIVER. I said I did not have an average.

Mr. PASSMAN. You could not give me any specific information.

When you would not give any answer, I had no alternative other than to say you are pretty strong on averages and could you give me an average? Go back and be specific as to the countries at this time that you plan to get out of?

Mr. SHRIVER. For example, I could give an indication of what I can say and why, but it is difficult to name a specific thing.

Let us take Nigeria. The Ashbury Commission report says that as of 1970 we would be able to supply all of the teachers they needed and they would be Nigerians. Therefore, we would not need any more teachers at that time. I say terrific; that is perfect. If in 1970 we can take all of the Peace Corps teachers out of Nigeria, I am all in favor of it. I cannot tell you today actually what is going to happen; namely, that they are going to meet their objectives. I can say that we plan—quote—close quote—not to have any Peace Corps teachers in Nigeria after 1970 on the assumption that the Ashbury Commission report will be fulfilled. That is fine.

Mr. PASSMAN. You people come before this committee as though we do not worry you since you have the prestige for getting this money anyway. That seems to be the attitude, but as far as I am concerned, the American people who may read this record are entitled to know where did you start and where are you going.

Mr. Dillon was forthright when he said it is going to require 30 years in these underdeveloped countries before we reach the point where we can get out.

We are entitled to know, inasmuch as you are increasing this appropriation request every year, as to whether or not there is going to be a leveling off point and whether or not you are going to start terminating some of the projects. I am willing to take an average.

Mr. SHRIVER. We terminated two projects.

Mr. PASSMAN. You gave the reason, "because of conditions." It was not because the Peace Corps had accomplished what you envisioned as being the thing you must do for those countries.

Ceylon is still underdeveloped?

Mr. SHRIVER. We set out to do this with that particular program and we did not want to add another one. That does not mean we feel that Ceylon is no longer an underdeveloped country, obviously.

Mr. PASSMAN. I never have gotten so many vague answers in all of my life. Maybe such a program has to be vague. I do not know, but I wish we could, somewhere along the way, firm up something good and tight and say, "Here is where we started. Here is where we are going to stop."

We got out of Ceylon but you may be back in. You got your outfit out of Cyprus but you may be back, and in all probability there is still work to be done, according to your evaluation.

You have not accomplished all of the good you imagined the Peace Corps can do, but that is not the reason you got out. You have some other reason in Ceylon.

Would you honor us with your presence again tomorrow?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Then we shall see you tomorrow at 1 o'clock, gentlemen.

WEDNESDAY, MAY 27, 1964.

CONTRACTS WITH UNIVERSITIES FOR SUPERVISION OF VOLUNTEER PROJECTS

Mr. PASSMAN. The committee will come to order. We were discussing on yesterday the number of university contracts the Peace Corps has with the universities. If I recall correctly, you stated that in fiscal 1965 there would be 13 university contracts; is that correct?

Mr. SHRIVER. Thirteen are currently in effect.

Mr. PASSMAN. What do you contemplate for fiscal 1965 as to university contracts?

Mr. WIGGINS. We do not have a precise number that we contemplate. We would estimate that something like 30 percent of our volunteers that would enter during fiscal 1965 would be under contractual arrangement with both the universities and private agencies. Until the program for that year is fully developed and we have gone through the process of negotiation with both of them to see what is the best arrangement we can make, we will not have a precise number for university contracts or a precise number of private agency contracts.

Mr. PASSMAN. Do you not have the program in effect at this time?

Mr. WIGGINS. No, sir, we do not have the program on a country-by-country basis.

Mr. PASSMAN. I did not ask for that. I asked for the number of university contracts presently in effect and projecting it in 1965—how would 1965 compare with 1964. Could you help us out there?

Mr. WIGGINS. Yes. We do not have a precise number of university contracts projected through fiscal 1965, sir.

Mr. PASSMAN. That is a part of the cost of the fiscal year 1964 program, is it not?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. How do you arrive at the estimate of funds for 1965 until you have determined the number of contracts and the costs involved?

Mr. WIGGINS. We took an average of the number of volunteers that would be under contract administration with both universities and private agencies, and in the matter of calculation of the budget entered that average according to our monthly factors in arriving at the sum.

Mr. PASSMAN. Could you do that without taking into consideration some kind of estimate as to the number of university contracts and number of personnel involved? The cost is more than double that of the other personnel in your agency, is it not?

Mr. WIGGINS. Not more than double, sir, but we did estimate number of volunteers that would be under contract administration. But some contracts involve a small number of volunteers and some involve a large number. Until we had a precise number of total volunteers under contract—we do not have how they would be divided in terms of numbers of contracts.

Mr. PASSMAN. I thought we established yesterday that the cost of a person at the university was about $18,300. That is why I used the figure as being doubled.

Mr. SHRIVER. The trouble is all do not have a person like that.

Mr. PASSMAN. My question only dealt with the number of contracts and, had you been able to give us that information, then the question would have been the number of personnel that you will employ from the universities. Do you understand?

Mr. WIGGINS. Yes. Number of personnel employed through fiscal 1965 under the universities is your question?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Could we give what we have as a matter of fact?

Mr. PASSMAN. Yes. I hope, gentlemen, you will be able to fill this in because it is customary that when you request a certain amount of money, that you be able to answer questions as to component parts of the total. I should think you would need to know the number of university contracts and number of personnel that the universities will employ to assist or to work with the Peace Corps men in the respective countries.

When you go over the transcript, if you can give us an estimate, we would be very grateful.

NUMBER OF UNIVERSITY CONTRACTS FOR FISCAL YEAR 1964

Now we will deal with 1964. Will you tell the committee the number of university contracts you have in effect as of April 30, 1964?

Mr. SHRIVER. As of April 30, 1964, we have contracts with 11 different universities, and there are 14 contracts because 3 have more than one contract.

(Additional information on university contracts is included on p. 1202.)

NUMBER OF PERSONNEL ON CONTRACT PROJECTS

Mr. PASSMAN. What is the number of personnel involved?

Mr. SHRIVER. There are 13 people in charge of these projects.

Mr. PASSMAN. It is an average of about one per university?

Mr. SHRIVER. That is right. The reason there are 13—it just happens to come out that way—the University of Illinois has not desig-

nated their person yet. However, another program being run by Notre Dame University has two people. It balances out.

If I could just return a second to the point Mr. Wiggins is trying to make, when we make up the budget for next year, we cannot be certain now as to exactly the number of universities or private agencies that we will conclude negotiations with or make contracts with in the whole of the next fiscal year. However, from the beginning of the Peace Corps we have always tried to move toward 30 percent of our volunteers abroad being under the administrative supervision in part of either universities or private agencies because one of the theories from the beginning was we would try to work with the private sector to the maximum and thereby reduce the Government interposition and strengthen the private sector, such as CARE and the National Grange, et cetera.

So we continually press toward the total of 30 percent of our volunteers being so designated. When Wiggins and Medley make up the budget, they have the figures for this year, what we have done; then they propose in the budget that we try to get contracts which will put 30 percent of our people under the administration of universities or private agencies. They cannot say today what that is going to be, but it would end up ideally with 30 percent of the people, 2,400 volunteers, under the supervision of universities and private agencies.

Mr. PASSMAN. That is good, but what I am trying to find out is the number of professors that you will employ from the universities to go out and work with the Peace Corps personnel in the countries.

Then I will go beyond that point and ask another question. First, I do not know how you can determine what your need will be unless you have projected this item and arrived at some estimate as to what it is going to cost you to have these contracts with the universities.

Mr. SHRIVER. We have done that.

NUMBER OF VOLUNTEERS ADMINISTERED UNDER UNIVERSITY CONTRACTS

Mr. PASSMAN. I asked you a while ago how many contracts, how many personnel will be involved.

Mr. SHRIVER. 2398 Peace Corps volunteers will be administered under contracts with private institutions and universities.

Mr. PASSMAN. I am speaking of the universities. You hire these professors to work with the Peace Corps men; is that rght? How many of those will you have?

Mr. SHRIVER. It depends on how many we are able to negotiate in fiscal 1965.

Mr. PASSMAN. How do you ever arrive at your budget estimate if you have not made such a calculation?

Mr. WIGGINS. We have used the average cost factor.

Mr. PASSMAN. That is what I am trying to find out. Can you give us a rough guess as to the number of professors you are going to employ next year? Can you give us an idea of the number? That man is known as a project director because when you deal with these contracts there is an average of one individual assigned to these university contracts, he goes out in the field whether it is as a supervisor or to work with the Peace Corps men in these underdeveloped countries. How many of those people will you employ next year?

Mr. SHRIVER. I understand. I would like to repeat that we have as of April 30, 1964—not next year, last year—we had 13 such people employed during the year. Max, if you could, would you guess how many there would be in universities and the other?

PROJECTED NUMBER OF CONTRACT UNIVERSITIES AND PRIVATE AGENCIES FOR FISCAL YEAR 1965

Mr. PASSMAN. I still want to stick with the same question. How many do you think you may employ overseas in 1965?

Mr. SHRIVER. What is your guess?

Mr. MEDLEY. My guess, just as a guess, would be in the neighborhood of 15 to 18 on universities and somewhere between 30 and 40 on the private agencies.

Mr. PASSMAN. I still do not know how you can arrive at the dollar estimate without better statistics.

Mr. SHRIVER. We can answer that. That is easy.

Mr. PASSMAN. It is not easy for this committee, although it may be easy to you.

COSTS PER VOLUNTEER ON CONTRACT-ADMINISTERED PROJECTS

Mr. MEDLEY. In the cost factors which we have developed, Mr. Chairman, summarized on page 63, which we discussed yesterday, we have a cost in there of $270 per vounteer for contractor overhead on contract-administered projects. That is worked out to that individual cost per volunteer based on 30 percent of all volunteers being contractor administered.

Mr. PASSMAN. What will that amount to?

Mr. MEDLEY. $270 per volunteer for contractor overhead.

Mr. PASSMAN. Let us multiply that by the number and see what the total cost is.

Mr. MEDLEY. That is for all volunteers. That would be multiplied by 8,000. It works out to about $900 per contract-administered volunteer per year.

Mr. PASSMAN. How much would that be in total? I just cannot believe it is that high, but you are giving the figures.

TOTAL ESTIMATED COSTS UNDER CONTRACTS FOR FISCAL YEARS 1964 AND 1965

Mr. SHRIVER. We estimate that we will spend $11,925,000 for all costs in 1964 under contract-administered programs and we propose in 1965 to spend $12,709,000 for all costs under contract-administered programs with the universities and with private agencies.

CONTRACT OVERSEA EMPLOYEES

Mr. PASSMAN. I note on page 60 you have more than 50 individuals now filling staff needs under 2-year contracts; is that correct, sir?

Mr. MEDLEY. Yes.

Mr. PASSMAN. You have put in the record $12.7 million for fiscal 1965. What type of personnel, what subjects, what fields of endeavor are they usually in?

Mr. SHRIVER. In the university contracts we have, for example, a forester in the Dominican Republic; we have a secondary school expert in the Cameroon.

Mr. PASSMAN. That is good enough.

Mr. SHRIVER. We have a social worker in Honduras. Now with the private agencies, there is a community development expert; for example, we have an agriculturalist with the Heifer Project in Bolivia. We have a 4–H fellow in Brazil.

Mr. PASSMAN. That is enough. Please fill in the remainder in the record.

(The information supplied follows:)

CONTRACT OVERSEA EMPLOYEES

At the present time, there are 52 persons at the professional level who are working overseas under 2-year contracts with American universities and private organizations which are administering Peace Corps programs. These employees are working with programs in the following areas of activity:

Community development	14	4–H work	2
Education	9	Nutrition	1
Agriculture	9	Literacy	1
Cooperatives	4	Forestry	1
Physical education	3	Social work	1
Public works	2	Architecture	1
Public health	2		
Anthropology (research project)	2	Total	52

These persons were approved by the Peace Corps on the basis of their technical expertise and their familiarity with the countries of assignment.

It is estimated that in fiscal year 1965 the breakdown among areas of activity will be similar to that given above although the number of contract employees will be larger.

NEED FOR GREATER UTILIZATION OF AID UNIVERSITY EMPLOYEES—SUPERVISORY ROLES

Mr. PASSMAN. So far as I am concerned, we are dealing with technical aid projects. Under the AID they employ these university people, just as you do, as instructors in about the same fields. The point is, inasmuch as you work with AID on certain projects, why could you not use their facilities? They have their university contracts with these people in the same categories you named. Why could not your Peace Corps men get their instructions and direction from the people AID employs at the university level in most instances? Do you get what I am leading up to?

Mr. SHRIVER. Yes.

Mr. PASSMAN. You might save money and have better coordination inasmuch as the AID has contracts, I think, with some 400 different universities, colleges, and trade schools in 46 of the States of the Union. Had you ever given thought as to possibly coordinating that part of your program at the very top level? You are only getting one, and in some instances they have five or six individuals out of one university contract. Do you see what I am trying to establish?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Is it worth any consideration?

Mr. SHRIVER. It is worth consideration, and we did consider it and we do that in some places. I will give you an example. You are familiar with the AID project in Thailand, where they have had uni-

versity experts in education out there for a number of years working with the teacher training institutions in that nation.

We have volunteers on the faculties of many of those training institutions. Whatever so-called expert guidance that they get, they would get that from the man who is employed by AID already there, whose job it is to go around from one teacher training institution to another giving that type of expert advice.

So in that case we do not have a university contract because there is already a person there who is able to do it.

On the other hand, you can take the case of the teachers we have in the Cameroon where there is no AID teacher program of education. They are upcountry in small places. The AID guy has not been employed for that purpose.

I will give you another example of what I mean. Ethiopia has a very fine agricultural school which is run by the University of Oklahoma. In that place there are cottages where the faculty who are Ethiopians and the faculty who are Americans live. They work there at that university. Our people are all over Ethiopia, as much as 300 miles away from that university. That professor there on the AID contract could not do what he is hired to do at the university and at the same time be out with our volunteers in the boondocks because he would not be teaching the classes.

It is like saying to a guy on the faculty at Harvard, "Why aren't you out giving technical advice to all the second-, third-, and fourth-grade teachers all over Massachusetts or all over New England?" He could not do the job he is employed to do if he did that.

In substance, where we can do so, we do exactly what you propose. As you say, it is worthy of doing as much as we can.

Mr. PASSMAN. I am of the old school, Mr. Shriver. I still think that money is important, especially since we have to borrow the money before we can do these things.

Mr. SHRIVER. I agree.

FOREIGN AID SPIGOTS

Mr. PASSMAN. Inasmuch as it has been established that there are seven different technical aid programs, doing just about the same work, I believe there should be better coordination at certain levels so as to cut down the overall expenditure. If we fund your program anywhere near what you are requesting, it is obvious some other agencies should be cut back. I do not believe we should have seven different types of technical aid programs in operation when some of them are just about the same thing.

There is the FAO, the U.N. expanded technical aid program, the Organization of American States technical aid program, the bilateral U.S. technical aid, and the Peace Corps technical aid. There are two more of those things we ran into. We have been told there were nine.

I understand 2 or 3 years ago there were actually some fistfights between bilateral and U.N. technical aid personnel as to who was going to do the work. We kept it all out of the record by country and name. It has never been denied.

There is bound to be, shall we say, a conflict of interest or duplication. I am only thinking in terms that we may save a little money even though it is not popular now to save money, but I am still of the old school. I am glad you concur that it is not too unpopular to try to save a little money. I hope you go as far into this as you can at the university level. If these people are out there, let them train, supervise, or work with your personnel.

Mr. SHRIVER. Mr. Chairman, could I say we not only want to do that, but we will do it wherever we can. We want to do it and have tried to do it. We cannot always utilize the kind of people they have.

Mr. PASSMAN. Do it as far as you can.

Mr. SHRIVER. Yes.

CONTRACT OVERSEA EMPLOYEES

Mr. PASSMAN. You have 50 individuals now filling staff needs under 2-year contracts; is that unusual?

Mr. SHRIVER. No, it is not unusual.

Mr. PASSMAN. Are they direct hire employees of the Peace Corps?

Mr. SHRIVER. No; they are in the contract.

Mr. PASSMAN. These 50 individuals are under contract. Who are they?

Mr. SHRIVER. They are some of the people I mentioned a minute ago.

Mr. PASSMAN. I am getting away from the university contracts and into a different category.

HEIFER PROJECT

Mr. SHRIVER. Take the Heifer Project that I mentioned.

Mr. PASSMAN. That must be a terrific outfit since you keep referring to it.

Mr. SHRIVER. I will take another.

Mr. PASSMAN. Stick to that one. Who are these people?

Mr. SHRIVER. The Heifer Project has a man named Claude Wolfe, their representative in Bolivia. Claude Wolfe was found by and hired by Heifer Project, with our approval, to be their representative in a joint project in Bolivia involving livestock that we discussed yesterday. Claude Wolfe is an exceptionally able man, good at Spanish, he knew Bolivia, he knows all about the livestock. He works for the Heifer Project because he believes in it.

NATIONAL 4–H FOUNDATION

We have another program with the National 4–H Foundation. They do work with us in Brazil. They selected a fellow from North Carolina. There was a member of your committee, a Congressman from his district, Mr. Alexander. This fellow is a guy about 32, president of his local 4–H Club in North Carolina.

Mr. PASSMAN. These individuals are not Peace Corps men.

Mr. SHRIVER. No; he works for the National 4–H Foundation. They find him, they recommend him, we look him over. If we agree he is a good guy for our work—he could be technically very qualified but no good for us.

Mr. PASSMAN. You are getting through to me now. You have 50 of these people so employed.

Mr. WIGGINS. Overseas.

Mr. PASSMAN. They work with your Peace Corps men overseas.

Mr. SHRIVER. That is right.

Mr. PASSMAN. Do you have any instances where you have some individual in the Peace Corps who is a corpsman acting in that capacity?

Mr. SHRIVER. Not necessarily.

PROVISION FOR VOLUNTEER SUPERVISION IN THE ABSENCE OF U.S. CONTRACT PERSONNEL

Mr. PASSMAN. How does the Peace Corps get along in a nation where you have several hundred Peace Corps men and nobody in a supervisory capacity?

Mr. SHRIVER. The supervisors would come from the host country, who happen to be qualified. For example, say we have four teachers on the faculty of a high school in Ghana. Technical supervision or guidance would come from the principal of that high school. There are countries——

Mr. PASSMAN. Is he an American?

Mr. SHRIVER. No; he is a local person.

Mr. PASSMAN. You do have certain countries with Peace Corps personnel with no American supervison?

Mr. SHRIVER. No; I was saying we have a staff there. Sometimes the staff would have a person who was qualified technically, but that is not the principal purpose of the staffman, to be technically qualified to give this kind of advice. Most of the time we get that from foreigners.

Mr. PASSMAN. Do you find in some countries that you need the contract personnel as well as the university contract more than you do in others?

Mr. SHRIVER. Yes, but it depends more on the work, for example, that we are doing.

Mr. PASSMAN. I understand that.

Mr. SHRIVER. For example, to give you an illustration of what I mean, when you have geologists, it is unlikely that on our regular staff, our Peace Corps personnel staff, that we would also have a man who was a geologist, because you might say it is a sort of technical area. We have sent lawyers overseas.

Mr. PASSMAN. Who?

Mr. SHRIVER. Lawyers, LL.B.'s. Some of them work in Ethiopia. The man in charge of the law school in Ethiopia is a professor of law from the United States. When we have lawyers on the faculty of that law school, we do not have to have anybody on our staff to give them any expert advice because there is a law professor there who is on the staff of the Haile Selassie University who gives it to them. We do not have one. We only put them there when we need them.

Mr. PASSMAN. Let me assure you I am actually trying to find some good in this program.

Mr. SHRIVER. Thank you.

IMPINGEMENT OF PEACE CORPS ACTIVITIES ONTO THE TECHNICAL AID AREA

Mr. PASSMAN. I think of it as technical aid. I cannot see it any other way but purely technical aid. Whether it is a supplement or a duplication, I do not know. If we can ever establish that this is purely a technical aid program, I could understand it a lot better. The only way I could establish that, is find out whether your personnel is doing—it may not be on the same job in every instance—the same type of technical aid work that the point 4 program does. I am not quarreling with it. I am trying to understand it.

It looks to me as though you are getting a little far afield in getting into contract personnel and university contracts. First thing you know, it is going to be a near duplication of our bilateral, and the U.N. technical aid programs. That is the only reason I am asking the question. I am glad to be assured by you that you are giving thought to utilizing the university-level personnel that AID may have in these countries where it is feasible and practical.

Mr. SHRIVER. Right. I would like to make one footnote to that. You and I do disagree on whether this is or is not technical assistance. Of course, I do not agree with that. In fact, we do not have people over there who do just technical advising. We would not, for example, and have not sent half the people who have been proposed because they are not Peace Corps people. They are technical people.

Mr. PASSMAN. I can say, Mr. Shriver, I always respect your views. However, there is not a project you are doing that is not being done, has not been done in the past, or will not be done in the future, either out of the U.N. or bilateral technical aid programs. If you want to call it by any other name, that is all right.

ESTIMATED CONTRACT COSTS FOR FISCAL YEAR 1965

Mr. Shriver, we were discussing contract personnel and the university contracts. As I was going down to answer the bells, I happened to recall you gave us a figure that that part of your program would be $12 million for fiscal 1965. Are you sure that is correct? I think you are high.

Mr. MEDLEY. That is a correct figure, but that includes all of the supplies and materials.

Mr. PASSMAN. Related expense?

Mr. MEDLEY. Related expense for the volunteers.

Mr. PASSMAN. Let me say, "Related expense." Do you include that in the original average annual cost of $9,000 per volunteer?

Mr. MEDLEY. Yes.

Mr. PASSMAN. What part of that is in the total?

Mr. SHRIVER. How much of what is part of what total?

Mr. PASSMAN. Of the $9,000 cost per volunteer, how much does that cost?

Mr. MEDLEY. The total for volunteers' cost overseas is estimated at $51,400,000. We are talking now about a part of that total, or $12,709,000 as being under contract.

Mr. PASSMAN. You allocate that to get the average cost per volunteer. What does it figure out?

Mr. MEDLEY. Well, $1,800 is contractor's cost and $3,500 is PCV allowances for a total of $5,300 per volunteer under contract. Does that answer your question?

Mr. PASSMAN. Yes.

CIVIL SERVICE STATUS OF RETURNING VOLUNTEERS

We were discussing yesterday the number of Peace Corps men going into private industry against the number that is going into Government. It was fairly close. Actually, your agreement with your personnel does not call for any consideration for a Federal job as such, does it?

Mr. SHRIVER. Oh, no. There is only this: When a fellow or girl has passed through Peace Corps tests, training, and service, the Civil Service Commission has deemed they need not compete for civil service positions. They do, however, have to pass any qualifying test in order to be eligible for a specific job.

Mr. PASSMAN. That is something like a veteran getting 5 or 10 points?

Mr. SHRIVER. Not quite like that.

Mr. PASSMAN. They get certain consideration for the fact they have had 2 years' service in the Peace Corps.

Mr. SHRIVER. The Civil Service Commission requires everyone to qualify for a position. If volunteers do not meet the minimum standards, they do not qualify.

Mr. PASSMAN. You waive certain preliminaries; is that right?

They can be given noncompetitive appointments?

Mr. JOSEPHSON. It is not exactly a noncompetitive appointment. It is close. All volunteers must meet the minimum standards that the Civil Service Commission prescribes.

Mr. PASSMAN. Let's take the second category and there is a position open. Can it be a noncompetitive appointment?

Mr. JOSEPHSON. A volunteer can be appointed to that position noncompetitively.

Mr. PASSMAN. Even in a post office job they have to meet the minimum requirement to get on the register. After you become a clerk, if there is a postmastership open in certain offices, or a rural route, the person with civil service status would be given that on a noncompetitive basis. In the Peace Corps, after they met the original qualifications, then on point 2, if there is a position open, they can be given that without a competitive examination?

Mr. JOSEPHSON. That is correct. They can be appointed without competition once they have met the minimum standards.

Mr. PASSMAN. I brought that up for this reason. Eighty-two of the returning volunteers went into business in private industry and 69 went into the Federal Government. That is the record of only the volunteers returning in 1963.

Mr. SHRIVER. It is out of 545, but that is not all that came back.

Mr. PASSMAN. That is about 12 percent.

My point is this: Every person is trying to work for the Government.

Mr. SHRIVER. Not these people.

Mr. PASSMAN. It looks as if they are doing a pretty good job of doing so.

EMPLOYMENT OF RETURNING VOLUNTEERS BY THE PEACE CORPS

Mr. SHRIVER. Of the 69 for the Federal Government, how many are in the Peace Corps?

Mr. MEDLEY. Fifty-one.

Mr. SHRIVER. Fifty-one of 69 work for us. They have had the practical experience in this work which very few people have ever had and therefore they are exceedingly good and low cost.

Second, they are very good at home in training people to go overseas because they can tell them exactly what they are going to face abroad. We have actively sought those people out in competition with lots of private agencies. The rest of the Federal Government has hired 18.

Mr. PASSMAN. I am trying to find the direction in which we are traveling. One out of four Americans who are employed work for the government—Federal, State, or local. A lot of those jobs have to be filled.

On page 37, out of 151 who were employed in nonteaching positions, 82 of them went into private industry and 69 went into the Government. Perhaps it should have been 79. It looks as if a good many of these volunteers are looking toward the Government. If you are going to give a noncompetitive job, it may be good. I do not know.

Mr. SHRIVER. We are the ones doing the looking. They are not looking to the Government. We are looking to them.

Mr. PASSMAN. To find jobs for them, as the President indicated the other day?

Mr. SHRIVER. No. We are looking for them because they are the best qualified people alive to do this kind of work.

Mr. PASSMAN. What kind of work?

Mr. SHRIVER. Peace Corps work.

Mr. PASSMAN. I am talking about these youngsters. All I am trying to do is to talk about what these returning volunteers are going to do when they return to the United States. Where are they going—into Government or private industry, and what consideration does our Government give them?

EMPLOYMENT OF FORMER PEACE VOLUNTEERS IN NON-GOVERNMENT JOBS

Mr. SHRIVER. I want the record to show that former Peace Corps volunteers are not looking to the Government for jobs. Two-hundred-sixty-six of them are in education; 192 at the graduate level. There may have been over 350 scholarships given by private universities in the United States looking to get the Peace Corps to go to universities. They are trying to get them to go there. We are trying to get them too, just like recruiting for good football players. That is what we are doing. It is not them looking to the Government.

Mr. PASSMAN. As far as you are concerned, that is the way it should be. They are the cream of the crop. I do know that our President

said he was going to insist that the agencies employ the returning Peace Corps men. I suspected that in the beginning. It is in the record. Maybe they should.

Mr. GARY. Mr. Shriver, I assume that what you were indicating a few moments ago was that by reason of the fact that these volunteers are carefully selected and also, in addition, have 2 years' experience overseas, that with that training and experience they are particularly qualified to serve our Government in certain capacities, and what the Government is trying to do is to place them in the positions for which they are qualified so the Government can get the additional benefit from their training and experience; is that correct?

Mr. SHRIVER. That is exactly right.

RECRUITMENT OF VOLUNTEERS IN FISCAL YEAR 1965

Mr. GARY. How many do you intend to recruit during 1965?

Mr. SHRIVER. We expect to put in 8,000 new volunteers in fiscal year 1965. Of course, that means we have to recruit many more applicants than that number. We except to get about 60,000 applications in fiscal year 1965 from which we would end up with 8,000 new Peace Corps volunteers.

Mr. GARY. Do you anticipate any difficulty in securing that many applications and the 8,000 new recruits that you desire?

Mr. SHRIVER. We think it is going to be hard work, yes. We are very optimistic because the whole historical record shows each year since the Peace Corps has started the number of applicants for it has gone up—almost 50 percent this year. So what we are doing is, we are projecting for next year on the basis of our experience the last 3 years.

There are some factors here that I might put in the record with your permission, Mr. Chairman, which give us reason for being optimistic.

DISPERSION OF PUBLICITY BY RETURNING VOLUNTEERS

First, in 1965, there will be 3,000 former Peace Corps volunteers who have returned to the United States, and who will then be telling other people in the United States about their experiences, and they will be encouraging people to follow their example.

Second, the number of people graduating from college next year will be 10 percent more than this year, so if we do not make any improvement at all percentagewise, we would still have 10 percent more applications if we held our own.

Third, our recruiting program next year will be planned very much further in advance than it was last year because we have had enough experience now so we can plan it better.

Mr. GARY. You hope to get your money a little earlier, too?

ADVERTISING CAMPAIGN

Mr. SHRIVER. That is another thing. It would be nice if we could get our money early. The Advertising Council advertises the Peace Corps for us free of charge except for production costs. I think it

would be interesting to the members of the committee that that Advertising Council has something like 50 or 60 public service programs which they run, not only for the U.S. Government, but private philanthropic organizations.

The Peace Corps now ranks fourth of all the national programs that that group runs in terms of the amount of space that advertisers and newspapers and radio and television give. First is Highway Safety. They get more than anyone, but this last year the Peace Corps got somewhere between $10 and $12 million worth of free radio, television, and newspaper space through the Advertising Council. That program they manage for us will start earlier. It will start earlier this fall than it did last fall because we have that better managed this year.

I think all over America there is a growing interest, especially among college students, in national service, whether it is in one form or another. That interest is growing, and will contribute to the increased number of Peace Corps volunteers.

Another thing was, last year the Selective Service said that married people were no longer subject to military service. Immediately, the number of married couples who applied for Peace Corps went up because they then knew they would not serve for 2 years in the Peace Corps and then have to go in the military service. That will continue to supply more people.

Finally, I think that the record of the Peace Corps volunteers who have come back, the record they have in gaining all these graduate fellowships, or employment with private industry, or in the Peace Corps in teaching positions, all those things make it clear to new applicants that once you have been in the Peace Corps you have a fine record to present to a potential employer. I think that makes service in the Peace Corps even more attractive than it has been in the past, so all these taken together are firm foundations for anticipating 60,000 applicants next year.

RECRUITING PROGRAM OPERATIONS

Mr. GARY. Briefly, what is your recruiting program?

Mr. SHRIVER. Briefly, our recruiting program is—I guess you could say it is a two-pronged recruiting program.

First, it is basic information put out through written materials, either advertising, radio, television, or pamphlets which we attempt to disseminate over America so people have the fundamental information. That is one large part of it.

Mr. GARY. You prepare the script, but the advertisement is given to you free; is that right?

Mr. SHRIVER. The space. In other words, if it is a full-page advertisement in a magazine which would cost an industrial concern $5,000, we do not pay $5,000. For example, Time, Inc., gives us the space.

Mr. GARY. I understand. You do have to prepare the copy?

Mr. SHRIVER. We have to prepare the copy. But the advertising agency that prepares the copy does not get paid for preparing the copy. They do not charge us for the time of their personnel, or for their creative ability. All we pay for is the actual setting of the copy. We pay for production of the mats which are sent to newspapers to run on the presses. If we make a film, we pay for the film, but we do

not pay for actors. We do not pay for the technical knowledge in how to put the film together, and all that. Now——

Mr. GARY. You get nearly as much free advertising then as the savings bonds program?

Mr. SHRIVER. I do not know which of the three is ahead of us.

I do know highway safety is No. 1. Then there are two others and then there is us. It may be savings bonds, it may be Smokey the Bear, or something else. I do not know the answer. We have come up to fourth place.

The thing about that that is significant is this: The newspapers and magazines and radio stations and television stations of the United States, having used our copy, have found that the public is interested in the Peace Corps, and they support it. They would not be giving us this space if it was hurting them in their towns.

Mr. GARY. I mentioned savings bonds because I handle their appropriations under my Treasury and Post Office Subcommittee. I know they get a great deal of free advertising given to them.

Mr. SHRIVER. That is one aspect of our recruiting program. That goes on all the time.

The other thing is what we call team recruiting, which runs like this: We send two, three, or four, depending on the size of the university, of our people from Washington out to a university to stay there for a week, or 2 or 3 days, depending on the size of the university. They put out publicity about the Peace Corps which goes into the local college newspapers. They stay on the campus and they answer questions about the Peace Corps and they give the Peace Corps tests on the campus, sometimes as often as two or three times a day so the students on the campus do not have to go away from the campus in order to take the test.

Second, we have had, I think, a tremendous tribute paid to the Peace Corps by the universities of America. The Peace Corps today, I think, is the only agency in the entire U.S. Government for which the universities open up the classrooms.

For example, if Wiggins here goes to San Diego State College to spend a week on one of these team recruiting efforts, the professors at San Diego State College let him come into their class and talk about the Peace Corps to the international relations group, or to the history group, or the geography group, just as if it were a part of the curriculum.

Professors are jealous of the amount of time they have with their students. But we have been given this permission gladly by 100 or more American universities of all kinds and descriptions—State universities, private universities, and religious. That has never been done so far as I know for any agency of the U.S. Government.

I think, as I said a moment ago, it is a great tribute to the Peace Corps from those universities.

This team recruiting, we call it, goes on, say, at the University of California in October. Then maybe once again in the spring.

There is a thing about it I would like to emphasize. We do not go out and employ a lot of professional recruiters to do this. Everyone goes out and does it. I do it. Medley does it. Wiggins does it. Lane does it. Karsh does it. The reason they do it is because we made a decision we wanted the top people in the Peace Corps to know

about the practical problems of the Peace Corps. I want them to get out and stand behind a booth and answer questions from the voters just the way when you go down home, you talk to the voters. You do not assign someone to do it. You do it yourself. We do the same thing. We do not have professional recruiters. Everyone in the Peace Corps does it, and if they do not like it, they get out of the Peace Corps.

The fact is that is unusual and creates an exceptionally, I think, beneficial reaction in the universities because they see this agency sending out the highest officials of the agency.

We also use fellows who are back here temporarily in the United States. Say we have a man running the Peace Corps in Chile. He comes to Washington on consultation. We take that fellow and we send him out for a week to tell what it is really like in Chile.

Now, in addition to that, we have employed ex-Peace Corps volunteers, and we send them out on the team recruiting jobs. They have just come back from having done the work and they can answer the questions of the university students authoritatively. That is our recruiting program. It is team recruiting, plus the basic information part of it.

That will cost us in fiscal year 1965 $1,805,000 for the whole effort for the whole year.

SELECTION OF VOLUNTEERS

Mr. GARY. At what point does the screening take place?

Mr. SHRIVER. The screening takes place after a person has filled out an application and has taken this test which I mentioned a minute ago which we give on the campus. They send the application into Washington. They take the test and they have to get in at least six letters of reference in support of their desire to be volunteers in the Peace Corps. Once there are six letters and the test, that application is then given to a person who screens it.

Preliminary screening is fast to weed out people who are obviously not qualified. If someone has rheumatic fever, they do not go. From the screening it goes to an assessment office where a person looks at it and evaluates this person as to whether they look like a redhot prospect or very poor. The redhot prospects are sent to classification, and in the classification office they are assigned to different projects, depending on their personal background. Then, if they are classified, let's say, to go into training for Brazil, we send them a message inviting them to go to a particular university for training, and at that point they either accept the invitation, or decline it.

The selection process, as you probably remember, but I think it is good to have it in the record, continues all during the training program, so while they are in training for 3 months, we have the opportunity to review everything about them. Therefore, we do not rely only on the written record.

At the training institution we have the benefit of a physical examination, a psychiatric screening, the opinions of the faculty members of the university who are not employed by the U.S. Government and therefore can obviously give us an outsider's point of view.

At the end of their training, we have a session around a table like this, and Peace Corps and training people get together and decide who are qualified to go.

COSTS OF RECRUITING AND SELECTION

The cost for selection—all of what I have described to you, $1,835,000 in fiscal year 1965.

Mr. GARY. That is in addition to the recruiting?

Mr. SHRIVER. That is right.

Mr. GARY. So the two together total what?

Mr. SHRIVER. $3.6 million.

Mr. GARY. Is that figured in that basic cost we were talking about yesterday, the per capita cost?

Mr. MEDLEY. Yes.

Mr. GARY. All of that is figured in the per capita cost?

Mr. MEDLEY. Absolutely.

Mr. GARY. You have reduced that per capita cost from $9,000 to $7,825?

Mr. MEDLEY. Yes, sir.

Mr. GARY. Regardless of how it was accomplished, I want to congratulate you on it. I think it is a very excellent accomplishment, and it is saving the Government how much for next year?

Mr. MEDLEY. $9 million.

Mr. GARY. You have asked for a reduction in your original appropriation of $9 million because of that savings this year?

Mr. MEDLEY. That is right, sir.

BASIS FOR CURRENT BUDGET ESTIMATES

Mr. GARY. Now, there was considerable discussion yesterday about the figures you have submitted. All budget estimates that are submitted are estimates, are they not?

Mr. MEDLEY. Right.

Mr. GARY. Not only for the Peace Corps, but for the Defense Department and for every other department of Government. No department of Government can determine to the penny what its expenditures will be next year. Is that not correct?

The best you can do is to estimate it. I do not consider an estimate a guess. A guess is something that is not supported by evidence, pulled out of the air, so to speak. An estimate is something that is supported by evidence.

Can you give us some general idea upon what your estimates are based?

Mr. SHRIVER. Well, with respect to the cost for a volunteer, all the estimates now are based on our operating experience for 3 years, and on our continuing success, I will say, in reducing the costs. The actual cost of a volunteer broken down here covers three pages. Each year we try to look at each one of those items to see whether there is some way we can save costs. The actual projection is $7,825 per volunteer for next year and that is broken down by medical cost, travel, training, overseas or orientation, housing, vehicles, leave, in-country allowances, and so forth, all of which are based on experience.

Mr. GARY. That is the point I am getting at. The figures you have submitted to the Congress are not wild guesses and figures pulled out of the air, but are based upon your operating experience in the past; is that correct?

Mr. SHRIVER. That is correct.

Mr. GARY. Plus an estimate on your projected program for next year?

Mr. SHRIVER. That is correct.

Mr. GARY. Now, under those circumstances, if you have overestimated it, I assume it would be your plan not to use the money, but to report a surplus next year.

Mr. SHRIVER. That is right.

Mr. GARY. If you have underestimated it, then you will have to reduce your program accordingly?

Mr. SHRIVER. That is right.

Mr. GARY. So as to bring your expenditures within the appropriation that has been granted to you?

Mr. SHRIVER. That is right.

Mr. GARY. Is that any different from any other department of the Government?

Mr. SHRIVER. No; I do not think so.

Mr. GARY. They all operate identically on the same basis?

Mr. SHRIVER. I think ours is a little easier. If we find the costs go up, as you indicated they might, we can stay within our budget simply by bringing fewer volunteers in. That would be a sad thing because the people who want to serve would not have a chance, but we can control our costs a little bit more easily than some other agencies.

DETERMINATION OF PROGRAM LEVEL FOR FISCAL YEAR 1965

Mr. GARY. What is the number of volunteers that you have planned to recruit for next year based upon?

Mr. SHRIVER. The idea is, we would have 14,000 PCV's in service in the Peace Corps by September 1965, and that figure was discussed with the Foreign Affairs Committee of the House, and the Senate Foreign Relations Committee. The idea of it was followed. We have a demand for much more than that, and we feel with the number of people applying, we can reach it, and third, we can do it economically; and fourth, it is to the best interest of the United States. We figure that to be a conservative growth over what we have this fall, which is about 10,000, and is in keeping with the growth of our population and the demand from abroad.

REQUESTS FOR VOLUNTEERS FROM FOREIGN COUNTRIES

Mr. GARY. How does it compare with the number of requests that you have for Peace Corps men abroad?

Mr. SHRIVER. I would say without much trouble we could have five times as many people overseas if we just met requests from abroad. Some nations have asked us for as many as 5 or 10 times as many people as we have there. What we have done, rather than justify to meet requests, we have tried to scale down the number of people we send in accordance with, first, our ability to find the qualified volunteers, and second, in accordance with the budget, and third, in accordance with the demand from around the world.

Mr. CONTE. Could you supply for the record how many volunteers have been requested by foreign countries?

Mr. SHRIVER. We could if you would let us sort of qualify what we say. If we just went to the countries where we are working and said,

"How many volunteers do you want," without any regard to what we are able to supply, we could get requests for 100,000 people in 25 minutes. It would be no problem at all. When they come to us they say, "Well, now, what can you send us, Peace Corps?"

And we say, "We cannot send you very many of them" so what they would request is scaled down to what we give them as being a realistic idea of what we can send to that country.

Mr. CONTE. I understand.

I think you have some concrete figures, though. I remember in an African country they wanted something like 2,500. You had a ball park figure there.

Mr. SHRIVER. We discourage what we call unrealistic requests. We have gotten some, and we go back to them and say, "This is ridiculous, we cannot send 2,000 people. Bring this down to a realistic level. How about 200?"

Then the ministers of the foreign governments begin to think in those terms rather than in terms of what the requests could be. The only reason I want to qualify the figure we put in is to make it clear that the demand, the potential demand for Peace Corps volunteers is way, way beyond anything we could furnish.

Perhaps we could give you a few concrete examples.

Mr. CONTE. That would give me an idea of what the demand is. I believe that would suffice.

(The information supplied follows:)

UNFILLED REQUESTS FOR PEACE CORPS VOLUNTEERS

Although the Peace Corps has adopted the policy of discouraging extremely large requests for volunteers at an early and informal stage, there are many unfilled requests from host country governments which are still pending. Within the limits set by the annual appropriation, requests are deferred because they call for persons with skills which are in short supply and because they are so large that they cannot be filled entirely given the worldwide demand for volunteers.

The Colombian Government has given the Peace Corps requests for over 200 health workers, more than 100 construction workers, and for approximately 30 nurses. The Peace Corps has been able to provide only about one-third of the number of volunteers requested in each skill category in its current and planned programs.

The Government of Chile has requested approximately 110 volunteers to work in the fields of agriculture, business administration, and community development. To date, the Peace Corps has been unable to fulfill any of Chile's needs in these areas.

Official requests from the state governments of Bahia and Ceara in Brazil ask for 470 volunteers to work in community development programs. In response to this need, the first group totaling almost 100 volunteers are currently in training, but they represent little more than one-fifth of the original requests.

Requests from the Government of Afghanistan for approximately 300 Peace Corps volunteers remain outstanding. These requests call for volunteers trained in the fields of nursing, construction, engineering, mechanics, math and science teaching, and agriculture.

During the past year the Peace Corps has been forced to discourage the Government of Nepal from requesting approximately 100 Peace Corps volunteers in the following skill categories: 50 agriculturalists, 25 math and science teachers, and 25 engineers.

Also during the last 12 months, the Peace Corps has been unable to satisfy the Indian Government's request for 25 nurses, 30 engineers, and 50 agricultural extensionists due to shortages of volunteers in these skill categories.

The Republic of Guinea has asked for 5 civil engineers, 70 agricultural volunteers, 10 music teachers, and 5 architects. To date, we have been able to supply 30 agricultural volunteers in response to this request.

An original informal request from the Ethiopian Government concerned the provision of approximately 500 Peace Corps volunteer teachers by the beginning of 1965. It is currently estimated that the combined 1964 Peace Corps projects for Ethiopia will be well over 100 volunteers short of this expressed need.

SCOPE OF RECRUITING

Mr. SHRIVER. One of the men here suggested I put into the record, if I may, an item which relates to the recruitment which I was talking about previously.

Over the last year Peace Corps staff people on this team recruiting effort I described visited virtually every college and university in the entire United States that has more than 2,000 students, and we visited many, many more that have less than 2,000 students, but there is hardly a university, or college, in America with more than 2,000 that we have not been to personally, irrespective of any part of the United States—south, north, east, west, Puerto Rico, and Hawaii.

Mr. CONTE. Amazing.

Mr. SHRIVER. This is all extra work.

Mr. GARY. Without overtime?

Mr. SHRIVER. You are darn right. It is one of the reasons they know the realities of what the problems are from the point of view of recruitment—what kind of questions people ask.

In the same way, we hustle them overseas. We have, I might say for the record because I am sure someone will ask the question sometime, we have a very high travel bill compared to other agencies. One of the reasons is, I personally do not like people who just hang around Washington. I want them to get out and find out what is going on where we are supposed to be working, so we are continually pushing them out of the office, both overseas and in the United States, rather than letting them sit there.

Mr. GARY. I want to congratulate you on what I consider the very excellent manner in which you have conducted this Peace Corps. I for one was very skeptical about it at the beginning. I have not checked, but I may even have voted against it originally. I think the chances are that I did.

Frankly, I was skeptical because I realized it was a program which, if not properly handled, and the person handling it went overboard in an idealistic dream operation, it could be a very disastrous experiment.

On the other hand, I think—and I said this in my weekly broadcast in Richmond just a short time ago—I think you have kept your head in the clouds but your feet on the ground. I think in doing so, you have had a very excellent operation.

Mr. SHRIVER. Thank you.

Mr. GARY. And I congratulate you on it.

COST OF VEHICLES

Mr. NATCHER. How were you able to bring about a reduction in the cost of vehicles, Mr. Shriver?

Mr. SHRIVER. In two ways: First, we came to the conclusion, as a result of actual operating experience overseas, that we did not need to do our work as many vehicles as we originally thought we would need.

Second, we found the vehicles in a sense were dangerous. There were a number of accidents that occurred with vehicles. Because of

the accidents, as well as for other reasons, we decided to look around to see how we could do the work without the vehicles. As a result of the investigations we ran and the reports we got back from our staff abroad, we decided about three or four months ago we were going to have a phaseout of vehicles. We were only going to have four wheel vehicles where there was no doubt but that we had to have them, not that they would be useful, or pleasant, but that they were absolutely essential to carry on the job.

Mr. NATCHER. In other words, your saving was in your reduction in number of vehicles; is that correct, not in the cost of the vehicles?

Mr. SHRIVER. That is correct.

Mr. NATCHER. Of the number of vehicles in use?

Mr. SHRIVER. Yes; and the saving was in the fact, instead of letting the number of vehicles go up as the volunteers go up, the vehicles got up to here and we said, no more; the vehicles are now going to start going down.

PROVISION FOR HOUSING PROCUREMENT BY INDIVIDUAL VOLUNTEERS

Mr. NATCHER. What about the saving and reduction insofar as the housing of volunteers is concerned?

Mr. SHRIVER. Well——

Mr. NATCHER. How were you able to bring about a reduction in this category?

Mr. SHRIVER. In two ways:

First of all, we put a great deal of emphasis, a great deal of pressure almost, on foreign countries to supply housing. You may remember, I am sure you do, that when we started the Peace Corps we always said to a foreign country, we are not asking you to make any contribution to this. We are not requiring you to make any contribution to this program because it is an experimental program. It is not proven whether it will be worthwhile.

In a sense, that was all right when we were sending 30 or 40 volunteers to a country. But after the country got to the point where they were having 200 or 300 volunteers, we said, "Now, you must have decided you like this program, and when we get to this magnitude, we think you should put up some of the cost. Again, we are not demanding it, but we think you should, and here are some of the things you could supply." One was housing.

Some of the countries began to put up housing and other kinds of facilities which we would otherwise have had to pay for.

Second, and this I think is a very interesting aspect of it, we used to go out ourselves, the staff of the Peace Corps, and get the houses for the volunteers before they came to a country.

About a year ago we decided, instead of us going and getting them and signing a government lease for the house, between our Government and the foreign government, or between our Government and a landlord over there, we would give a certain amount of money to the volunteers and let them go get their own housing.

Well, as you might suspect, the volunteers get housing much cheaper than we pay for it. When we come in there representing Uncle Sam the rent goes up, but when Johnny Volunteer goes in, everyone says, gentlemen, this fellow comes out here to help us, we do not want to

fleece him, and frequently he gets a better house for less than if you had a full-scale official leasing arrangement. That also is true of the equipment and supplies.

PROCUREMENT OF SUPPLIES AND EQUIPMENT BY VOLUNTEERS

Mr. NATCHER. I was going to ask you about that next.

What about supplies and equipment and also transportation, Mr. Shriver?

How were you able to bring about a reduction in these three fields?

Mr. SHRIVER. Well, with supplies and equipment, we did exactly with that what we did with housing. We get the volunteers to get their own supplies and equipment. Instead of us buying furniture and shipping it over there to them, or even buying it there at a cost which is always inflated because you are buying for the U.S. Government, we say to the volunteer, you go buy the furniture. He makes better buys, and they also take much more pride in what they have gotten. They maintain it better. So the cost goes down and their pleasure in having it goes up.

Another byproduct is they learn a lot about the country because when you have to go and bargain to get your own house, or furniture, or your own knives, forks and spoons, you really learn something about the town you are in.

Mr. NATCHER. How do you issue your vouchers, or checks, in the supply line?

How do you issue your vouchers or your checks?

Mr. MEDLEY. They pay for it out of their living allowance. In other words, they get a monthly living allowance, as you know, and they are required to buy their own supplies and materials.

Mr. NATCHER. They then set forth a charge as far as supplies and equipment is concerned and send in a statement, do they?

Mr. MEDLEY. In some instances where it is project supplies where a man might be doing survey work. Other than that, we make them bear the cost themselves for their regular personal supplies and miscellaneous small supplies.

Mr. SHRIVER. We do not have a big system of reporting about what they bought.

Mr. NATCHER. That is what I had in mind.

Mr. SHRIVER. We do not have an extensive property control system. We do not do that. We keep the amount we give them so low they are not going to be able to buy large items of living equipment which would be the kind of thing that the Government or the taxpayer would want to be sure was not being misused or lost.

Mr. NATCHER. What caused you to start this system and why did you not use it in 1963?

Mr. SHRIVER. We did not know enough.

Mr. NATCHER. I think your system is good.

In other words, is this the result of experience?

Mr. SHRIVER. That is right; that is exactly right.

Mr. NATCHER. And actual practice insofar as the operation of the Corps is concerned?

Mr. SHRIVER. That is right.

What actually happens, thank God, is we send fellows over to run a program in a particular country and we say to them, "Go ahead and

run it. You try to cut the costs and improve the way we operate." Someone starts something like this, and he writes us a letter and says, "This is the way I am doing this, and this is the way it works."

In this case, it was a fellow by the name of Richard Graham who runs the program in Tunisia. He said, "Why should I have a lot of bureaucrats in an office doing a lot of paperwork, chitting things in and out, and making all these leases." He said, "I am going to put these people to work." It worked and we tried it other places.

SAVINGS IN TRANSPORTATION COSTS

Mr. NATCHER. How were you able to have the reduction in transportation?

Mr. MEDLEY. That is simply because we sent more volunteers to Latin America and Africa and a fewer number to the Far East than originally contemplated.

Mr. NATCHER. It is a matter of distance alone?

Mr. MEDLEY. Yes.

RECRUITMENT OF DIFFICULT CATEGORIES

Mr. NATCHER. Are you able to recruit doctors, Mr. Shriver?

DOCTORS

Mr. SHRIVER. We are not able to get nearly as many doctors as volunteers as we would like.

Mr. NATCHER. In what categories are you experiencing difficulty recruiting.

Mr. SHRIVER. Here are some of the regular ones.

People with farm backgrounds and agricultural experience and know-how. They are hard to come by.

Mr. NATCHER. Why should it be difficult to recruit this type of an individual?

Is it the amount of money they will receive?

Mr. SHRIVER. If we knew the answer to that, we would not have the problem, I suppose.

PERSONS WITH FARM BACKGROUND

The truth of the matter is, there are fewer farmers in the United States now than ever. A man in Israel said to me, our problem really came from the fact there was no longer a peasant class in America. He said if you still had a peasant class over there the way underdeveloped countries did, you could get the agriculture people, but you do not have them any more. First of all, there are fewer farmers.

Second, I think it is typical of farmers all over the world, they are a little slower to move on things like this than other people. They are a little more conservative and they stay where they are.

Mr. NATCHER. Mr. Shriver, I serve on the Subcommittee on Agriculture Appropriations, and I know we have considerable complaint on that subcommittee concerning money that is spent abroad and a great portion of the money that has been expended in the past teach-

ing others how to produce agricultural commodities in competition with our country.

Do you suppose that enters into the picture as far as the recruitment of those trained in agricultural is concerned?

Mr. SHRIVER. I would doubt it. It might, but I do not really have any facts to support my belief. I would doubt it.

The amount of increased food production which we are able to accomplish I do not think is creating food which comes into competition with American exported products. We are working with people who live below the subsistence level in terms of caloric intake. If we double the calory content of every Indian, it would not go into international competition with American food products. I do not think that would be the reason.

In addition to farmers, we of course will never have as many medical doctors as we would need, or nurses. We will never have as many teachers of math and teachers of sciences like chemistry, biology, and physics as we need. We will never have as many geologists.

Mr. NATCHER. How about civil engineers?

Mr. SHRIVER. We could never have as many as we could use.

As I said yesterday, we need more physical education people.

Mr. GARY. I suppose the same would be true as to doctors.

Mr. SHRIVER. Yes. Hospital technicians, all of that.

Mr. PASSMAN. Someday I would like to hold hearings on the needs of America and have pages and pages of testimony on how many more things we would like to have in America.

Mr. SHRIVER. You should be on the poverty committee.

Mr. PASSMAN. You know who will get that. More power to them.

Mr. CONTE. Most of the agriculture experts are out in the villages showing them how to raise a few hogs and cows and raise a few crops on which to merely exist?

Mr. SHRIVER. That is right.

Mr. CONTE. These people would not have these commodities available to them anyway?

Mr. SHRIVER. That is right. These people today are not actually purchasing American-grown food or fiber.

Mr. CONTE. Right.

Mr. SHRIVER. There is no likelihood in the foreseeable future they would become potential customers for our products.

RESULTS OF PEACE CORPS

Mr. CONTE. I certainly had the highest regard for this program in its embryo stage when a lot of Members had a great many doubts and reservations about it. I supported it very strongly at that time. I am greatly pleased with the results. I want to take this opportunity to compliment you. I am sure that the program would never have gotten off the ground had it not been for you and your dedication. It has survived and been successful because you have been one of the most outstanding individuals ever to serve in the U.S. Government.

Your belief in the program, your vitality and your thorough knowledge of your Agency, and the candor in which you present your case before the committee and before the Congress and the Members of the Congress is most admirable. Your honesty, together with the fine dedicated people who have volunteered for the Peace Corps, and who have gone out in the far-flung jungles in the world where not too

many people would like to go has been the main reason why it has been successful.

It has been in my estimate the most vital link in our foreign policy, and I want to compliment you.

Mr. SHRIVER. Thank you very much.

EMPLOYMENT IN WASHINGTON, D.C.

Mr. CONTE. How many employees do you have here in Washington, D.C.?

Mr. SHRIVER. As of today, we have 656 full-time employees in Washington. We have some who are w.a.e.'s—91. As of the 30th of June, most of them will be off the Peace Corps rolls because they come on as part of our special effort in recruitment and training.

We expect to have on June 30 permanent positions, departmental, in Washington, 510; overseas, 240; in Puerto Rico, 28. End year total of 778 permament, of which we have 758 now.

Next year at the end of the fiscal year, we propose to have 870 permanent, but we will only have 40 more departmentals in Washington, for a total as of June 30, 1965, of 550 permanent people in Washington on the payroll of the Peace Corps.

ADMINISTRATION AND PROGRAM COSTS COMPARED

Mr. CONTE. Could you give me a breakdown on the number of staff members and the number of volunteers in 1962, 1963, 1964, and 1965?

Mr. SHRIVER. Yes.

Let me give you 1963, 1964, and 1965, and we will come back to 1962.

In 1963, it is 1 staff member to every 6 volunteers; in 1964, 1 staff member for every 9 volunteers; and in 1965, we propose 1 staff member for every 11 volunteers. In 1962, I think it was 1 to 4.4. It has gone from 1 to 4.4 up 1 to 6, to 1 to 9, and 1 to 11.

Mr. CONTE. Could you give me the administrative expenses and compare the volunteer and project costs for 1964 and 1965?

Mr. MEDLEY. In 1963, the administrative expenses out of every dollar was 28 cents, and the volunteer costs were 72 cents.

In 1964, the administrative expense would be 23 cents and the volunteer cost, 77 cents.

In 1965, it would be 20 cents for administrative and 80 cents for volunteer costs.

Mr. SHRIVER. In terms of total number of dollars?

Mr. MEDLEY. Administrative expenses for 1963, $15.4 million; 1964, $19.9 million; 1965, $20.850 million.

Mr. SHRIVER. The administrative cost next year will go up by $1 million. What is the percentage?

Mr. MEDLEY. The percentage is the same.

Mr. SHRIVER. What do you think for next year?

Mr. MEDLEY. Twenty percent.

Mr. SHRIVER. In 1962, it was 33 percent.

AVERAGE COST PER VOLUNTEER PER ANNUM

Mr. CONTE. Would you explain the chart on page 65, the average cost per volunteer.

Mr. SHRIVER. Yes. When we started the Peace Corps our objective was to adopt, insofar as we could in Government work, the cost ac-

counting procedures that you have in private operation. We chose as the unit for accounting the cost of a volunteer per annum.

We then put against each volunteer every item of cost which the Peace Corps incurred, so that when we come up with a final figure of the cost per volunteer per annum it is a cost which reflects every item of cost, both administrative and operational, both Washington cost and oversea cost. It shows everything. Nothing is eliminated. Consequently, it makes it easier to determine whether you are making progress in terms of controlling costs than if you had these things mixed up.

We came up originally with a $9,000 per annum per volunteer figure. We know today that we are cutting costs when we have reached a $7,825 figure in 1965.

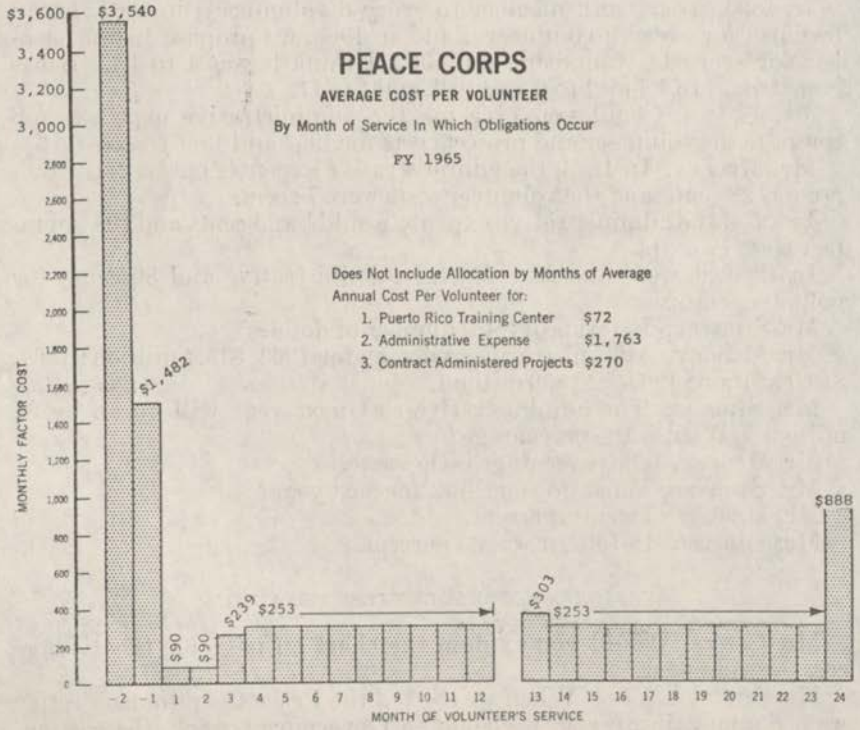
If next year we can come with $7,500 we know we are cutting costs. This cost system is the reason we started off by computing all these costs which we can now relate to you against the volunteers. It could have been done in a variety of ways, but this was the most revealing way to do it, we thought.

Mr. MEDLEY. This chart on page 65 in effect validates the summary on page 63. It shows by month the actual costs which are incurred beginning with the 2 months before a volunteer enters the service, and then 1 month before he enters the service, and then for each of the 24 months he is in service, actual per month cost per volunteer.

Mr. CONTE. Mr. Chairman, that is a good chart which I would like to have inserted.

Mr. PASSMAN. Without objection it will be inserted in the record.

(The chart supplied follows:)



RECRUITING AND SELECTION COSTS

Mr. CONTE. I am somewhat confused on recruiting and selection costs. You gave a figure of $3.6 million.

Mr. SHRIVER. Both put together.

Mr. CONTE. For recruiting 8,000 volunteers in fiscal 1965?

Mr. SHRIVER. That is right.

Mr. CONTE. I may be wrong, but that comes to about $450 per volunteer.

Mr. SHRIVER. If that is the arithmetic, that is fine.

Mr. CONTE. I think that is close.

Mr. SHRIVER. One thing that would make that perhaps a little more understandable is this: If we spend $1,800,000 to recruit people, they actually recruit 60,000 applications. Sixty thousand applied to the Peace Corps as a result of the expenditure of $1.8 million.

Of the 60,000 we spend $1.8 million to select the 8,000.

Mr. CONTE. I have a revealing figure here. The Civil Service Commission cost, to recruit 280,000—recruiting and examining—is $5,300,000, which comes to $19 per employee. This is to recruit 280,000. We don't know how many they might have interviewed. That could mean 500,000 or 600,000 have applied.

Mr. SHRIVER. We have a little chart here you might be interested in. It states recruitment and selection costs by fiscal years. Recruitment cost per application in 1963 was $35; in 1964 it is $37; in 1965 it is $34.

Recruitment cost per trainee was $230 in 1963, $200 in 1964, and we project $180 in 1965.

The selection cost per trainee: $250 in 1963, $205 this year, and we propose $185 for 1965.

Recruitment and selection costs per trainee, and then recruitment and selection costs per volunteer also are shown on this chart.

Mr. CONTE. Yes.

Mr. SHRIVER. One encouraging thing that the cost on each item is going down.

Mr. CONTE. Without objection I would like to put that in the record, Mr. Chairman.

Mr. PASSMAN. Let me see it. Certainly there would be no objection.

Mr. CONTE. The point I make is that the recruitment and selection cost of the Civil Service Commission is under what it is in your program.

Mr. SHRIVER. That is true.

Mr. PASSMAN. The chart may be inserted.

(The chart supplied follows:)

Recruitment and selection costs

	Fiscal years		
	1963	1964	1965
Recruitment cost per application	$35	$37	$34
Recruitment cost per trainee	230	200	180
Selection cost per trainee	250	205	185
Recruitment and selection costs per trainee	480	405	365
Recruitment and selection costs per volunteer	637	505	455

Assumption 1. Fiscal year 1963 based on actual. Fiscal year 1964 based on current projections of cost and input of 9,000 trainees. Fiscal year 1965 based on budget factors.
Assumption 2. Includes only administrative costs. Program costs for security investigations and medical exams prior to entry into training are approximately $400.

Mr. CONTE. They give the examination, correct the examination, and that is it.

Mr. MEDLEY. A lot of those costs are passed on to the agency who make the final selection.

Mr. WIGGINS. In recruitment for civil service employees in the Peace Corps, we do a lot more than rely on the Civil Service Commission. There is a considerable cost above what is reflected in any civil service statement of recruitment.

Mr. SHRIVER. There is one item that is of interest and that is that everybody who comes into the Peace Corps gets a full field examination by the Civil Service Commission. That currently costs us $375 per trainee.

Everybody that goes into the civil service does not have to have a full field investigation, so the cost to us of that is a tremendous item.

Mr. CONTE. Is it possible to break down the $3.6 million into unit cost?

Mr. SHRIVER. That is what we just gave, I thought.

Recruitment and selection—Estimated obligations, fiscal year 1965

[In thousands of dollars]

Recruitment:	
Personnel	610
Travel	520
Supplies and materials	300
Other	375
Total recruitment	1,805
Selection:	
Personnel	1,075
Travel	105
Contract services	200
Other	455
Total selection	1,835
Total recruitment and selection	3,640

Mr. SHRIVER. Also it is true that after civil service selects somebody and they publish their roster, the agency, like our agency, has a personnel department. Every agency of Government has a personnel department and that personnel department is part of the selection cost before a person gets on the Federal payroll. So the cost of actually

getting a person on to the Federal payroll is a lot more than it costs the Civil Service Commission for its recruitment process. In order to get a true figure you have to add all the costs of all the personnel departments which also are involved in getting a man on the payroll.

That is what I mean about our program. When you say it costs so much per volunteer, there is nothing outside of that. It is all in there, all the costs.

We don't have these ifs, ands, and buts about it.

PROGRAM DROPOUTS

Mr. CONTE. How many dropouts do we have?

Mr. SHRIVER. About 8.7 percent of all the people who have gone overseas have failed to fill out the full 2 years of their term. About 2 percent consists of people who come home for various reasons, such as death in family, marriage, sickness, and so on.

Mr. CONTE. How about health?

Mr. SHRIVER. 1.5 percent medical. That is for injury, like broken back or something, illness, hepatitis, and all psychiatric.

An interesting thing about that to me is this: Of the 1.5 percent I think it is 0.6 percent, six-tenths of 1 percent, psychiatric, which is fantastic. It is much less than you or anyone else would ever have suspected, I believe.

Mr. CONTE. That is much less than the services.

Mr. SHRIVER. That is right. That in a sense comes from spending more money in the selection. Then you don't have so much wastage at the end.

Mr. CONTE. Go ahead with the remainder of the figures.

Mr. SHRIVER. Personal adjustment is 5.1 percent. This includes unwillingness or inability to adjust to oversea service, behavioral problems, insistence on marriage not compatible with Peace Corps service, and involuntary separation. That is 5.1 percent.

FIVE-YEAR PERSONNEL STRENGTH PROJECTION

Mr. CONTE. What do you project for the strength of the Peace Corps in the next 5 years?

Mr. SHRIVER. We haven't such a projection. I am beginning to think we are getting to the point where we will be able, with our Planning Division, which interestingly enough we have never had anybody in since we started, but we will get somebody in there and I think we will be able to make some projections of that nature either next year or the year after.

We are beginning to get enough experience now so we can do that.

To answer your question directly, we haven't a 5-year projection. We have only a 1-year projection. One reason for that is that we come here every year for authorization and appropriations.

Mr. CONTE. I realize that. I think there will come a time when you will have to project the program.

Mr. SHRIVER. I agree. We are getting enough information now so we can do that.

Mr. CONTE. That is all; thank you.

Mr. PASSMAN. Thank you, Mr. Conte.

Last year we placed a limitation of $19.9 million on administrative expenses. You are asking $20.9 million this year; is that correct?

Mr. SHRIVER. Yes.

Mr. PASSMAN. What did you request for your administrative expenses last year?

Mr. MEDLEY. I would like to supply that for the record, Mr. Chairman. It was about $20.5 million.

(Discussion held off the record.)

Mr. SHRIVER. The answer is $20.5 million.

Mr. PASSMAN. How much of your estimate of $10,040,000 for personnel compensation is for the increased fund requirement in fiscal 1965 resulting from full year's costs for positions in 1964?

Mr. MEDLEY. $290,000.

Mr. PASSMAN. How many permanent positions do you propose?

Mr. MEDLEY. 840 permanent positions.

Mr. PASSMAN. How many permanent positions do you propose to provide for Latin America and Africa?

Mr. MEDLEY. I do not think we have that information, Mr. Chairman.

Mr. PASSMAN. Put it in the record.

(The information supplied follows:)

It is planned to have approximately 100 permanent positions in both Latin America and Africa in fiscal year 1965.

Mr. PASSMAN. How much of the estimate is for pay act costs?

Mr. MEDLEY. $155,000.

Mr. PASSMAN. Last year your estimate for temporary employment was based on an average of 10 to 12 man-years per month, I believe you are increasing the average man-years up to 21 in fiscal 1965; is that correct?

Mr. SHRIVER. Temporary man years per month per annum.

Mr. MEDLEY. Talking about temporary or intermittent?

Mr. PASSMAN. Same thing, is it not? Give us temporary.

Mr. MEDLEY. The estimate does include an average of 21 man-years of temporary employment per month.

Mr. PASSMAN. The question is why did you increase it?

Mr. MEDLEY. The Director's policy of having a very small nucleus staff, the smallest possible number of permanent employees, and to take care of peak periods.

Mr. SHRIVER. In other words the basic theory is that we would like to keep down the number of permanent employees in Washington and overseas, keep that to a minimum.

We do have peak periods, for example, in the summertime, like this summer, for example, where we put 5,000 people into training. That is a peak period. Then we have more people on the payroll, but we bring them in temporarily. Then in September they go off the taxpayers' backs so we have fewer people on the permanent payroll, building up longevity and security and pensions and the rest.

STAFF TRAVEL

Mr. PASSMAN. I note $1,911,000 is requested to finance 43,490 days of staff travel under your travel and transportation estimate of $2,400,000; is that correct?

Mr. MEDLEY. That is right.

Mr. PASSMAN. Do you require a half million dollars for overtime and holiday pay for fiscal 1965?

Mr. MEDLEY. Yes, sir, that is about what it is running this fiscal year, Mr. Chairman.

Mr. PASSMAN. What is the basis for your increase of 10 percent—from 70 to 80 percent—in the allocation to operational travel by the staff?

Mr. MEDLEY. In 1964 it will be $1,800,000. We are proposing $1,911,000 for 1965, and that is brought about by the fact we will have about 50 increase in staff overseas, where travel will increase from $660,000 to $760,000.

RESEARCH PROGRAM FOR FISCAL YEARS 1964 AND 1965

Mr. PASSMAN. I note on page 83 of the justifications you propose to obligate $1 million for research contracts in fiscal 1964, with the same estimate for 1965. Is that correct?

Mr. MEDLEY. Yes, sir.

Mr. PASSMAN. How much have you obligated or do you contemplate obligating in fiscal 1964?

Mr. MEDLEY. $1 million, sir.

Mr. PASSMAN. Have you gotten far enough along to be specific on that?

Mr. SHRIVER. We have not done very well on that. We have obligated only $211,420.

Mr. PASSMAN. Through what date?

Mr. MEDLEY. April 30.

Mr. SHRIVER. We have not advanced as rapidly as I was hoping we would in getting research contracts negotiated.

Mr. PASSMAN. That word has spread like a contagious disease throughout all agencies.

Mr. SHRIVER. Research?

Mr. PASSMAN. I have never seen so much research. It has spread in all directions.

Mr. SHRIVER. That is true in all agencies.

Mr. PASSMAN. Would you furnish for the record a list of the projects financed by the $211,000 allocation in 1964?

Mr. SHRIVER. Yes, sir.

Mr. PASSSMAN. Do you have any idea as to the type of research you propose to contract in fiscal 1965?

Mr. SHRIVER. Here is the material on 1964 research contracts.

Mr. PASSMAN. Put it in the record, please.

(The information supplied follows:)

Research contracts planned for fiscal year 1964

Purpose	Contractor	Estimated cost	Obligations through Apr. 30, 1964
Study of outcome of Peace Corps projects in 7 countries.	Probably 7 different contractors.	$661,474	----------
Effectiveness study, educational TV project, Colombia.	Stanford University	114,081	$114,081
Assessment of changes in attitude and personality of volunteers during their term of service.	University of Rochester and University of Illinois.	20,684	20,684
Development of biographical data blank for assessing personality prior to training.	Purdue Research Foundation.	12,799	12,799
Relationship between physical elements of outward-bound training and personality change.	----------	20,000	----------
Development of objective criteria for assessing training.	Syracuse University	20,649	20,649
Research providing for an investigation of the attitudes, motivations, and life circumstances associated with the decision by some Peace Corps volunteers to reject offered Peace Corps assignments (continuing), phase II.	University of Michigan	19,295	19,295
Research on techniques on methodology of community development by Peace Corps volunteers.	----------	50,000	----------
A study of how to increase motivation for work in self-help projects.	----------	7,000	----------
A study of the psychological adjustment patterns of Peace Corps volunteers.	----------	41,806	----------
Investigation of attitudes of college students toward Peace Corps.	----------	8,300	----------
Evaluation of Peace Corps volunteer work in Colombia (extension of fiscal year 1962 contract).	New York University	4,048	4,048
Evaluation of Peace Corps volunteer performance in Ghana I and Ghana II projects (extension of fiscal year 1962 contract).	University of California	10,988	10,988
Evaluation of effect of Peace Corps-Plan Nacional program in Peru (extension of fiscal year 1963 contract).	Cornell University	8,876	8,876
Total	----------	1,000,000	211,420

THE 1965 ESTIMATE

Mr. SHRIVER. Here is some showing an estimation for 1965.

Mr. PASSMAN. Put that in the record, also.

(The information supplied follows:)

Research contracts for fiscal year 1965

Purpose	*Estimated costs*
Study of economic and/or social impact of Peace Corps projects in 4 countries	$450,000
Development of techniques for closer simulation of cross-cultural interactions in stateside training	70,000
Study of the work activities of returned volunteers at home as an evaluation of the 3d purpose of the act	75,000
Medical evaluation over time of returned Peace Corps volunteers	30,000
Revision of "Working Effectively Overseas" to develop case studies for training purposes based on actual Peace Corps experience	15,000
Depth analysis of volunteers who return prematurely as a means of evaluating selection, training, and oversea support	20,000
Study of the dynamics of the selection board process to systematize and render its work more efficient	20,000
Scientific computer service for mathematical work in validation of selection efforts and statistical analysis of completion of service conference data	40,000
Development of methods to measure qualities found to be associated with success as a PCV; i.e., innovativeness, tolerance to frustration, adjustment to unstructured job situations, etc	60,000
Effects of intellectual and emotional deprivation and how to counteract them	50,000
Intensive study of the timing and symptoms of emotional problems overseas and development of techniques for coping with, and overcoming them	50,000
Development of valid peer nomination techniques with increased volunteer acceptance	20,000
Development and evaluation of courses of study to insure effective application of sound health practices abroad	20,000
Study of relative effects of differing methods of training PCV's for community development work	80,000
Total	1,000,000

REIMBURSEMENTS TO AID FOR ADMINISTRATIVE SUPPORT

Mr. PASSMAN. I note on page 85 you have allocated $1,359,000 for reimbursement to the State Department for services rendered to the Peace Corps overseas.

Mr. MEDLEY. Yes, sir.

Mr. PASSMAN. How much did you request for this purpose last year?

Mr. MEDLEY. We obligated for that purpose last year——

Mr. PASSMAN. That is not the question. I asked how much you requested for it.

Mr. MEDLEY. I beg your pardon; $550,000. Last year, however, the Agency for International Development was providing oversea support, and their estimated cost was $640,000.

PEACE CORPS APPROPRIATIONS AND OBLIGATIONS—FISCAL YEARS 1961–64

Mr. PASSMAN. Now I will ask four questions. I will read four sets of figures into the record. If you will just tell me whether they are correct and why it was not more or less I would be grateful. All I want is an accurate record to look at and that is why I ask for your cooperation.

For 1961 the budget estimate was zero. The President made available out of his contingency $1,620,000. You spent $1,400,000. Is that correct?

Mr. SHRIVER. As of April 30, 1964, it is $1,455,000.

Mr. PASSMAN. In 1962 you requested $40 million. Congress gave you $30 million. You obligated $28,060,000. Is that correct?

Mr. MEDLEY. As of April 30, 1964, that amount is $27,737,000.

Mr. PASSMAN. In 1963 the budget estimate was $63,750,000. Congress gave you $59 million. You obligated $55,130,000.

Mr. MEDLEY. The revised figure is $54,617,000.

Mr. PASSMAN. In 1964 your revised estimate was $102 million. Congress made available $96 million. Your estimate is that you will obligate $87 million.

Mr. MEDLEY. Yes, sir.

TOTAL FOREIGN AID SINCE FISCAL YEAR 1956

Mr. PASSMAN. Thank you very much. Now I want to insert in the record at this point a résumé on the total aid, all spigots that this committee handles. The budget estimate for 9 years amounted to $38,430,689,250.

Congress appropriated $30,322,427,250.

Congress reduced the amount below the budget estimate by $8,108,-262,000 for an average reduction of 21.10 percent for a 9-year period. There never has been an agency of foreign aid, any kind, shape, form, or fashion that I have ever handled that we did not overfund. At least we funded in excess of the amount they could obligate. That is the record, and nobody can change it, even with the prettiest talk and smiles. That will go in the record at this point.

Thank you very much, gentlemen.

(The information referred to follows:)

TOTAL ECONOMIC AND MILITARY ASSISTANCE—9 YEARS

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate
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

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	2,275,000,000	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

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

Foreign aid funds by program and amount (available for expenditure in fiscal 1964)

TITLE I—FOREIGN AID

1. Military assistance:		
Unexpended, June 30, 1963	$2,421,741,138	
New funds, fiscal 1964	1,000,000,000	
		$3,421,741,138
2. Development loans (credits):		
Unexpended, June 30, 1963	2,210,008,162	
New funds, fiscal 1964	687,300,000	
		2,897,308,162
3. Development grants:		
Unexpended, June 30, 1963	401,934,508	
New funds, fiscal 1964	159,700,000	
		561,634,508
4. American hospitals abroad: New funds, fiscal 1964		14,300,000
5. Alliance for Progress:		
Unexpended, June 30, 1963	$871,506,483	
New funds, fiscal 1964	590,000,000	
		1,461,506,483
6. Chilean reconstruction: Unexpended, June 30, 1963		17,765,353
7. Supporting assistance:		
Unexpended, June 30, 1963	$365,561,363	
New funds, fiscal 1964	330,000,000	
		695,561,363
8. Contingency fund:		
Unexpended, June 30, 1963	336,251,726	
New funds, fiscal 1964	50,000,000	
		386,251,726
9. International organizations:		
Unexpended, June 30, 1963	134,340,178	
New funds, fiscal 1964	116,000,000	
		250,340,178
10. Investment surveys: Unexpended, June 30, 1963		1,500,000
11. Acquisition of property: Unexpended, June 30, 1963		4,138,154
12. Investment guarantees: Unexpended, June 30, 1963		268,585,914
13. Borrowing authority, ECA: Unexpended, June 30, 1963		544,626
14. Administrative expenses, AID:		
Unexpended, June 30, 1963	10,047,137	
New funds, fiscal 1964	50,000,000	
		60,047,137
15. Adminisistrative expenses, State:		
Unexpended, June 30, 1963	785,105	
New funds, fiscal 1964	2,700,000	
		3,484,105
16. Joint control areas: Unexpended, June 30, 1963		4,764
Total title I funds available for expenditure in fiscal year 1964		10,044,714,611

TITLE II—FOREIGN AID

17. Peace Corps:		
Unexpended, June 30, 1963	$34,384,236	
New funds, fiscal 1964	92,100,000	
		126,484,236
18. Ryukyu Islands:		
Unexpended, June 30, 1963	4,189,207	
New funds, fiscal 1964	10,000,000	
		14,189,207
19. Cuban refugees:		
Unexpended, June 30, 1963	17,207,763	
New funds, fiscal 1964	39,717,137	
		56,924,900
20. Migrants and refugees:		
Unexpended, June 30, 1963	8,753,814	
New funds, fiscal 1964	10,550,000	
		19,303,814
21. International Development Association:		
Unexpended, June 30, 1963	232,320,000	
New funds, fiscal 1964	61,656,000	
		293,976,000
22. Inter-American Development Bank:		
Unexpended, June 30, 1963	200,000,000	
New funds, fiscal year 1964	50,000,000	
		250,000,000
Total title II funds available for expenditure in fiscal year 1964		760,878,157

RECAPITULATION

1. Unexpended funds (from prior years), title I, June 30, 1963	7,044,714,611
2. Unexpended funds (from prior years), title II, June 30, 1963	496,855,020
3. New funds appropriated, title I, fiscal 1964	3,000,000,000
4. New funds appropriated, title II, fiscal 1964	264,023,137
Total funds—titles I and II—available for expenditure in fiscal year 1964	10,805,592,768

Mr. PASSMAN. Good luck, gentlemen.

Mr. SHRIVER. Thank you, Mr. Chairman. Good luck to you.

THURSDAY, MAY 28, 1964.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

WITNESSES

DR. LEONA BAUMGARTNER, ASSISTANT ADMINISTRATOR, OFFICE OF TECHNICAL COOPERATION AND RESEARCH, AGENCY FOR INTERNATIONAL DEVELOPMENT
DR. HAROLD ENARSON, DIRECTOR, EDUCATION SERVICE, OFFICE OF TECHNICAL COOPERATION AND RESEARCH, AID
DR. PHILIP R. LEE, DIRECTOR, HEALTH SERVICE, OFFICE OF TECHNICAL COOPERATION AND RESEARCH, AID
DAVID TILSON, ASSISTANT SCIENCE DIRECTOR, OFFICE OF RESEARCH AND ANALYSIS, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
PAUL RESNIK, STAFF COORDINATOR, AID

Mr. PASSMAN. The committee will come to order.

We have with us this morning Dr. Leona Baumgartner, Assistant Administrator, Office of Technical Cooperation, Research for the AID Agency, with her supporting witnesses, Dr. Enarson, Dr. Lee, Mr. Tilson, Mr. Funari and Mr. Resnik, and the Controller.

Dr. Baumgartner, if you have a statement you would like to make to the committee, we would be very glad to hear you at this time.

GENERAL STATEMENT

Dr. BAUMGARTNER. Mr. Chairman and members of the committee, it is a pleasure to appear before you to discuss the request for an appropriation of $18 million to assist certain American sponsored schools and hospitals abroad. In sections 214(a) and 214(b) the Foreign Assistance Act of 1961, as amended, includes provision for limited U.S. support to such institutions.

The committee should note that these schools and hospitals preceded any foreign assistance program by the U.S. Government by as much as a century. Robert College in Turkey, for example, recently celebrated its 100th anniversary of service to the Turkish people. These schools have earned respect because they have sought to do a job—to do it unobstrusively and well. As a result, they have—without exception—made a significant contribution to the development of the countries, and the region they serve.

To encourage the development of educated people in areas of the world important to our long-range security, the Congress has authorized grants to certain American sponsored schools and hospitals abroad.

I should like to describe these schools and hospitals, identifying their unique contribution and point out the reasons for continuing U.S. support. I also should like to explain the basis on which the Agency proposes to proceed in strengthening these institutions.

Nine schools and two hospitals have been given assistance in recent years. The nine schools are as follows: American University of Beirut, American University of Cairo, Robert College, American Farm School, International College of Beirut, Pierce College, Athens College, Anatolia College, and Escuela Agricola Panamericana. The

two hospitals are the Polish Hospital (Krakow) and Project Hope.

While each of the ventures is distinctive—in its history, program, and clientele—they share important characteristics. They are American in character; they provide a people-to-people contact that helps build enduring bonds. In the language of the enabling legislation, the schools seek to serve "as study and demonstration centers for ideas and practices of the United States." They demonstrate the kind of education that the developing societies most need. The schools stress student initiative and independent study rather than rote learning, use of libraries and laboratories, faith in the value of free inquiry, and emphasis on the practical application of knowledge.

Each of the schools is accepted by the host government as an honorable contributor to the immense educational task which these countries face; each has had a significant impact on the country or region it serves; and each is making an increasing contribution to the development needs of the modernizing economies of the Middle East and Central America. These schools train teachers, government administrators, agricultural specialists, business administration experts, doctors, engineers, nurses, and other experts in a wide range of fields. An impressive number of persons educated in the American schools in Greece, Lebanon, Turkey, and Egypt have played and now play important roles in the scientific professional, business, and political life of their countries. In short, the American schools make a significant contribution, not only to the modernizing process but to the American image abroad.

All of these schools need at least limited U.S. Government support if they are to provide an acceptable level of education. Some of the schools face extremely critical financial problems. While it is plainly in the U.S. national interest to make sure that these schools survive and function effectively, it is not in our interest—or that of the schools—to continue indefinitely financial support by the U.S. Government. For this reason, the Agency continues to work with each school to determine the kind and amount of assistance which is most likely to strengthen the financial base of the school, better equip it to perform its distinctive role, and move as rapidly as possible toward financial self-reliance.

We have attached for the committee's attention a tentative breakdown of the amount requested for American sponsored schools and hospitals. It should be stressed that these are necessarily tentative; in no sense do they reflect a commitment of any kind by the Agency. As we work with each school to develop a long-range financial plan, we continue to stress the necessity for detailed budgetary justification. The needs of schools and hospitals everywhere are almost unlimited. The American sponsored schools and hospitals abroad are no exception. For this reason, the Agency has made it plain that quantitative expansion will not be encouraged, nor should the U.S. Government underwrite new academic programs except on a clear showing that they contribute to the development process. We shall continue to insist that the schools do long-range planning, exercise careful restraint in budgeting, and increase private fund raising.

On the whole the outlook is encouraging. With new and improved facilities including better laboratories and libraries, the schools will be able to continue to attract the caliber of faculty that can merit

increasing private support. A number of the schools can be expected to achieve a greater measure of financial self-reliance in the near future. Continued U.S. support would permit the schools to do a better job but they should be able to survive without long-term aid from the U.S. Government.

For three important schools, however, this is not likely to be the case. It now appears that the American University of Beirut, the American University of Cairo, and Robert College in Turkey cannot maintain their present levels, or even much more modest levels, of academic excellence without continued U.S. Government support. No one planned it this way. It is simply that costs continue to increase faster than endowment income and other sources of private support. The American University of Beirut, a unique multipurpose university serving the entire Middle East, has provided high-quality education to generations of Middle Easterners. It now faces major new opportunities to help the new universities in the region develop along modern lines. The American University in Cairo stresses basic sciences, economics, and English language training—all subjects directly relevant to Egyptian needs. Robert College provides high-quality instruction for an important segment of Turkish leadership. In our judgment these three institutions are too important to let their present educational programs deteriorate.

U.S.-SPONSORED HOSPITALS ABROAD

Under section 214(b) Congress has authorized financial support for American-sponsored hospitals abroad. To date, this program has included such diverse institutions as Project Hope and the Polish Hospital. The hospital at the American University of Beirut is an integral part of the university and has been considered within the broad context of the total development program of the university. The Admiral Bristol Hospital in Istanbul, Turkey, is the only new institution which has submitted a request for AID assistance in fiscal year 1964. The hospitals seeking Agency support each contribute fundamentally as teaching institutions. Project Hope, for example, has a long-term teaching staff working in the medical school and main teaching hospital in Trujillo, Peru, in addition to the hospital ship and shore-based teaching unit in Ecuador. When the ship moves to Africa later this year, a long-term teaching staff will remain in Ecuador. The Admiral Bristol Hospital operates one of the best nursing schools in Turkey and provides postgraduate training for physicians. The contribution of these institutions go far beyond their professional teaching functions. They demonstrate a clear and effective concern of the American people for the needs of people less fortunate than ourselves.

If continuing support is to be provided for American schools and hospitals, it is essential that the Agency and the schools and hospitals work out practical arrangements under which the legitimate interests of all parties are protected. The essential freedoms of the institutions must be respected even as Federal funds are provided. The United States has no obligation to finance capital expansion, program expansion, or any activity which in its judgment does not contribute significantly to our national interest.

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To give force to such a policy of prudence and restraint, the Agency expects that the schools and hospitals carefully define their purposes and programs, develop long-term capital and operating budgets, and submit detailed and thorough justification for all requests. Our strong conviction is that our assistance ought to help the institution move in the direction of self-reliance.

It is in this spirit that the fiscal year 1965 request for support of American-sponsored schools and hospitals abroad has been developed.

RESEARCH AND ANALYSIS PROGRAM

Before concluding my remarks, I would like to mention another matter which is of immediate concern to me.

REQUESTED REMOVAL OF SECTION 113 LIMITATIONS ON RESEARCH

I refer to the Agency's recommendation for removal of the $6 million limitation on research imposed by section 113 of the Appropriations Act of 1963 and retained in the act of 1964. Our recommendation rests, first, upon the fact that conditions which prompted the legislative limitation no longer prevail; second, attainment of the objectives set forth in section 241 of the Foreign Assistance Act of 1961 requires an annual input of more than $6 million in research support of AID programs; third, requirements for approved research and analysis projects in fiscal year 1964 will exceed the existing limitation by about $3.5 million; and fourth, first quarter funding requirements in fiscal year 1965, inclusive of the $3.5 million carryover of this year's requirements, will amount to at least $6 million and probably more.

Now, if I may, I would like to elaborate on these points one at a time.

ACTION ON ADMINISTRATIVE SHORTCOMINGS

1. Administrative shortcomings uncovered in the first year's operations of the program, which prompted imposition of the limitation, have been corrected. Actions taken include reorganization of the office responsible for planning and administration of the program, change of management, development of new review and evaluation procedures to assure that each reasearch or analysis proposal is relevant to the Agency's requirements and is feasible and technically sound, and adoption of contracting procedures which assure reasonable cost and sound business practice.

Before contract action is started, each prospective project is reviewed by a Research Advisory Committee, consisting of 14 eminent scientists drawn from the academic and private research community. This Committee also advises the AID Administrator on the balance and soundness of the entire research and analysis effort. In sum, the program is now administered in a manner that provides adequate safeguards against recurrence of the shortcomings which were the subject of earlier criticisms by the Congress.

2. The legislation authorizing the program and the supporting legislative history clearly indicated the need for systematic inquiry into complex problems encountered in our foreign aid operations. The AID research program meets this need by increasing our knowledge of the processes by which economic growth and modernization take place; devising, designing, and testing—with scientific methods—improved techiniques and materials for use in countries radically different from our own; and developing and adapting, for AID use, analytical techniques now widely employed by large governmental and business organizations to improve planning and operations.

RESEARCH PROJECTS

The Agency's needs for research fall principally in such areas as agriculture, public health, education and training, industrial technology, development of natural resources, and social and cultural change. Ongoing analytical studies deal mainly with economics, an important element in AID program decisions. Projects now underway are focused, for example, on such problems as the fertility of soils in Latin America and West Africa, the upgrading of cereal crops in Africa and grain legumes in Asia, the discovery of biological methods for tsetse fly control in Africa, and development of improved sprayer equipment and insecticides for use in our worldwide malaria eradication program—a conspicuous example of research which has already resulted in savings equivalent to several times the investment in research.

Other projects are focusing on methods of using local manpower of limited education in public health programs, new techniques for rapid development of appropriate curriculums for African schools, the effects of various land reform arrangements on economic growth in Latin America, and evaluation of past and ongoing technical assistance programs to identify practices that can be successfully transferred from one country to another. Additional examples are given in attachment B. Activities thus far undertaken, however, are addressed to only a few of the many problems to which practical solutions are needed if we are to obtain maximum value out of every dollar spent for foreign aid. The ongoing research and analysis program will have to be expanded to achieve that goal.

PRESENT AND PROJECTED RESEARCH PROGRAM LEVELS

3. Experience in fiscal year 1964 provides clear-cut evidence of the Agency's capability to use effectively more than $6 million for its research program. As is evident in attachment B, firm requirements for projects already recommended for approval by the Research Advisory Committee amount to about $8.3 million and before the end of the year are expected to reach a total of $9.5 million—about $3.5 million more than the $6 million available for operations during the current year. Obligations by the end of May are expected to approximate $5 million, and the remaining funds within the permissible

$6 million total are already committed for contracts which are being negotiated and are expected to be concluded before the end of this fiscal year. None of the projects for which contract actions are now underway were approved later than April 3 and some were approved as early as January of this year.

4. Prospective funding requirements for the first quarter of fiscal year 1965 are expected to approximate and probably exceed $6 million. This estimate includes the $3.5 million carryover of requirements from the current year, at least $1.5 million of additional requirements for continuing costs of projects being implemented under agreements with other U.S. Government agencies, and $2 million or more for further financing of existing contracts and new proposals now in process of review. In other words, if the $6 million legislative limitation were retained in fiscal year 1965, the entire year's research activity would be compressed within the first quarter and operations virtually suspended until the following year. Such a contingency would have seriously damaging effects on the Agency's total effort and on its image in the external research community.

These, briefly, are the reasons which we believe merit this committee's support of our recommendation that section 113 be deleted from the Appropriations Act of 1965.

I shall now be pleased to answer any questions which you may wish to raise.

(Attachments to statement follow:)

American schools and hospitals abroad

Institution	1964 program	Proposed 1965
American University of Beirut (AUB)	$2,880,000	
AUB Medical Center	1,360,000	
American University of Cairo	600,000	
International College of Beirut	1,500,000	
Robert College	2,800,000	
Athens College	300,000	
Pierce College	[1] 950,000	
Anatolia College	291,000	
American Farm School	180,000	
Escuela Agricola Panamericana	470,000	
Project Hope	1,600,000	
Polish Children's Hospital	2,200,000	
School of Nursing, Admiral Bristol Hospital	[1] 110,500	
Consultant services	5,000	
Uncommitted balance	653,500	
Total U.S. dollars	15,900,000	
Excess foreign currencies owned by U.S. Treasury:		
American University in Cairo Egyptian pound	800,000	
Polish Children's Hospital (Polish zlotys)	3,900,000	
Total foreign currencies	4,700,000	
Total U.S. dollars and foreign currencies	[2] 20,600,000	$18,000,000

[1] Estimated, final determinations pending.
[2] Includes $1,600,000 transferred from contingency fund for Project Hope.

THE AID RESEARCH AND ANALYSIS PROGRAM

I. *Status of fiscal year 1964 program as of May 25, 1964*

Project title	Contractor	Duration	Fiscal year 1964 funding
A. AGRICULTURE			
1. Development and use of improved varieties of the major cereal crops of Africa.	Agricultural Research Service, USDA.	Apr. 16, 1963, to June, 30, 1968.	$170,000
2 Inprovement of grain legume production in the Near East-South Asia and Far East regions.	do	June 25, 1963, to June 30, 1968.	32,000
3. Research on the sterility method of tsetse fly control (in Africa).	do	June 14, 1963, to June 30, 1965 (phase I).	164,340
4. Analysis of factors associated with differences and changes in agricultural production in the less-developed countries.	Economic Research Service, USDA.	Mar. 20, 1963, to June 30, 1967.	335,785
5. Development of protein food technology for the developing countries.[1]	Agricultural Research Service, USDA.	3 years (to be funded annually).	[2] 3,375
Subtotal			705,500
B. HEALTH			
1. Malaria eradication research (in support of worldwide program).	Communicable Disease Center, USPHS.	Continuing	285,000
2. Malaria insecticide research—DDVP field testing.	do	Apr. 6, 1962, to June 30, 1964.	70,000
3. Effects of investment in health on economic growth.	Harvard University, School of Public Health.	June 28, 1963, to June 27, 1965.	9,250
4. Study of methods for improving the training and use of middle-level health manpower.	Medical College of Virginia.	Aug. 1, 1963, to Oct. 3, 1964.	130,200
Subtotal			494,450
C. HUMAN RESOURCES			
1. Mathematics curriculum development in Africa.	Educational Services, Inc.	May 3, 1962, to Sept. 30, 1965.	545,721
2. Research on new techniques for teaching English as a second language.	English Language Services, Inc.	June 30, 1962, to Nov. 30, 1964.	427,015
Subtotal			972,736
D. MATERIAL RESOURCES			
1. Research in the utilization of Latin American woods.[1]	Forest Service, USDA.	3 years (to be funded annually).	[2] 3,500
Subtotal			3,500
E. SOCIAL SYSTEMS			
1. Comparative study of social and cultural change.	Cornell University	Aug. 1, 1963, to July 31, 1966.	647,938
2. Research and training in land tenure and reform in Latin America.[1]	University of Wisconsin.	May 11, 1962, to June 30, 1966.	[4] 143,275
3. Land tenure and reform in Puerto Rico	Economic Research Service, USDA.	Jan. 1, 1962, to June 30, 1964.	22,500
4. Social and economic research for rural development in the Indus Plain, West Pakistan (phase I).[1]	University of Michigan.	12 months	[5] 250,000
5. Universities and political change in Latin America.[1]	Brookings Institution	18 months	30,000
Subtotal			1,093,713
F. SYSTEMS ANALYSIS			
1. Research on improved methods of planning and allocating U.S. assistance.	Rand Corp. (through Department of Defense).	Nov. 1, 1963, to Oct. 31, 1966.	539,529
2. Study of regional cooperation in south and southeast Asia.	University of Wisconsin.	Mar. 26, 1964, to Mar. 25, 1967.	312,770
3. Research on certain effects of foreign aid on the economic growth of selected countries.[1]	Johns Hopkins University.	1 year	20,000
4. Relation of investment in housing to economic growth.[1]	UCLA	2 years	100,000

See footnote at end of table.

THE AID RESEARCH AND ANALYSIS PROGRAM—Continued

I. *Status of fiscal year 1964 program as of May 25, 1964*—Continued

Project title	Contractor	Duration	Fiscal year 1964 funding
F. SYSTEMS ANALYSIS—continued			
5. Intensive study conference on means to increase agricultural productivity in underdeveloped countries.[1]	Center for International Studies, MIT.	6 weeks	$250,000
6. Improved analytical methods for development planning.[1]	do	1 year	73,000
Subtotal			1,295,299
G. OPERATIONS ANALYSIS			
1. Participant training evaluation survey (worldwide).[1]	Bureau of Social Science Research, Inc.	May 17, 1961, to Nov. 15, 1965.	[6] 50,000
2. Venezuelan development study	Simulmatics Corp	Mar. 6, 1964, to June 30, 1965.	220,000
3. Analysis of programs for the development of agricultural credit institutions and services.[1]	Ohio State University Research Foundation.	3 years	650,000
Subtotal			920,000
H. SCIENCE INFORMATION			
1. Develorment Research Digest (a quarterly publication).	National Planning Association.	June 21, 1962, to June 20, 1964.	[7] 10,000
2. Research information service	External Research Staff, INR/State.	Oct. 25, 1962, to June 30, 1964.	25,000
3. Other costs			10,000
Subtotal			45,000
Total (all projects listed part I)			5,530,198
Add staff and consultant costs			450,000
Total fiscal year 1964 program			5,980,198

[1] Indicates contract negotiations underway or nearing completion.
[2] Initial outlay, estimated total cost: $555,690.
[3] Initial outlay, estimated total cost: $275,000.
[4] Approximately $605,000 deferred to fiscal year 1965. See part II, item E-2.
[5] Approximately $400,000 deferred to fiscal year 1965. See part II, item E-1.
[6] Additional funding for period June 15, 1964, to Nov. 15, 1965, to permit completion of study.
[7] Printing costs not covered under existing contract.

II. *RAC-approved projects partially funded in fiscal year 1964 or deferred to fiscal year 1965* [1]

Project title	Contractor	Duration	Funding requirement estimate
A. Agriculture: None.			
B. Public Health:			
1. Functional analysis of health centers	Johns Hopkins School of Hygiene and Public Health.	2 years	$200,000
2. Child feeding study	Interdepartmental Committee on Nutrition for National Defense.	do	73,000
C. Human resources: 1. Science curriculum development in Africa.	Educational Services, Inc.	26 months	520,000
D. Material resources: None.			
E. Social systems:			
1. Social and economic research for rural development in the Indus Plain, West Pakistan (phase IB).	University of Michigan.	18 months	400,000
2. Research and training in land tenure and reform in Latin America.	University of Wisconsin.	Continuing [2]	605,000
3. Methods for accelerating the adoption of agricultural innovations.	Michigan State University.	4 years	[3] 500,000
F. Systems analysis: None.			
G. Operations analysis: None.			
H. Science information: None.			
Total (for projects listed part II)			2,298,000

[1] Reflects approvals through April 3, 1964.
[2] At annual cost of $500,000 for 5-year period beyond fiscal year 1965.
[3] For 2 years.

III. Projects proposed for approval at RAC meeting of June 3, 1964

Project title	Contractor	Duration	Funding requirement, estimate
A. Agriculture: None.			
B. Public health: None.			
C. Human resources: None.			
D. Material resources:			
1. Research and development in foam plastics as a structural material.	University of Michigan.	14 months	$146,000
2. Patterns for location of industry in developing countries.	Stanford Research Institute.	2 years	276,000
3. Choice of technology in metalworking and other industries.	Stanford University	do	85,000
E. Social systems:			
1. Interaction of social values and political responsibility.	University of Pennsylvania.	4 years	[1] 400,000
2. Symposium on research in public administration.	Brookings Institution	5 days [2]	25,000
3. Symposium on research in communications and social change.	Michigan State University.	do [2]	25,000
F. Systems analysis:			
1. Import substitution and economic policy in economic development.	Williams College	3 years	180,000
2. Mapping of research requirements in the food-for-peace program.	Michigan State University or Surveys and Research Corp.	1 year	[3] 123,000
G. Operations analysis: None.			
H. Science information: None.			
Total (of projects listed part III)			1,260,000
Grand total (pts. I, II, and III)			[4] 9,538,198

[1] For 3 years.
[2] Conference time: planning, preconference preparations, and postconference publication will require approximately 6 months in each case.
[3] Approximate.
[4] Excluding fiscal year 1965 funding of continuing costs of RAC-approved projects implemented under PASA's (participating agency service agreements).

Mr. PASSMAN. Thank you very much, Dr. Baumgartner.

We shall insert in the record, immediately following your statement, the attachments you mentioned.

Dr. BAUMGARTNER. I thank you.

Mr. PASSMAN. Dr. Baumgartner, I find myself in support of, and in sympathy with, a good part of your program. I have indicated an interest in hospitals, not only in this specific program, but elsewhere, in the worldwide AID program.

In the State of Louisiana, the leprosarium at Carville has always been a pet project of mine. It is not in my district but I visit with those people regularly. I figure I am in the hands of the Lord when I am with them. I never hesitate to sit down and eat with them and shake hands with them even if they have only a stub. I may have had something to do with the new, modern cottages at Carville. I asked my good friend John Fogarty, chairman of the Labor-HEW Appropriation Subcommittee, to send a committee down to visit Carville, which he did. Subsequently the Federal Government built some new cottages for the married couples.

I usually call Stanley Stein—64 years old, blind, no hands—about once every month. Our late President Kennedy wrote him a letter which is on the flysheet of his book. He sent President Johnson a copy of his book, which he called "No Longer Alone."

Dr. BAUMGARTNER. I know how much Carville contributes to the knowledge of leprosy. This knowledge enables us to contribute to other countries where leprosy is a problem.

Mr. PASSMAN. I believe there is a postscript in some of the Catholic Bibles that refers to leprosy as Hansen's disease rather than leprosy. Hansen's disease has no relation to the disease spoken of in the Bible.

When I was out in Okinawa recently, accompanied by committee staff members, we spent several long and interesting hours at one of the leprosariums. I had at least 50 pictures taken with these people, some with their faces deformed on account of loss of their nose, some with their arms or limbs half gone, hoping they would use some of those pictures in their press publications at Okinawa. Even their relatives will not have anything to do with the people in those islands.

SUPPORT FOR HOSPITALS

I felt the same way about the Polish hospital. Even though it is in Communist Poland, we are acting in behalf of the little children. When you say Children's Hospital, it is a house of mercy. A man who could not be sympathetic to problems of that type must have a hard heart. I have indicated an interest in the hospital in Beirut, not necessarily because it was a pet project of President Kennedy's, but it is a hospital—a teaching hospital. I think the President was likewise impressed because even without a recommendation he transferred $5 million out of his contingency fund for the research center, which is the first step of the teaching hospital in Beirut.

Dr. BAUMGARTNER. Dr. Lee, who is sitting over here, spent quite a while there.

Mr. PASSMAN. The President moved in without any strong recommendations and allocated $5 million out of his contingency fund and also sent his wife's brother out there to visit the campus. He then

addressed himself to the King of Saudi Arabia, asking him to make a contribution to help finance this hospital.

My interest is not limited solely to the Beirut hospital. My interest in Carville came before. I have always been interested in hospitals, whether they are in my district, or in other parts of the State of Louisiana, or other parts of the world. A hospital is a house of mercy, and if a man is not sympathetic to these unfortunate people, he has a hard spot on his heart. I know of nothing that can serve a better purpose in that part of the world than a teaching hospital so you can train these people out in their own environment.

I wish you all the luck in the world with any hospital.

Dr. BAUMGARTNER. Would you be interested in having Dr. Lee pull together the other material regarding health and hospitals and the kind of things we do?

MALARIA ERADICATION PROGRAM

Mr. GARY. I would like to say that I personally am very much interested in this malaria program. I think that has been a very excellent program. From what I can understand, it has been very successful.

When they first came before our committee some 6 or 8 years ago, they told us it was a 5-year program and if we would give them the money they would eliminate malaria in 5 years.

Frankly, I thought that was a little optimistic. I had no idea they would eliminate it as they had hoped. From my observations in traveling overseas, they have made marked progress toward its elimination, and I hope we can carry it through to completion, so we will be able to completely eradicate malaria. That disease has been a scourge for a long time. It was for a long time in our own country, and after we conquered it, I think for us to assist in the worldwide eradication is in our own national interest.

My theory about all these diseases is, it pays to attack infection at its source. If its source is in some other country, to keep it from spreading, we should attack it wherever it is. I hope that program will continue until the purposes of it have been completely accomplished.

Mr. PASSMAN. Thank you, Mr. Gary.

I share the gentleman's view with respect to the eradication of malaria. Mr. Gary's views were certainly known and there were sufficient appropriations made to where the malaria eradication program has gone forward in the underdeveloped countries. I think we have made a lot of progress in eradicating that dread disease.

AMERICAN-SPONSORED SCHOOLS

With respect to the American schools abroad, of course, I am in the legislative branch, not in the executive. I have my own ideas, and sometimes I make them known. Many of these schools are very old. You referred to one being 100 years old. I am certainly happy to see you do not have any plan to continue indefinitely subsidizing their budgets. If they have been operated successfully for 100 years without a direct contribution from the U.S. Treasury, as far as I am

concerned the quicker you can get them back on that type of budget the better I would like it as a taxpayer. They may become too dependent on our country for support of their budget.

FINANCIAL SELF-SUFFICIENCY OF AMERICAN-SPONSORED HOSPITALS

I think as far as hospitals are concerned, it is hard for us to determine whether they will ever be self-supporting. They say they will. I do not think we actually know anything about the financial capability of the Polish hospital to support itself. There are no statistics available that I have seen to indicate they will be self-supporting. Inasmuch as we built the hospital and put up the U.S. dollars to buy the equipment, in all probability it will be a successful operation.

AMERICAN UNIVERSITY AT BEIRUT

So far as the hospital in Beirut is concerned, you have a good hard-boiled board of directors there. In all probability, they will underestimate their ability to get things done rather than overestimate.

For fear of any misunderstanding on the part of any individual, I should like to have this confirmed, if it is true, that the American University at Beirut is a nonsectarian school.

Mr. BAUMGARTNER. Right.

Mr. PASSMAN. Its board is made up of different religions—Catholic and Moslem and Protestants.

Dr. ENARSON. That is true. Its board is an excellent board made up, I would say, of representative American businessmen and distinguished educators.

Mr. PASSMAN. I hope you can help erase one other false idea. How this rumor got started, I do not know—that AUB was an oil company's institution. I do not know of any contribution, or any interest that any oil company may have in the University of Beirut, do you?

Dr. ENARSON. No. In point of fact, the university is concerned because they get so little money from the oil companies.

Mr. PASSMAN. I am glad to hear you say that, Doctor. Why a vicious rumor like that would be circulated around in the Congress, is beyond me. I am glad you are confirming it is just the opposite—it is the lack of support from the oil companies who may be the beneficiaries of the facilities of the school. How this rumor ever got started I would like to know. I have gone into its background, as far as I can, and it is completely without foundation, and I believe you have confirmed that.

FISCAL YEAR 1964 REQUEST FOR SCHOOLS AND HOSPITALS ABROAD

Dr. Baumgartner, last year the Congress appropriated $19 million for the American schools and hospitals abroad. I believe the Congress also approved this item in two separate appropriations: American schools and hospitals abroad, $14.3 million, and American hospitals abroad, special foreign currency program, $4.7 million, to make up the total of $19 million; is that correct?

Dr. BAUMGARTNER. I think so, yes.

Mr. PASSMAN. Would you furnish for the record a table showing your estimates of last year and the current fiscal year 1964 program?

Also include the number of schools and hospitals abroad for which you did not request funds last year and for which you are requesting funds this year.

(The information supplied follows:)

Fiscal year 1964 estimated and actual—American-sponsored schools and hospitals abroad program

Fiscal year 1964 American schools and hospitals abroad request	[1] $25,415,000
Fiscal year 1964 congressional appropriation	[2] 19,000,000
Fiscal year 1964 program (institutions):	
American University of Beirut (AUB)	2,880,000
American University of Beirut Medical Center	1,360,000
American University of Cairo	600,000
International College of Beirut	1,500,000
Robert College	2,800,000
Athens College	300,000
Pierce College	[1] 950,000
Anatolia College	291,000
American Farm School	180,000
Escuela Agricola Panamericana	470,000
Project Hope	1,600,000
Polish Children's Hospital	2,200,000
School of Nursing, Admiral Bristol Hospital	[3] [4] 110,500
Consultant services	5,000
Uncommitted balance	653,500
Total, U.S. dollars	15,900,000
Excess foreign currencies owned by U.S. Treasury:	
American University in Cairo (Egyptian pound)	800,000
Polish Children's Hospital (Polish zlotys)	3,900,000
Total foreign currencies	4,700,000
Total U.S. dollars and foreign currencies	[5] 20,600,000

[1] For fiscal year 1964 the Agency for International Development estimated the needs for the American schools and hospitals abroad program at $25,415,000. This figure includes $790,000 in U.S.-owned Egyptian pounds and $3,900,000 in U.S.-owned Polish zlotys. It also includes an item of $11,500,000 for the American University, Beirut Medical Center which was indicated as tentative "pending Agency review of a site team evaluation."

[2] Includes $800,000 in U.S.-owned Egyptian pounds and $3,900,000 in U.S.-owned Polish zlotys.

[3] Estimated, final determinations pending.

[4] Only institution for which funds were not requested in fiscal year 1964 and which is included in fiscal year 1965 program.

[5] Includes $1,600,000 transferred from contingency fund for Project Hope.

STATUS OF FUNDING JUNE 30, 1964

Mr. PASSMAN. Could you tell the committee at this time the estimate of the unobligated balance as of June 30?

Dr. BAUMGARTNER. Depending on one legal determination, it would be under $1 million.

Mr. PASSMAN. What is the pending legal determination?

Dr. BAUMGARTNER. The legal determination has to do with the Admiral Bristol School of Nursing. Our lawyers and their lawyers are still discussing the matter. It is a legal matter concerning the eligibility of the school of nursing under this program.

We expect that will be taken care of. I can also say there is an amount of $400,000 for Pierce College in which the completion of

plans and cost estimates require an engineering review prior to the completion of the agreement. That is in process. Otherwise, as of the first of June, we will be 92 percent committed and obligated.

Mr. PASSMAN. How many hospitals and schools abroad are you supporting out of this appropriation?

Dr. BAUMGARTNER. The list you see attached in attachment A, sir. The only new one on the list is the School of Nursing of the Admiral Bristol Hospital. I will say we are not anxious to enlarge this program at all.

Mr. PASSMAN. You are speaking of the overall program?

Dr. BAUMGARTNER. The overall program. We are not anxious to add a lot of schools.

Mr. PASSMAN. From little acorns big trees grow, and I do not believe you could go far beyond teaching hospitals anyway.

Dr. BAUMGARTNER. No. I think it has to be realized that some of the money, and some of the help that we give to other governments may be used in the long run for hospitals and their own schools, but the section 214 program is for the American schools and American hospitals abroad, not their own indigenous ones.

SCHOOLS AND HOSPITALS ELIGIBLE FOR AID

Mr. PASSMAN. Do you have a list of the American schools and hospitals abroad who would be eligible under the present criteria for aid?

Mr. ENARSON. If I understand your question, the direct answer is, we do not have a list of the total schools and hospitals who might conceivably be eligible.

Let me hasten to add, in the last month there have been entreaties from no less than three institutions that might conceivably be eligible. We have discouraged them. We have told them to see this as a declining, not an expanding program, not one that we believe should be generally expanded.

Mr. PASSMAN. I appreciate the gentleman's frankness on that point.

Dr. LEE. On the hospital side we looked into that, and there are about 360 American-supported hospitals overseas that could conceivably fit into the program. If you pare it down to teaching hospitals, with schools of nursing, it is about 70. There are quite a number. Of those, about five have medical schools associated with them.

Mr. PASSMAN. When you speak of teaching schools, you are getting out of the category of medical schools. How many would be purely medical schools?

Dr. LEE. There are five American-sponsored hospitals that are associated with medical schools abroad.

Mr. PASSMAN. Do you think you would be able to limit your aid to the medical schools, more or less?

Dr. LEE. Well, I think there are certain situations, such as the Admiral Bristol Hospital, where they have made a very significant contribution to nursing. You would not really want to eliminate these.

Mr. PASSMAN. I am not interfering, but I do know this saying came into being—from little acorns big trees grow. You have some of the older institutions, and you have some of the new ones, and it would appear they are in the business more or less for profit. I am

sure you are familiar with some of them. Their interest is to make a profit off of an investment, and if they can get money out of our Government, it means more profit.

I think you would be able to determine the exceptions. As long as you operate on that basis, as far as I am personally concerned, I will support a reasonable request. I hope you will, Dr. Baumgartner, try to hold this program in check.

INDIAN INSTITUTE OF MEDICAL SCIENCES

Mr. GARY. When I was in New Delhi several years ago there was the India Institute——

Dr. LEE. All India Institute of Medical Sciences, the teaching hospital of the postgraduate medical school.

Mr. GARY. They had a former director of public health of the city of Richmond, Dr. Ed Holmes, whom I knew very well, working in the program.

Dr. LEE. That is right.

Mr. GARY. He invited me out to his home where I had the privilege of meeting the president of the institute and also some of the members of the faculty. They seemed to be doing a very worthwhile work. They were training native doctors in modern procedures so they could in turn train other doctors.

Dr. LEE. That is right.

Mr. GARY. That appeared to me to be a very worthwhile work in that its influence was spreading by training people to train other people. They appeared to be getting the story of modern medicine over in a very excellent way.

What is the situation with respect to that Institute at the present time?

Dr. BAUMGARTNER. That is an excellent institution. I know it quite well. I saw it in December when I went out to the Asian Population Conference as head of the delegation and spent half a day with the head of it. It is an excellent institution, as you say.

AID has helped that institution, but under our general program of assistance to India. This is not an American hospital, or teaching center, or medical school. This is a postgraduate medical school that is Indian. It has had both American advice and help. The Rockefeller Foundation has given it some help. The Ford Foundation has given it some help. AID in the past and its predecessor groups have given it help. They are at the present time just completing a modern teaching hospital in part with counterpart funds that are being used to help that. They are doing some fascinating and important work.

Dr. Howard Rusk was out there attempting to teach them modern rehabilitation methods to help their soldiers wounded in the Communist Chinese war. This is moving along. We help a little, they put up most of the money.

Mr. GARY. I was walking down the street in the city of Richmond just a few days ago and someone stopped me and it was Mrs. Holmes who told me they had recently returned home. I think she said they were going to a new assignment very shortly.

FUNDING OF PROJECT "HOPE"

Mr. PASSMAN. Dr. Baumgartner, I note that Project *Hope* is included in the program in fiscal year 1965; is that correct?

Dr. BAUMGARTNER. It is, sir, yes.

Mr. PASSMAN. I further note that Project *Hope* received $1.6 million in fiscal year 1964 from the President's contingency fund Is that correct?

Dr. BAUMGARTNER. That would be right.

Mr. PASSMAN. How have you financed Project *Hope* in previous years?

Dr. BAUMGARTNER. I think Dr. Lee can answer that.

Dr. LEE. In the past, I think it was often out of the contingency fund. It was not until this appropriation was set up, this authorization as a direct line item in the budget, that it could be clearly identified. The support has come in the past primarily out of either development grants for Latin America, or out of the contingency fund.

Mr. PASSMAN. It is a line item in the bill now?

Dr. LEE. Under this provision, right.

Dr. BAUMGARTNER. It is difficult, when the ship spends time in Latin America and then moves to Africa, to determine which budget you are going to put it in.

USE OF CONTINGENCY FUNDS FOR PROJECT "HOPE"

Dr. LEE. The contingency fund was used this year because of the $2.2 million limitation on the hospital authorization. Because of the importance of Project *Hope*, the President felt this was an appropriate——

Mr. PASSMAN. I thought at a subsequent date you had a legal ruling that the $2.2 million limitation did not apply. I recall Mr. Bell came down. We had a conference—Mr. Bell, Mr. Passman, Dr. Morgan, and Speaker McCormack.

Dr. Morgan said it was the intention of the committee, the Foreign Affairs Committee, to authorize this money for expenditure. You are now making a statement that of the total $19 million that only $2.2 million could be used for hospitals.

Dr. BAUMGARTNER. Right.

Mr. PASSMAN. I am sure Dr. Morgan will verify this, also Mr. Bell and the Speaker, that it was not the intent of the committee that a limitation be placed on aid to hospitals. It was also the intent of the committee that the Beirut Hospital be funded in fiscal year 1964. You may want to verify that.

Do you call Project *Hope* a hospital?

Dr. BAUMGARTNER. We call it a hospital.

Mr. PASSMAN. If you placed your interpretation on the law as being limited to $2.2 million, how did you get around that limitation to give them $1.6 million to Project *Hope*?

Dr. LEE. It said in the legislation that the transfer authority could be used.

Mr. PASSMAN. In other words, the President could have transferred out of the contingency fund the entire $19 million and you could have used that for hospitals; is that correct?

If you could exceed the $2.2 million by transferring out of other funds if your legal department made that type of ruling, if you could exceed it by $1.6 million it could be $17 million.

Dr. LEE. The maximum amount you can transfer under the transfer authority is either 20 or 30 percent.

Mr. PASSMAN. Ten percent out of that particular account. But you can transfer out of the many accounts. It is not limited just to one account.

Mr. GARY. There is a limit on transfers in and out.

Mr. PASSMAN. Because this was such a small item, that fact may have prevented the President from transferring more funds into this appropriation account?

Dr. LEE. It is my understanding we were limited to 20 percent.

Mr. GARY. Ten percent out, 20 percent in, Mr. Chairman.

Mr. PASSMAN. If you transferred on January 1, February 1, and March 1, when does the 20 percent end?

Mr. TENNANT. The appropriation cannot be augmented more than 20 percent in any one year.

Mr. PASSMAN. Do you have to keep within that total?

Mr. TENNANT. Yes.

CANCELLATION OF AID LOAN TO PROJECT HOPE

Mr. PASSMAN. If I recall correctly, several years ago the AID program made a loan of $1 million to Project Hope which was a non-interest-bearing loan repayable in semiannual installments of $30,000 starting June 30, 1961. What is the status of this loan?

Dr. LEE. This loan was canceled as of this year. It was felt this was in the national interest. After very careful review by the Administrator and a thorough review of the whole project, it was felt in the long-term national interest to finance Hope. We felt it would promote private fundraising for Project Hope and would put them in a better financial position.

Mr. PASSMAN. I have to smile. There are so many things done in the name of the national interest. The Federal Government made a loan to Project Hope of $1 million to be repayable at $30,000 a year starting June 30, 1961, but it was the same Project Hope for which you later canceled the loan because it was in the national interest.

Dr. LEE. That is correct.

Dr. BAUMGARTNER. Am I right the administration of Project Hope changed in the meantime?

Dr. LEE. It has been markedly improved, and the private fund raising position of it has been markedly improved, particularly I think in the last 18 months.

Mr. PASSMAN. The language of this authorization act is just about as broad as anything you ever dealt with. I am making a note for the record that this is a project that you finance out of different funds. Then you made them a loan which was to be repaid. Then when the project became more prosperous, and you had private contributions, then the AID Agency moved in and canceled this loan in the national interest.

I am just indicating the broadness of the legislation and the executive branch interpretations of it.

Dr. LEE. This authority did not exist at the time the loan was made.

Mr. PASSMAN. I know that.

It appears to me we could have kept it on a business basis and collected the loan. It would appear to me it would have helped you get private contributions. I think you can get contributions easier when you are in debt than when you have money in the bank.

CONTRIBUTIONS OF U.S. GOVERNMENT FUNDS TO PROJECT HOPE

Would you furnish for the record a table indicating by fiscal years the total amount of funds that the U.S. Government has contributed to Project Hope, contributed on a grant or loan basis?

(The information supplied follows:)

U.S. Government contributions to project hospital

1959	[1] $90,000
1960	[1] 2,333,000
1961	[1 2] 1,545,500
1962	995,160
1963	1,057,000
1964	[3] 1,295,000

[1] Cost of placing ship in operating condition; $291,000 provided for this purpose in fiscal year 1961.
[2] Includes $970,000 loan converted to grant in fiscal year 1964 (note loan originally $1,000,000—$30,000 repaid).
[3] Additional 305,000 earmarked for June 1964 obligation.

Mr. PASSMAN. We want to know what we are doing and what Project Hope is costing the Federal Government.

Does Project Hope receive any Public Law 480 commodities in addition to the dollar contributions by the U.S. Government?

Dr. LEE. No; not to my knowledge.

PUBLIC LAW 480 FUNDS FOR PROJECT HOPE

Dr. BAUMGARTNER. Yes. We will show the total amount of Public Law 480 loans and grants.

(The information supplied follows:)

Public Law 480 assistance to Project Hope

1961	$27,134
1963	22,425
1964	21,110

EFFECTS OF LOAN CANCELLATION OF PRIVATE SUBSCRIPTION CAMPAIGN

Mr. PASSMAN. Your legislation was broad enough for you to cancel this loan which was a non-interest-bearing, long-term loan?

Dr. LEE. $30,000 four times a year, if I am not mistaken.

PRIVATE SUBSCRIPTIONS TO PROJECT HOPE

Mr. PASSMAN. It would have required many years for this loan to have been liquidated.

As one taxpayer to another, this project is being supported now mainly by private contributions?

Dr. LEE. That is correct.

Mr. PASSMAN. Do you not think perhaps this indebtedness, if we had left it on the books of Project Hope, would have made it a little

easier for the project to attract private contributions? If it is such a good project, it would appear they would have wanted to get this project out of debt.

Dr. LEE. It was our objective in removing the debt to encourage and promote private fundraising.

Mr. PASSMAN. How could that possibly be so?

Dr. LEE. In reviewing it carefully, and this was not done hastily I can assure you, since we have been involved in this for the past year, it was felt that within several years hopefully the project will be on a completely self-sustaining basis from private funding. If they had a debt of $1 million hanging over them, we felt this would be a reterrent to this private fundraising and the objective of self-support.

Mr. PASSMAN. The data submitted to the committee several years indicated that this loan was repayable in semiannual installments of $30,000, beginning June 30, 1961.

If you have two families living within a block, one is destitute and is deep in debt and the other is prosperous with money in the bank and you had to start raising funds for them, which one would you raise funds for?

Dr. LEE. Well——

Mr. PASSMAN. It is a good point. Based on commonsense, you would usually raise money for the destitute family in debt, not the prosperous one with money in the bank.

I think the point is pretty good. It is hard for me to understand how you would enhance the chances of getting more private contributions to Project Hope simply by giving U.S. dollars to it. I think it would have been much better had we let the public subscribe funds sufficient to pay the debt. I would always vote to provide enough appropriations for this project if you could not get the total requirements from private sources.

RESEARCH PROGRAM

I have a couple of questions with respect to research.

Your total request is for $18 million. That does not include your request for research funds; does it?

Dr. BAUMGARTNER. No.

Mr. PASSMAN. Research comes out of the——

Dr. BAUMGARTNER. Out of development grant funds.

Mr. PASSMAN. And that would be added to this to get the total that is spent by your Office?

Dr. BAUMGARTNER. That is spent directly.

Mr. PASSMAN. Under your supervision?

Dr. BAUMGARTNER. Yes. Remember, I give advice about the expenditures of other moneys as well.

Mr. PASSMAN. That is true. Under American schools and hospitals abroad.

Dr. BAUMGARTNER. Under American schools and hospitals abroad we are requesting $18 million, and under research we are requesting——

Mr. PASSMAN. How much are you requesting under research?

Dr. BAUMGARTNER. We are showing $15 million this year as we did last year.

REMOVAL OF LIMITATION ON RESEARCH FUNDS

It is not a question of more money, it is a question of removing the restriction that allows us to spend only $6 million.

Mr. PASSMAN. The $6 million, does that apply only to your office, or does that apply to the entire AID agency?

Dr. BAUMGARTNER. It cuts across activities of the entire AID agency. It is the money that is spent for research within the AID agency, as authorized under section 241.

Mr. PASSMAN. That is clear now. I indicated to you early this year that I had no objection to this limitation being adjusted.

Your request came down but since we had no supplemental bill this session, there was no place to put the amendment.

What do you recommend, Dr. Baumgartner?

Dr. BAUMGARTNER. It is for exactly that reason we hope you will remove the $6 million restriction in the legislation for next year.

I may say with a certain smile on my face you were a better guesser than I, because I think when I came to you I asked for an additional $2.5 million for fiscal year 1964; as it turns out, we will have before the end of this fiscal year about $3.5 million more that we could have effectively obligated, exactly as you guessed at that time.

PROJECTED RESEARCH PROGRAM LEVEL

I think what we have said is fairly clear, that with the $6 million that we are allowed in fiscal year 1964, with the carryover that we have, plus the projects that are ready to go, we will be able to use $6 million in the first quarter of the next fiscal year.

Mr. PASSMAN. Finally, I notice on page 10 of your statement:

> In other words, if the $6 million legislative limitation were retained in fiscal year 1965, the entire year's research activity would be compressed within the first quarter and operations virtually suspended until the following year.

I am having a bit of trouble following you there. If you are given $6 million for the year, when would it be necessary to compress this activity into 90 days?

Dr. BAUMGARTNER. Let me point out, we have a $3.5 million carryover of requirements for the current year. Then there is at least $1.5 million of similar money, including money for mosquito control that we do research on to see if our methods are good or not. But those are——

Mr. PASSMAN. Is that malaria eradication?

Dr. BAUMGARTNER. That is the research part of it, to see it is well done. Those are projects implemented by agreements with other U.S. Government agencies.

Now, we have new proposals that are already approved, as I said, by the research advisory committee and by ourselves, so if we had been able to have this legislation, we would have signed these contracts and moved them out this year.

Mr. PASSMAN. I understand that perfectly well. You mentioned one, research in malaria eradication. That is one project that I thought was just about completed. Originally, it was to be a 5-year program. It is my understanding that that project is about 95-percent complete.

Dr. BAUMGARTNER. Parts of it are. We are trying out new methods. You know, science grows all the time. Science adds new things. We have some new insecticides, and some new methods that we may be able to use in the pockets left in some of these countries.

Mr. PASSMAN. Is the Public Health Service helping you with that?

Dr. BAUMGARTNER. Yes; but we have to pay for it.

Mr. PASSMAN. Of course, I have indicated earlier I am very much in sympathy with your Office and most of the projects in it. You spoke about compressing this activity into the first quarter because you have certain projects you could spend money on.

Dr. BAUMGARTNER. Not only spend money on, but they are sound projects.

Mr. PASSMAN. Of course, you know that is true in every agency of Government. There is a limitation on how much we can spend. I received a four-page letter from a postal employee in my district this morning, Mr. Whitten, a very good friend of mine. He was protesting the Postmaster General's decision to effect some economy. He pointed out it was just almost a sin today to try to bring about any economies in the mail service. I wrote him an air mail letter saying I disagreed with everything he said and supported the Postmaster General 100 percent because he is trying to effect some economy in this $5 billion annual operation.

It is difficult for the Congress and the executive to raise enough money to do everything labeled "desirable," so what we, in Congress, try to do is to be reasonable in our recommendations, realizing so many of these things we are doing are being financed with borrowed money.

When it comes to research, the sky is the limit, You can spend billions of dollars a year in research and still not have sufficient money.

Dr. BAUMGARTNER. I think the situation is a little different, if I may say so. I think that the U.S. Government has spent a good many billions in the AID program.

Mr. PASSMAN. Let's say $128 billion in the AID program, including the interest on what we have borrowed to give away.

Dr. BAUMGARTNER. I know of no business that is a $128 billion business that has not had an R. & D. program. I would hazard a guess, you would have had a darn sight better program, and a tighter program, and a more efficient program if the agency had been wise enough 15 years ago to come up and say, "We need a research program."

Mr. PASSMAN. You have almost sold me, Dr. Baumgartner. I think I will recommend that we take off the limitation if you can assure me it will bring about a reduction in the total expenditure.

Dr. BAUMGARTNER. We know you are getting the most out of every dollar put in. That is the kind of research we are trying to put in.

Mr. PASSMAN. I am not against research. However, when Congress should, in its wisdom, provide that $6 million for research each year—I do not say they will but if they should—that does not mean you should go ahead and obligate all of it in 90 days. You would have to take the programs of the highest priority; is that right?

Dr. BAUMGARTNER. That is right.

ESTIMATED UNOBLIGATED FUNDS ON JUNE 30, 1964

Mr. PASSMAN. Finally, what do you think you will have unobligated out of the $6 million research at the end of this fiscal year?

Dr. BAUMGARTNER. Our best estimate now is $20,000 to $30,000.

Mr. PASSMAN. So you had sufficient funds to carry on a tight program?

Dr. BAUMGARTNER. We have had to put a lot of things on ice. We have had to put them on ice though they were ready to go. If you do not have enough money you cannot start something. You cannot buy a half man or a tenth of a machine. These things come in packages and little bunches. We squeeze them down and make them very tight.

Mr. PASSMAN. What would be the amount of the research funds which would be directly under your Office?

Dr. BAUMGARTNER. Every cent of it.

RESEARCH RESPONSIBILITIES AND PROJECT REVIEW PROCEDURES

Mr. PASSMAN. And you handle research for the entire AID Agency?

Dr. BAUMGARTNER. Absolutely; the research team we have in my office looks at each proposal. Those we think are good we send to outside experts for review; afterward they are forwarded to the Research Advisory Committee for review. If they are then recommended for favorable action, I look at them, David Bell looks at them and, if he approves, contract negotiations begin.

Mr. PASSMAN. You are in the field of schools, hospitals, agriculture, education, et cetera?

Dr. BAUMGARTNER. Yes.

Mr. PASSMAN. You cover the waterfront?

Dr. BAUMGARTNER. That is right. Anything that is in the good interest of AID which can make it work more efficiently.

Mr. PASSMAN. Whether in the field of medicine or not?

Dr. BAUMGARTNER. That is right.

Mr. PASSMAN. I never knew before that all the research——

Dr. BAUMGARTNER. Hospitals is one thing and research is another thing.

Mr. PASSMAN. Actually you have two branches—one is research and the other is American schools and hospitals abroad?

Dr. BAUMGARTNER. I have both of those.

ESTIMATED RESEARCH PROGRAM LEVELS

Mr. PASSMAN. This year you could have used nine and a half million dollars?

Dr. BAUMGARTNER. I would say we had $9.5 million worth of projects that were sound, that were related to AID objectives, that would have improved the operations of AID, but having only $6 million all we could obligate and all we could write contracts for was $6 million.

Mr. PASSMAN. In other words, you could have spent advantageously in that part of your program $9.5 million?

Dr. BAUMGARTNER. That is right.

Mr. PASSMAN. What do you think——

FISCAL YEAR 1965 PROJECTED PROGRAM LEVEL

Dr. BAUMGARTNER. I think $15 million is right for next year. The reason for that, sir, is that we have spent part of this year in improving the administrative procedures and in building the kind of staff we think is needed to avoid the kind of criticism that the Congress made before.

Also, when we discovered that the $6 million limitation, which we thought would be removed, was actually retained, we slowed down the whole operation.

Mr. PASSMAN. Doctor, my definition of cleaning up of a program does not mean getting new faces and new personalities with a lot of degrees.

Dr. BAUMGARTNER. That is right.

Mr. PASSMAN. You do agree, cleaning it up has to do only with the types of projects you may be carrying on in certain countries. You may bring great personalities, people with great knowledge into this program, but it is the weakness of some of the projects I direct my criticism to and not the personalities.

Do you agree with me?

Dr. BAUMGARTNER. You know, if I am judging a horse I sure would like to have a man who knows a horse. I want a good research man.

Mr. PASSMAN. The trouble is with projects and not personalities.

To get the total cost of the program that will be administered by Dr. Baumgartner's office we would take the amount that the Congress recommends for "American schools and hospitals abroad" and we will add to that the research program, which is financed, under a limitation from the "Development grant" appropriation.

Dr. BAUMGARTNER. We make recommendations, sir, about certain other projects. If I seem to hesitate it is only because I want to be very honest.

Mr. PASSMAN. You are very fair, Dr. Baumgartner. I like having you before the committee because you endeavor to give us the information we want.

LIST OF RESEARCH PROJECTS

Would you furnish this to the committee in the interest of time, and we can put it in the record:

A list of the projects that you have in mind for funding in fiscal 1965 out of your research program?

Dr. BAUMGARTNER. I will tell you the areas in which I think we will do this.

As you said to me in your office, sir, if one decides ahead of time which project one is going to fund it is not research. I will tell you the areas in which I think AID needs help in order to do a better job. I will be happy to do that.

Mr. PASSMAN. Give us a list of the projects you financed out of research in fiscal 1962, 1963, and 1964.

Dr. BAUMGARTNER. Good.

Mr. PASSMAN. And if you have any proposed projects for 1965 then would you help the committee by giving us this prospective list that you have? You indicated earlier——

Dr. BAUMGARTNER. We have a prospective list that we think is good. I will be delighted to give you that.

Mr. PASSMAN. If you would do that, we would be very grateful.
(The information supplied follows:)

PROPOSED FISCAL YEAR 1965 RESEARCH AND ANALYSIS PROGRAM

A total of $15 million has been programed for research and analysis in fiscal year 1965. Of this amount, about $6 million will be needed to (1) initiate proposed projects which were reviewed and recommended for approval by the Research Advisory Committee in fiscal year 1964, but were not started in that year, because funds were not available to do so; and (2) provide additional funds for projects actually initiated in fiscal year 1964 or in prior years. The other $9 million would be used to fund projects initiated on the basis of proposals reviewed and approved during fiscal year 1965.

The program is designed to (*a*) systematically add to our knowledge about the forces and processes at work in the economic growth and social modernization of developing countries; (*b*) create and explore improved technical materials and methods for use by AID in the promotion of economic development; and (*c*) develop and adapt, for AID use, analytical techniques now widely employed by large governmental and business organizations to improve planning and operations.

RESEARCH STUDIES

Approximately $10 million is programed for research investigations, in the five areas of concentration listed below, providing for a distribution of emphasis roughly as follows:

1. *Agriculture, $2.5 million.*—In comparison with what has been done for the developed regions, the amount of research in agriculture to deal with the problems of the less developed areas is so far quite limited; consequently, AID has had to improvise in the agricultural development effort of its technical and economic assistance programs. Research proposed should provide better guidelines, materials, and methods for accelerating agricultural development. Studies will be initiated or continued on such problems as soils, fertilizers, and irrigation; crop and livestock improvement and production; equipment, storage, and processing; institutions and services; and economic studies covering such topics as prices, markets, trade, productivity of labor and manpower, and other relevant factors.

2. *Public health, $1.5 million.*—Much research on the health problems of developing societies is currently supported by private foundations, universities, other agencies of the Federal Government, and international organizations. This is taken into account in selecting areas of emphasis for AID-supported research in this field. Thus, the central focus is on effective application of knowledge insofar as it relates to the interactions between public health measures and programs and the development process as a whole. Among the questions of particular interest are such things as the potential role of various types of medical and public health manpower requiring limited education and training to meet the needs of developing countries; the impact on economic development and the general effectiveness of characteristic types of public health programs, per se as well as in interaction with other development programs in transportation, agriculture, and education; communicable disease control; and nutrition.

3. *Human resources, $2.5 million.*—Research on techniques as well as on organization and administration of education and training programs represents a major requirement. Among the central areas of concern are such problems as optimum design and structure of educational systems for developing countries; better ways to assess achievement and aptitudes as well as to introduce the essential values and attitudes associated with specific roles in modernizing societies; development of curriculums and materials appropriate to the needs of less developed countries; and developing improved methods of teaching and training to increase the efficiency of the education and training efforts in less developed countries.

4. *Material resources, $2 million.*—Research in this area of concentration is concerned with development of improved methods to assist countries in accounting for, assessing the significance of, and appropriately managing and developing their natural resources; deepening knowledge of the mechanisms of industrialization, including such matters as interindustry relationships and the sequence,

timing, and location of industrial establishments; undertaking studies of the transportation, communications, and power problems of developing societies to ascertain those factors making for optimum investment in these facilities; and ascertaining the feasibility and suitability of specific inventions or adaptations of existing technology, examination of certain promising areas of modern technology from the viewpoint of inventive adaptation to countries abroad, and engineering identification of industrial production problems in developing economies which present technological challenges.

5. *Social systems, $1.5 million.*—More comprehensive knowledge is needed about the traditional social structures and value systems as well as the forces already at work to produce social change in developing countries. The areas of research to be supported include investigations of such questions as rural development, urbanization, leadership, and political identification, and institution building.

ANALYTICAL STUDIES

The remaining $5 million has been programed for analytical studies intended to extend, refine, and apply existing methods of operations research and management science to the problems of planning and administering foreign assistance programs. Use will have to be made of such data and insights as are on hand regarding (*a*) the ways in which economic, social, and political changes in the less developed countries affect agriculture, industry, education, and the other sectors; (*b*) the manner in which development in each of these sectors affects development in the others; and (*c*) the costs and benefits associated with each of the courses of action we might realistically follow. The program focuses on those analytical techniques which have proven helpful in guiding executive decisions on complex problems encountered by large industrial concerns and Government agencies such as the Department of Defense.

Since the use of such techniques in the foreign assistance field constitutes a major pioneering effort, the program allows—under the heading of "Systems Analysis"—for exploratory investigations and studies that help increase proficiency in applying or adapting these methods to AID's particular needs. Analytical studies that deal with specific problems on which information is requested by other offices within the Agency are programed under the heading of "Operations Analysis."

Systems analysis studies have been concerned with such problems as planning the use of aid to keep the amount as small as possible and still achieve our goals, projections of patterns of international trade as they affect investment in productive activities, assessing certain effects of external assistance on economic growth, and comparing the contributions to national development made by investments in various productive activities. During fiscal year 1965 certain of these activities will be extended, and additional work will be initiated on economic analysis of development as well as on such problems as comparing the effectiveness of various kinds of programs for accelerating industrialization, and establishing more definitive requirements for data and data handling procedures. A total of $3.5 million is programed for systems analysis studies in fiscal year 1965.

Most of the operations analysis studies are focused on evaluating experience of AID and other donors in such activities as training citizens of less developed countries in the United States, administration of technical assistance, stimulation of private enterprise in Latin America and Africa, and strengthening agricultural credit institutions and programs. Other studies are of a more exploratory nature, in particular the study of Venezuelan economic development using techniques of quantitative stimulation. Projects to be initiated in fiscal year 1965, for which a total of $1.5 million is programed, will include such evaluative studies as rural resettlement in the United Arab Republic and public administration in certain sectors of several countries to assess comparative effectiveness of current practices. There will also be some effort devoted to demonstrating ways of evaluating specific AID projects and programs.

The AID research and analysis program, fiscal year 1962 to fiscal year 1964

Project title	Contractor	Duration	Funding		
			Fiscal year 1962	Fiscal year 1963	Fiscal year 1964
I. Agriculture:					
1. History and current status of arid lands research in the United States.[1]	American Association for the Advancement of Science (through NSF grant, in part from AID).		$40,000		
2. Analysis of data on the nutrient status of soils in Latin America and west Africa.	North Carolina State (College), University of North Carolina.	June 25, 1963 to June 24, 1968		[2] $750,000	
3. Development and use of improved varieties of the major cereal crops of Africa.	Agricultural Research Service, USDA	Apr 16, 1963 to June 30, 1968		146,625	$170,000
4. Improvement of grain legume production in the Near East, south Asia, and Far East regions.	do	June 25, 1963, to June 30, 1968		2,000	32,000
5. Research on the sterility method of tsetse fly control or eradication (in Africa).	do	June 14, 1963, to June 30, 1965 (phase I).		3,500	164,340
6. Analysis of factors associated with differences and changes in agricultural production in the less developed countries.	Economic Research Service, USDA	Mar. 20, 1963, to June 30, 1967		125,000	335,785
7. Development of protein food technology for the developing countries.	Agricultural Research Service, USDA	38 months			[3] 3,375
Subtotal			40,000	1,027,125	705,500
II. Public health:					
1. Malaria eradication research (in support of worldwide program).	Communicable Disease Center, USPHS	Continuing [4]	235,000	235,000	285,000
2. Malaria insecticide research—DDVP field testing.	do	Apr. 6, 1962, to June 30, 1964	30,000	100,000	70,000
3. Research in health manpower planning for selected less developed countries.	Johns Hopkins University	June 25, 1962, to June 24, 1965	234,684		
4. Effects of investment in health on economic growth.	Harvard University School of Public Health	June 28, 1963, to June 27, 1965		51,000	[5] 9,250
5. Study of methods for improving the training and use of middle level health manpower.	Medical College of Virginia	Aug. 1, 1963, to Oct. 3, 1964			130,200
Subtotal			499,684	386,000	494,450

III. Human resources:					
1. Development of an educational research center for Central America.	Michigan State University	June 29, 1962, to June 28, 1964	610,000		
2. Mathematics curriculum development in Africa.	Educational Services, Inc.	May 3, 1962, to Sept. 30, 1965	204,512	241,117	545,721
3. Research on new techniques for teaching English as a second language.	English Language Services, Inc.	June 30, 1962, to Nov. 30, 1964	410,960		427,015
Subtotal			1,225,472	241,117	972,736
IV. Material resources:					
1. International air transport study (AID and other U.S. Government agencies).[1]	Robert Nathan Associates, Inc.; Systems Analysis & Research Corp. (through BOB).		[6] 50,000		
2. Usefulness of small power sources in remote locations.[1]	General Electric Co. (subcontractors: MIT, SRI, and CARE).		355,000		
3. Development and performance test of a solar-powered battery recharging center.[1]	Hoffman Electronics Corp. (procurement only)		28,625	1,400	
4. Transportation and economic development	Brookings Institution	June 12, 1962, to June 11, 1965	1,469,720		
5. Research in foam plastics for housing	University of Michigan	June 25, 1962, to June 30, 1964	29,400	90,000	
6. Research in the utilization of Latin American woods.	Forest Service, USDA	3 years	[7] 15,000		[8] 3,500
Subtotal			1,947,745	91,400	3,500
V. Social systems:					
1. Diffusion of information through radio and supporting media (pilot project in Ecuador).[1]	American Institute for Research	June 25, 1962, to Apr. 30, 1964	35,000	39,075	
2. Comparative study of social and cultural change.	Cornell University	Aug. 1, 1963, to July 31, 1966			647,938
3. Research and training in land tenure and reform in Latin America.	University of Wisconsin	May 11, 1962, to May 10, 1965	1,250,000		143,275
4. Land tenure and reform in Puerto Rico	Economic Research Service, USDA	Jan. 1, 1962, to June 30, 1964	15,000	22,500	22,500
5. Social and economic research for rural development in the Indus Plain, West Pakistan (phase I).	University of Michigan	12 months			250,000
6. Universities and political change in Latin America.	Brookings Institution	18 months			30,000
Subtotal			1,300,000	61,575	1,093,713
VI. Systems analysis:					
1. Projection and analysis of world trade patterns.[1]	Yale University	May 1, 1962, to Aug. 31, 1963	35,000	3,800	
2. Effect of foreign aid on the U.S. balance of payments.[1]	Haverford College	May 31, 1963, to Aug. 31, 1963		5,405	
3. Development of planning and planning assistance criteria.	National Planning Association	June 22, 1962, to June 21, 1965	735,598		
4. Quantitative study of economic structure and growth.	Yale University	June 28, 1962, to June 27, 1965	880,743		

See footnotes at end of table.

The AID research and analysis program, fiscal year 1962 to fiscal year 1964—Continued

Project title	Contractor	Duration	Funding		
			Fiscal year 1962	Fiscal year 1963	Fiscal year 1964
VI. Systems analysis—Continued					
5. Research on improved methods of planning and allocating U.S. assistance.	Rand Corp. (through Department of Defense)	Nov. 1, 1963, to Oct. 31, 1966	----------	----------	$539,529
6. Study of regional cooperation in south and southeast Asia.	University of Wisconsin	Mar. 26, 1964, to Mar. 25, 1967	----------	----------	312,770
7. Research on certain effects of foreign aid on the economic growth of selected countries.	Johns Hopkins University	May 27, 1964, to May 26, 1965	----------	----------	19,408
8. Relation of investment in housing to economic growth.	UCLA	30 months	----------	----------	100,000
9. Intensive study conference on means to increase agricultural productivity in underdeveloped countries.	Center for International Studies, MIT	May 29, 1964, to Oct. 31, 1964	----------	----------	246,200
10. Improved analytical methods for development planning.	do	12 months	----------	----------	73,000
Subtotal			$1,651,341	$9,205	1,290,907
VII. Operations analysis:					
1. Evaluation of changes in attitudes toward progress of the Alianza in selected Latin American countries.[1]	USIA (subcontractors: International Research Association, Inc.; National Institute of Social and Economic Studies).	----------	120,000	----------	----------
2. Evaluation of AID participant training programs in the United States (pilot study).[1]	American Institute for Research	----------	37,797	----------	----------
3. Research on factors contributing to maladaptation of U.S. employees overseas (joint AID/State/USIA/Carnegie Foundation study).[1]	Department of State	----------	[6] 2,500	[6] 5,000	----------
4. Research on job performance standards (AID employees overseas).	American Institute for Research	June 25, 1962, to June 24, 1964	284,030	----------	----------
5. Study of U.S. public and private cooperation in stimulating indigenous enterprises in Latin America and Africa.[1]	National Planning Association (through Department of Commerce).	May 25, 1962, to May 1, 1964	122,000	----------	----------
6. Appraisal of the administration of technical assistance programs, with special reference to technical assistance in agriculture.	Syracuse University	June 27, 1963, to Dec. 26, 1965	----------	355,475	----------
7. Participant training evaluation survey (worldwide).	Bureau of Social Science Research, Inc	June 16, 1962, to Nov. 15, 1965	[6] 276,000	----------	50,000

8. Impact of power on rural development (pilot study in Colombia).	Peace Corps/Fairbanks-Morse (procurement)	Continuing [10]	74,356	17,800	
9. Analysis of programs for the development of agricultural credit institutions and services.	Ohio State University Research Foundation	3 years			650,000
10. Venezuelan development study	Simulmatics Corp	Mar. 6, 1964, to June 30, 1965			220,000
Subtotal			916,683	378,275	920,000
VIII. Science information:					
1. Review of AID publications [1]	AID and American Institute for Research		10,320		
2. Substantive backstopping of U.S. participation in U.N. Conference on Science and Technology (in-house activity). [1]		Nov. 1, 1961, to June 30, 1963	[11] 91,235	[11] 416,657	
3. Development Research Digest (a quarterly publication).	National Planning Association	June 21, 1962, to July 31, 1964	53,520	[12] 8,850	[12] 10,000
4. Research information service	External research staff, INR/State	Oct. 25, 1962, to June 30, 1964		25,000	25,000
5. Other costs					10,000
Subtotal			155,075	450,507	45,000
Total (all projects listed above)			7,736,000	2,645,204	5,525,806
Add staff and consultant costs [13]				528,796	450,000
Grand total			[14] 7,736,000	3,174,000	5,975,806

[1] Completed.
[2] Covering period through June 24, 1966.
[3] Initial outlay; subsequent years' requirements to be funded annually up to a currently estimated total of $555,690.
[4] Funded annually in amounts agreed following review of proposed Communicable Disease Center budget.
[5] For PHS commissioned officer, associated with the project, whose services are funded on an annual basis.
[6] AID only.
[7] For exploratory study completed in October 1962.
[8] Initial outlay for more comprehensive research study. Subsequent years' requirements will be funded annually up to a currently estimated total of $432,600.
[9] Fiscal year 1961 funding in amount of $85,430 was provided from other sources for period May 17, 1961, to June 16, 1962.
[10] Contract for 15 diesel power units was let in fiscal year 1962 and installation in Colombia is now practically completed. Preparatory phase of study is underway jointly with Peace Corps community development program. Evaluation phase will be started in fiscal year 1965 and continue into fiscal year 1967.
[11] Includes cost of personal services and travel for science conference staff.
[12] For printing costs not covered under contract.
[13] Funded from interregional program support expenses in fiscal year 1962; chargeable to research program funds in fiscal year 1963 and fiscal year 1964 because of legislative limitation on total funding for research in both years, which AID is requesting be removed in fiscal year 1965.
[14] Excludes 2 contracts funded in fiscal year 1962 which were terminated in fiscal year 1963.

AMERICAN UNIVERSITY AT BEIRUT HOSPITAL

Mr. PASSMAN. Finally about the American University at Beirut. Are you people satisfied with the information that has been furnished to you on this hospital?

Dr. BAUMGARTNER. I would say, sir, the information we have now is much more adequate, much more complete. The budget is the kind of budget that I think you would approve much more than you would have approved of the budget in previous years.

Mr. PASSMAN. The question is whether it is satisfactory.

Dr. BAUMGARTNER. It is entirely satisfactory.

Mr. PASSMAN. In other words, they have submitted sufficient information——

Dr. BAUMGARTNER. That is right.

Mr. PASSMAN (continuing). That you are satisfied with it, and you can now proceed with this project if Congress provides funds?

Dr. BAUMGARTNER. That is right.

REPORTS ON UNOBLIGATED FUNDS

Mr. PASSMAN. Is your office somewhat like the other AID programs? Before you can actually tell us how much the unobligated funds will be, it may be as late as September?

Dr. BAUMGARTNER. No, sir. We are able to tell you about American schools abroad on the 30th of June.

Mr. PASSMAN. That is good. We were told last year time and time again, even as late as August, that they could not tell us what the unobligated funds were because of the complexity of the program and the necessity of getting reports from the field.

I am looking at the Controller. He told us last August that he could not tell us what the unobligated funds would be until September, though they could give an estimate. In view of that testimony I question whether the AID Agency can tell us in May this year what the unobligated funds will be.

Mr. TENNANT. Mr. Chairman, I think our discussion for the most part last year was primarily over the unliquidated obligations which involved expenditure reporting, of both the Treasury and ourselves. That was the reason for the delay.

On the unobligated we were able to give you an earlier figure, as I recall.

Mr. PASSMAN. But it was still an estimate. You did not finalize it until September, did you?

Mr. TENNANT. The finalization problem relates to section 1311 of the supplemental appropriation act which gives the Treasury until September 30 to finalize expenditure figures.

Mr. PASSMAN. But you cannot give the actual unliquidated until you give an accounting of all the checks that have been drawn out in the field; is that correct?

Mr. TENNANT. That is correct on the unliquidated, sir.

Mr. PASSMAN. Earlier this year we had a good witness who said we will have a certain amount of unobligated funds on June 30. At a subsequent date it may prove to be more than that estimate and, if so, the President would reduce his request.

The witness wanted to come down and meet with the committee just before we marked up the bill, and again discuss unobligated funds. Since that earlier testimony, we have learned there would not be any, and it confuses me.

Mr. Tennant, on page 2630 of last year's hearings, since you will not be back until after the holiday, the following exchange between us took place:

Mr. TENNANT. Mr. Chairman, as I indicated earlier, in accordance with Government agency regulations, each agency goes through an audit process to review all of the outstanding obligations on June 30. This process occurs during the months of July and August and the final figures on this are required in the Treasury in September. It is conceivable that these audit findings may disqualify some obligations and increase the unobligated.

Mr. PASSMAN. The accurate statements may increase the amount of unobligated funds?

Mr. TENNANT. It may increase or decrease.

Mr. PASSMAN. Do you see some indication the figure would be increased?

Mr. TENNANT. I would think it would increase from the standpoint that auditors in reviewing transactions may disqualify some transactions on the books that don't qualify.

Mr. PASSMAN. Can you give us another statement as of Tuesday, August 20?

Mr. TENNANT. The difficulty of providing you with a revised statement on the unobligated balance is the fact that these audits occur not only here in Washington for Washington transactions but occur in each of the missions for mission transactions. They are in the middle of these audits at the present time.

Mr. PASSMAN. Are you telling us that there is no way we can anywhere near accurately give the Congress a listing on the amount of funds unexpended?

Mr. TENNANT. Those figures are the best figures we can give you at this time.

Mr. PASSMAN. When is the next time you can give us the figures? You gave us a statement on August 8.

Mr. TENNANT. The next figures we can give you, as I see it, Mr. Chairman, would be around October. My understanding is the Treasury routine requires through the middle of October for the reconciliation process.

I thought I would read that into the record. It may help clarify things a bit.

Mr. TENNANT. That was the unexpended.

Mr. PASSMAN. We dealt with unobligated funds in the above statement. You have the hearings, do you not?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. Did I read it correctly into the record?

Mr. TENNANT. I think on August 8 we gave you an unobligated figure——

Mr. PASSMAN. Did I read that correctly into the record? Did you follow me?

Mr. TENNANT. Yes, sir.

Mr. PASSMAN. That is all that is necessary. I cannot change the record.

Mr. NATCHER. Mr. Chairman, would you yield at that point?

Mr. PASSMAN. Yes, right after this.

Let me read the testimony again. This is Mr. Tennant's statement.

Mr. TENNANT. The difficulty of providing you with revised statement on the unobligated balance is the fact that these audits occur not only here in Washington for Washington transactions but occur in each one of the missions for mission transactions. They are in the middle of these audits at the present time.

I wanted to be sure that you knew I didn't read it out of context.

I yield now to Mr. Natcher.

PROPOSED RESEARCH FUNDING LEVEL

Mr. NATCHER. If the $6 million limitation were removed, the total amount would approximate $15 million?

Dr. BAUMGARTNER. That is right, sir. This is our anticipation.

RESEARCH IN AGRICULTURE

Mr. NATCHER. As far as research in agriculture is concerned, can you tell the committee how you conduct this type of research?

Dr. BAUMGARTNER. We try and find needs in various countries.

Let me give you an example——

Mr. NATCHER. First, I would like you to explain to the committee where you contract your research. Is it in this country, conducted here, or abroad?

Dr. BAUMGARTNER. It may be conducted in part here and part abroad.

Let us take some agricultural projects right now. There is in central Africa, all of tropical Africa, an enormous shortage of protein. The protein malnutrition is so bad that we think you get some mental retardation in children. We know you get a lot of lackadaisical people who do not work well.

If we can improve some of their cereals by developing new strains that would grow in tropical Africa, and get people to use them, we know we can increase tremendously the protein intake of the people so they would be healthier.

For this type of project we turn to the Department of Agriculture's specialists in cereals.

Mr. NATCHER. Is this payment to the Department of Agriculture for the research they conduct for your agency?

Mr. TILSON. We conduct research in two ways. One is through using Federal agencies with special technical competence for research in these fields—and in the case of Agriculture we use them—to work with local institutions, research institutions in those countries abroad, to do the field research in the countries where the problems are being studied, obviously using qualified American scientists and those local scientists with whom they can work.

We also use, in addition to the Department of Agriculture and other Federal agencies, scientists who are located in universities. In the case of our agriculture program, for example, we have a contract with North Carolina State University studying problems of fertility of tropical soils.

INTERAGENCY DUPLICATION OF RESEARCH EFFORTS

Mr. NATCHER. Mr. Chairman, I would like to say as a matter of record that the request here for the removal of this $6 million limitation is provided for in section 113 and it is of great concern to me.

I think you should take a good look at it now, Mr. Chairman.

I serve on three subcommittees. I know all down through the years research has been of great benefit to our people, but I have never seen as much duplication in my life as we have had in the last 3 or 4 years in the different agencies.

We are having extreme difficulty, Mr. Chairman, in some of the departments of the Government, for example, Agriculture and Health, Education, and Welfare, having them work together and in unison, to try to take these projects along step by step and to save a great amount of money.

I am very much concerned about this limitation.

Now I yield to my friend.

Mr. GARY. Is not the agricultural project that they refer to one of those your committee recommended be eliminated in the Agricultural Department, and that Agriculture stop cooperating with the AID administration in handling that research?

Mr. NATCHER. That provision was provided for in the report that accompanied the bill to the floor this year.

Mr. GARY. That was my understanding.

Mr. NATCHER. There was a section in the Chairman's report.

Mr. GARY. It rather looks to me that in this instance this is a case where they are cooperating and that the recommendation of the Agricultural Committee would require them to stop the cooperation and require the AID administration to go outside and employ outside researchers if the program is continued. Is that correct?

Mr. NATCHER. I do not know that I would agree with that, Mr. Gary.

Personally how do you feel about this limitation of $6 million in the bill?

Mr. GARY. I am not talking about the limitation. What I am talking about is the employment of the research staff that the Agricultural Department has.

It seems to me that if we are going to have the research—and I agree with you, we have apparently gone rather wild——

Mr. NATCHER. Overboard.

Mr. GARY. Overboard is a good word—in the matter of research in Government. It may be worth while but we have expanded it tremendously in recent years.

Like you, I look with grave concern on the expression, and I think all future expansion should be scrutinized very carefully. However, if we are going to have the research it seems to me better to use the staffs that are available in the various departments when they can be employed rather than going outside and employing additional people.

Mr. NATCHER. I do not think there is any disagreement between us. I think in every instance where research is to be conducted it should be conducted in this country with our funds if possible, and if it is a joint matter with some other department I think they should work together on it.

I do not think we are in disagreement there. I do not think, Mr. Chairman, the limitation of $6 million should be raised, and I do think there should be more cooperation between the departments in the Government than we have today insofar as research is concerned.

I yield, Mr. Chairman.

Mr. PASSMAN. Let me indicate for the record again my concern over so much research in every agency. It is something which has gone pretty far afield, just as the contingency funds which are now contained in almost every departmental appropriation. This is what concerns me, Dr. Baumgartner, and it is the first time I actually under-

stood the research portion of your Office. I knew you administered the "American Schools and Hospitals Abroad" appropriation and I thought your research program was limited to your own field of endeavor.

DUPLICATION OF EFFORT ON AID PROJECTS

Today I have learned that your research program covers the entire AID. This would be my concern, brought about through a misunderstanding between certain members of the committee, and, no doubt, the Congress, about the technical aid program. Actually, you have seven technical aid programs, each one doing identically the same work in part, and there is a duplication—that is, the Peace Corps, the U.N. technical aid program, our bilateral technical aid program, FOA technical aid, and the Organization of American States technical aid program. Sometimes there are as many as three agencies actually working on the same project. It is not unusual to find Peace Corps men and the U.S. bilateral aid people actually working on the same project.

The total program is at the point where it cannot be controlled, so the committee, as I indicated earlier, will make the decision.

Dr. BAUMGARTNER. I am sure you will.

Mr. PASSMAN. I can assure you we will be fair. In your own field I would never hesitate to recommend that you have adequate funds.

However, when you start investigating agriculture or rivers and harbors projects, it would appear to me that you may be getting out of your field of schools and hospitals.

Dr. BAUMGARTNER. I think there are two misunderstandings. I take it you are busy because I heard the bells.

Mr. PASSMAN. I am always busy.

EFFORTS TO AVOID RESEARCH DUPLICATION

Dr. BAUMGARTNER. If I may say one thing briefly to you, Mr. Natcher. I would like to tell you the procedure we go through.

If we are seriously considering a research project, it is very carefully cleared with an office in the State Department to insure that we avoid inadvertent duplication with other research underway in the United States or elsewhere. For these and other research information services we contribute $25,000 a year toward staff support.

Second, we are enjoined by the legislation to use other Federal departments, so we try to use these departments when we can. However, their legislation for research, if you read it, does not allow them to do research in other countries unless it is for the good of the U.S. domestic program.

What we try to do is to find out whether the dollars spent by AID are well spent in the total AID program, Mr. Chairman. It is not just American schools abroad.

Let me give you an example. In the various country programs, as you well know, we have spent money on medical education, on education of nurses, et cetera. We have given scholarships, brought people over here, helped them set up, the kind of thing you talked about in India.

Our studies indicate that by no stretch of the imagination is it going to be possible to train enough doctors in these countries to take care of the people. You cannot possibly do it.

What is one of our research projects? It is to see how much of that medical training you can lop off, how well you can train people with a much shorter course. This is the kind of very practical research that means something to those countries, and to the AID program in getting those countries to stand on their feet. The NIH and Public Health Service are not interested in this type of research and could not do it under their legislation.

I think you will find there is not the duplication you think there is.

INSPECTOR GENERAL STAFFING

Mr. PASSMAN. How about the Inspector General? Do you still have an Inspector General in the AID program?

Dr. BAUMGARTNER. We have. He knows what is going on.

Mr. PASSMAN. How many Inspectors General do you have in the AID Agency now?

Dr. BAUMGARTNER. One in the State Department and a Management Inspection Staff in AID. How big a staff they have I don't know. We will be glad to furnish that for the record.

(The information supplied follows:)

MANAGEMENT INSPECTION STAFF

The Management Inspection Staff of AID has a total complement of 31, including professional, secretarial, and clerical.

OFFICE OF THE INSPECTOR GENERAL OF FOREIGN ASSISTANCE

The Office of the Inspector General of Foreign Assistance in the Department of State currently has a staff of 42.

STAFFING LEVELS FOR THE RESEARCH PROGRAM

Mr. PASSMAN. How many people did you have in the research program in 1963, 1964, and project it for 1965?

Mr. TILSON. People on the staff?

Mr. PASSMAN. Yes, in this particular field.

Mr. TILSON. We will have to submit that for the record.

(The information supplied follows:)

STAFF EMPLOYED IN ADMINISTERING AID RESEARCH PROGRAM

As of June 30, 1963, there were 39 people on the Research and Evaluation Staff, the unit then responsible for administering the research program authorized under section 241 of the Foreign Assistance Act of 1961. During fiscal year 1964, this staff was reorganized to support a restructured research program. A number of people were transferred out and others left, leaving vacancies for which qualified replacements have not yet been obtained. Thus, as of June 1, 1964, there were 26 employees on the staff of the Office of Research and Analysis. With the cumulative increase in workload stemming from responsibility for administering contracts initiated in prior years, for evaluating and negotiating an increasing volume of new proposals, and for interpreting, disseminating, and assisting in applying the findings of research studies, it is anticipated that the staff of the Office of Research and Analysis will increase to approximately 44 during fiscal year 1965.

COVERAGE AND SCOPE OF AID RESEARCH PROGRAMS

Mr. PASSMAN. Will you also tell us how broad this program is? You say the research program covers the waterfront for the entire AID Agency.

Dr. BAUMGARTNER. What I said I would be happy to do is to show you the fields in which we propose to do research.

Mr. PASSMAN. Does the Research Division go into the personnel problems of the AID Agency?

Dr. BAUMGARTNER. We have had one project that is taking a look right now at what is known as the participants, that is, scholars we have brought here, students we have brought here. It is following them back in the countries to see whether or not they hold jobs, how well they are prepared to hold the jobs, how much good their training here did.

Mr. PASSMAN. Ramifications of this program are unending. It is like trying to explore space.

Dr. BAUMGARTNER. I don't think it is, sir. I think it may be more difficult.

Mr. PASSMAN. I believe so. You and I can see things alike, I can see that. You think it is harder. I agree.

I have an article of the UPI, datelined California:

Eight hundred million years ago we had an explosion with a brightness perhaps 1 million times greater than the sun.

This light started toward earth at the rate of 186,000 miles per second, and it took it 800 million years to reach the Pacific coast, and all the astronomers are getting pictures of it.

You can imagine how long it will take to explore space at 2,000 miles an hour.

You say exploring space is less difficult than this program. I certainly agree with you.

Dr. BAUMGARTNER. I will tell you why I said that: One of the space people said to me: "Of course, I think this problem of getting other countries to stand on their own feet is difficult. It was difficult for us to learn to do that."

(Discussion held off the record.)

AID COOPERATION WITH EXTERNAL RESEARCH DIVISION OF THE STATE DEPARTMENT

Mr. GRAY. What about this agency which is set up in the State Department which passes on these questions?

Dr. BAUMGARTNER. You mean the AID Research Advisory Committee?

Mr. GARY. Yes.

Dr. BAUMGARTNER. This is our own AID Research Advisory Committee.

Mr. TILSON. I believe Dr. Baumgartner alluded earlier to our arrangement with the External Research Division of the State Department under which we use the service they provide for a number of Government agencies to keep track of research that is underway in other Government agencies and outside the Government.

Mr. GARY. Why should that not be under the Bureau of the Budget rather than the State Department?

Dr. BAUMGARTNER. The organization itself is used by a large number of agencies. However, we pay for our share of what we use.

STUDY ON RESEARCH DELEGATION IN GOVERNMENT

Mr. GARY. I understand. What I am thinking about is this: In addition to being on this committee I am chairman of the Treasury and Post Office Subcommittee. We have the Budget Bureau under us. I will ask the Budget Bureau to make a study of the entire research program of the Government with a view to reducing any overlap and any duplication that is in the research program.

Mr. NATCHER. If the gentleman will yield at that point, I would like to make one suggestion to you respectfully. Rather than the Bureau of the Budget doing that why not let the General Accounting Office make it, and then you will get a good one?

Mr. GARY. I question whether it will be any better.

Mr. NATCHER. The Bureau of the Budget is the bureau of estimates.

Mr. PASSMAN. I want to associate my views with Mr. Natcher. We have used Mr. Campbell's office for years. I have never known of an agency to be any more accurate, any more helpful, and just as impartial as any group I have ever dealt with. They will put it on the line whether it pleases or displeases anyone.

I salute Mr. Campbell every time I think of the service he is rendering to the United States and how difficult it is to render these impartial studies, whether it pleases the Executive or whether it pleases Congress. They put it on the line.

I have nothing but praise for Mr. Campbell and the difficult job they do when they pinpoint that and put it in your lap.

Mr. GARY. GOA can make a study but the Budget Bureau is the only agency that can follow it up by regulating the appropriations and thereby make the study effective.

Besides, while I have a great deal of respect for Mr. Campbell, I want to say his office is not infallible. Our Treasury-Post Office Subcommittee has recently reviewed a recommendation they made and we do not agree with them at all.

I do not think they are infallible. I don't think any organization is.

However, I think the Bureau of the Budget, since they recommend the appropriations for the research projects are the ones to make a study and eliminate any duplication that we have in Government so as to make it as effective as possible.

Mr. PASSMAN. I have never indicated any agency was infallible.

I can only say this: I have never given too much consideration to the appropriation recommendations of the Bureau of the Budget other than as a guideline.

Last year the Congress reduced the President's budget by $8 billion and it seems we will make most of it stick.

Dr. BAUMGARTNER. I am delighted that you believe it is a good idea for research and analysis to be part of this program.

Mr. PASSMAN. Provided you do not go too far afield.

I hope somehow you can stick with "American schools and hospitals abroad."

Good luck. We will be completely fair to you.

Other questions, gentlemen?
Mr. NATCHER. No questions.
Mr. GARY. I have nothing further.

THURSDAY, MAY 28, 1964.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

WITNESSES

HON. HARLAN CLEVELAND, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS
WALTER G. FARR, DIRECTOR, OFFICE OF AFGHANISTAN-PAKISTAN AFFAIRS, AID
LOUIS E. FRECHTLING, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL ADMINISTRATION, DEPARTMENT OF STATE
SIDNEY S. CUMMINS, OFFICE OF INTERNATIONAL ADMINISTRATION, DEPARTMENT OF STATE
LUCIEN L. KINSOLVING, OFFICER IN CHARGE, ARABIAN PENINSULA AFFAIRS, DEPARTMENT OF STATE
NORMAN PARMER, DIRECTOR, DIVISION OF UNIVERSITY, PRIVATE AND INTERNATIONAL COOPERATION, PEACE CORPS
EDWARD F. TENNANT, CONTROLLER, AID
JOHN FUNARI, LEGISLATIVE PROGRAMS COORDINATOR, AID
DAVID BRITT, STAFF COORDINATOR, AID
PAUL RESNIK, STAFF COORDINATOR, AID

Mr. PASSMAN. Mr. Secretary, we are pleased to have you before the committee today. If you have a statement on the program of contributions to international organizations and programs, for which the estimate is $134,400,000, we shall be pleased to hear from you.

GENERAL STATEMENT

Mr. CLEVELAND. Mr. Chairman and members of the committee, voluntary contributions to international agencies and programs will require $134,400,000 during fiscal year 1965. The breakdown by programs follows:

[In thousands]

U.N. Expanded Program of Technical Assistance and Special Fund	$60,000
U.N. technical and operational assistance to the Congo	5,000
U.N. peacekeeping operations: Emergency force (Near East)	850
U.N. Relief and Works Agency for Palestine Refugees	16,000
U.N. Children's Fund	12,000
U.N./Food and Agriculture Organization, world food program	2,300
International Atomic Energy Agency, operational program	1,100
Indus Basin Development Fund	37,000
International Peace Corps Secretariat	150
Total	134,400

This whole foreign-aid program is an expression of the U.S. national interest in keeping the peace, fostering social and economic progress, and building stable national governments in the world's developing areas. The United States channels its input into peace-

keeping and nation building through international organizations whenever (*a*) the task can best be done that way and (*b*) enough other nations will put up enough resources to make the resulting programs truly international.

Many operational activities of the United Nations, its specialized agencies, regional bodies, and provisional organizations, are, of course, funded from regular assessed contributions—the "dues" regularly paid to each of the international "clubs" in which the U.S. national interest is engaged. The U.S. share of these assessments is contained in the regular State Department appropriations each year, and does not require an annual authorization.

A number of special programs, however, are financed by voluntary contributions, and U.S. voluntary contributions have traditionally been authorized and appropriated in chapter III of the annual foreign assistance acts. This appropriation is so closely linked to the assessed contributions to the U.N. agencies and other international organizations that both kinds of funds are administered in the Bureau of International Organization Affairs of the Department of State.

There follows a justification for each of the nine programs for multilateral cooperation contained in our fiscal year 1965 request:

THE U.N. SPECIAL FUND AND EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

As part of our support for United Nations activities generally embraced in the term "U.N. Decade of Development," the United States in 1960 actively supported the establishment of a target of $150 million annually for the costs of the United Nations Expanded Program of Technical Assistance and the Special Fund. In past years we have pledged 40 percent of the total contributions to these two programs, including the assessed and audited local costs contributed by recipient governments—for a maximum, that is, of $60 million. The U.N. already has received sufficient pledges for the present calendar year to draw down $59 million from the United States on the 40-percent matching formula. If other governments continue to increase their contributions as expected, the target of $150 million will be met and perhaps surpassed next year.

APPROPRIATION REQUEST FOR FISCAL YEAR 1965

We are requesting an appropriation of $60 million for 1965 which would, of course, be pledged subject to the standard requirement that our contribution will not exceed 40 percent of actual cash contributions.

At the beginning of this calendar year the Expanded Program of Technical Assistance had 1,700 experts working in 109 countries and territories throughout the less-developed parts of the world. During this year we would expect the program to provide for the training of 3,500 fellows in educational institutions, technical institutions, and other facilities.

COSTS TO DATE

The Special Fund carries out preinvestment projects such as surveys and feasibility studies, applied research and manpower training. Since its inception in 1959, approximately 375 projects have been approved at a cost to the Fund of $336.4 million, which is to be supple-

mented by an additional $472.5 million from recipient countries to meet local costs.

The Special Fund already has achieved some important results. It financed, at a relatively modest cost of $300,000 an electric power survey in Argentina which has thus far brought forth over $300 million in investment from the World Bank, other international sources, and domestic investors, toward the recommended $735 million 10-year program. The program aims at meeting power needs in 6 important regions of the country through construction of 17 thermal and 4 hydroelectric plants and the extension of distribution networks.

In Nigeria, a survey on the Niger River recommended the construction of works which will furnish hydroelectric power, open the river to navigation, and provide flood control. The World Bank has agreed to assist Nigeria in financing the first-phase costs of $190 million.

These are two of eight completed projects which, at a cost to the Special Fund of $3.5 million, have uncovered or confirmed economic opportunities which have thus far attracted investments amounting to $434 million.

The United States took the initiative in 1961 to help improve the administration of these two interrelated U.N. programs, the Special Fund and the expanded program of technical assistance, by proposing that they be merged, with a single governing body, a single interagency advisory committee, a single administration, and a strengthened role for the U.N. resident representative in each developing country. Agreement has already been reached in a special committee of 10 governments on the first 2 items, and we are looking forward to a good deal of progress through organizational changes within the coming year.

U.S. SHARE OF THE U.N.'S TECHNICAL ASSISTANCE EFFORTS

In our judgment, 40 percent continues to be an appropriate U.S. share of the U.N.'s technical assistance and preinvestment efforts. We are dealing here with the transfer of technique and know-how from the most advanced to the less-developed areas of the world. The device of pledging 40 percent of all foreign exchange contributed to the U.N. for these purposes—we match the cash contributions, not the pledges, of other nations—has worked well as an incentive to others to contribute. If it continues to work as well, the U.N. may be able in future years to offer an even wider range of technical services to its less-developed members. But for fiscal year 1965, almost the midpoint in the U.N. decade of development, we think the previously established target of $150 million for these programs (representing a U.S. contribution of $60 million) is a realistic one.

U.N. TECHNICAL AND OPERATIONAL ASSISTANCE TO THE CONGO

The amount of $5 million, the same as provided in fiscal year 1964, is requested for the U.N. civilian operation program in the Congo for calendar year 1965. This program was established to fill the gap left by the departure of Belgian administrators and technicians. It was the largest country program of its kind ever conducted by the U.N. system. In 1964 we have earmarked a major portion of our con-

tribution for use in key areas of primary importance to economic stabilization and internal security and, in addition, have offered $1 million on a matching basis to the Congo Fund to help finance the cost of teachers, doctors, and other essential personnel. It is expected that the same pattern of earmarking and matching contributions will be followed for the Congo Fund in 1965.

The needs of the Congo extend over every part of the country's economic, social, and administrative life. The United States presently finances, through the U.N., 223 experts and technicians in designated activities in such critical sectors of the economy as public finance, economic analysis and coordination, civil aviation, meteorology, telecommunications, mining and natural resources, public works, and police training. This contribution also helps the U.N. defray the cost of a 400-man contingent of Nigerian police providing operational support while police training of the Congolese is in progress. In addition, the United States and other contributors, including the Congo itself, now finance through the U.N. Fund for the Congo, 178 doctors, 800 secondary teachers, and 52 magistrates. In 1965, the Government of the Congo plans to assume major financial responsibility for this last group of personnel.

With the withdrawal of the U.N. military force by June 30, 1964, a continued strong U.N. civilian operation is essential to help the Congolese Government reach the point where it can stand on its own feet.

As a result of our previous efforts, and the effort of other governments, to help the Congo through this difficult period, real progress is now being made in stabilizing both the internal inflation and the external payments balance. A good many Belgian technicians have also been returning to the Congo, and the delayed retraining of the Congolese national army, to make it an internal security force capable of handling the situation after the U.N. force leaves, is also gathering speed.

These developments have made it possible for the Congolese Government to pay for a larger share of the technical assistance it needs, and have enabled us during this fiscal year to place import assistance on a bilateral basis, rather than the emergency arrangements which prevailed. But there still remains a major job of training enough Congolese as teachers, doctors, and technicians in many important fields—from financial administration to airport control to weather forecasting—to enable the Government of the Congo in time to administer without external aid the largest of the newly independent African countries. The recruitment of these kinds of technical aid is best handled on an international basis, drawing people with the necessary skills (including the ability to work in the French language) from many different countries.

Thus by working through the U.N. in the Congo, we get things done we very much want done, and direct the funds to those program areas which seem to us to have a special priority.

U.N. PEACEKEEPING OPERATIONS

The United Nations Force in the Congo, its mission completed, is now being withdrawn and will be out of the Congo by June 30, 1964. Present plans do not call for any costs associated with this operation to be funded in fiscal year 1965.

UNITED NATIONS EMERGENCY FORCE

Conflict in the eastern Mediterranean in the 1940's left a legacy of refugees and bitterness, and the tension was increased in 1956 by the Suez affair. Since that time the United Nations Emergency Force has preserved the peace in the Gaza Strip, where many of the most desperate refugees are housed in camps and along the uneasy Sinai frontier between Israel and the United Arab Republic. Until peace can be maintained there without UNEF, it is in our national interest to continue to help the U.N. maintain this peacekeeping force.

The UNEF is credited with preventing any serious incidents in the area in recent years, and with insuring freedom of shipping in the area near the head of the Gulf of Aqaba. The feeling of security the Force has provided for the local population is reflected in an increase of agricultural development and commercial activity.

The Force was not established as a permanent institution, but it has been so effective in preserving the armistice that it has become virtually indispensable, until it can be demonstrated that attitudes and relations between the people on both sides of the line have improved to the degree that a buffer is no longer needed to prevent armed conflict.

At our instigation, a study was made last year of how much the U.N. Emergency Force could be reduced in strength without damaging the effectiveness with which it performs its important mission. This study recommended a number of economies in the UNEF operation, including a reduction of several hundred troops from the current level of 5,100. These recommendations, which will be carried into effect this summer, are already reflected in reductions in this year's U.N. budget. To reduce the Force further at this time would, in our judgment, regenerate tensions now held in check by the U.N.'s presence in this turbulent area.

FINANCING THE UNEF

The General Assembly will not consider until fall whether and at what level to continue UNEF for 1965, but we expect that it will be continued. If it were to be financed on the same basis as in 1964—by a combination of assessments and voluntary contributions—our voluntary share of the costs will be approximately $850,000, the figure shown in the current request. We cannot, of course, be sure until the General Assembly acts whether UNEF will be financed, as heretofore, by both assessed and voluntary contributions, or whether some arrangement will be worked out for financing the whole cost by assessment.

THE CYPRUS OPERATION

The recent emergency in Cyprus resulted in the establishment of a U.N. peacekeeping force to be financed for 3 months (April to June) by voluntary contributions from certain U.N. members. The Secretary General issued an appeal for $6 million, and thus far $5,454,675 has been pledged.

The United States agreed to make a voluntary cash contribution of up to $2 million and to provide troop airlifts without reimbursement. By reprograming the amounts available under "Contributions to international organizations and programs" we provided $1,576,000 from that source. The additional $424,000 will be financed from the AID contingency fund.

No funds have been requested for this purpose in fiscal year 1965 since the Force is not authorized beyond the end of fiscal year 1964. However, should it prove necessary to continue the Force, we anticipate that the necessary financing would constitute an urgent claim on the contingency fund.

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES

The requirements of the U.N. Relief and Works Agency for Palestine Refugees are expected to decrease in 1965 as new efforts are made to accomplish the systematic reduction of ineligibles from the ration rolls. In 1963—for the first time since 1953—the number of people on the ration rolls not only did not go up but actually declined by slightly more than 2,000 names.

U.S. CONTRIBUTION

The United States proposes to contribute $16 million in cash to UNRWA in 1965—$1.2 million less than the $17.2 million available for comparable contributions during the past several years. At the same time, due to increases in world market prices, we may have to increase the value of the Public Law 480 component of our contribution to maintain the same level of commodity aid. Under no circumstances, however, would we exceed the current level of $24,700,000 of cash and commodities combined—which would represent, as in the past, 70 percent of total contributions from all governments.

The U.S. contribution represents support for a practical means of preventing the politically charged refugee problem from disrupting the security and stability in the region, and for the immediate humanitarian objectives of helping refugees find shelter, food, education, and medical care. But UNRWA was never intended to be a permanent agency. We are therefore continuing—with little expectation of an early breakthrough—to explore all possible means of meeting the Palestine refugees' needs along lines which will lead to a solution of the basic peace-and-security problem in the Middle East.

THE U.N. CHILDREN'S FUND

The U.N. Children's Fund (UNICEF) conducts health, nutrition, and welfare projects for the benefit of children and mothers in the less developed areas. Contributions from other governments to this program have been gradually increasing. The request for $12 million is the same as for the past several years—but the U.S. share has been reduced to 40 percent, where we now propose to maintain it.

UNICEF was established by the U.N. General Assembly in 1946 to provide emergency relief for children in Europe after World War II. Since 1950 its principal purpose has been to help governments in underdeveloped areas of the world establish and carry out long-range health, nutrition, and welfare programs which will bring lasting benefits to children.

MAJOR CHANGES IN PROGRAM THRUST

In the early years it was largely a health program and mostly financed the provision of supplies rather than the training of personnel.

More recently the Children's Fund has been moving more and more into the business of training the categories of specialist personnel required in the less developed areas to provide the technical and management skills required for national programs of special benefit to children, both in the health and welfare fields.

Another major change is also underway. UNICEF used to be largely a rural and village-level program. But with the enormous migration of rural people into the cities—a striking characteristic now of all of the developing countries—more and more of the focus is shifting to special programs for the education, welfare, and feeding of the children who suffer most from the disruptions and deprivations of the drift to the cities.

UN–FAO—WORLD FOOD PROGRAM

The world food program, sponsored jointly by the United Nations and the Food and Agricultural Organization, was begun in 1963 as an experiment to determine, over a 3-year period, whether surplus foodstuffs can be used effectively in an international program to stimulate economic and social development.

Here are some examples of uses of food surpluses for economic development which are being considered, and in some cases are already underway, as part of the world food program experiment:

In the Middle East: Demonstrations of low-cost housing constructions; settling nomad peoples; soil conservation and terrace planting on reclaimed land; forest plantings and rural roadbuilding.

In North Africa: Land reclamation and development through the use of part-time labor of farmworkers; and the payment in food of voluntary workers in an illiteracy campaign.

In the Western Hemisphere: The use of food to assist in financing land colonization, resettlement, and irrigation improvement.

In Africa: Food fellowships to assist students in technical training schools.

In Turkey: Part payment of wages in food for the expansion of iron and steel construction works.

PROPOSED U.S. CONTRIBUTIONS

In addition to the $40 million in surplus agricultural commodities which the United States agreed to contribute, we also pledged up to $6 million over the 3-year period to cover administrative and other costs arising in cash. We are requesting $2.3 million this year as the final installment on this $6 million pledge. The amounts of $1.7 and $2 million were made available during the fiscal years 1963 and 1964, respectively.

INTERNATIONAL ATOMIC ENERGY OPERATIONAL PROGRAM

The United States has contributed cash and services to the International Atomic Energy Agency since 1958 to help developing countries use atomic energy for peaceful purposes.

The Agency assigns technical experts in the field of atomic energy to many developing countries in the world, including countries to which we have given nuclear research reactors, and thus have the

facilities for sound and practical training in nuclear studies. The IAEA also finances fellowships to train scientists from the developing countries in nuclear science in the more complex laboratories and universities of the more advanced countries.

As the peaceful uses of atomic energy expand, the Agency is expected to have an increasingly important role in establishing international rules and regulations in such fields as health and safety, third party liability, and waste disposal. Moreover, with nuclear energy becoming an economically feasible source of power, the need for properly trained scientists and technicians in this field is of course growing rapidly.

PROPOSED U.S. CONTRIBUTIONS

In 1965 we propose to contribute a total of $1.1 million. Of this amount, approximately $400,000 (down from $500,000 this year) will be used for purposes once called the atoms-for-peace program; direct payment of services by U.S. experts, grants for study in the United States and associated grants of small equipment.

The other $700,000 will take the form of a contribution in cash to the IAEA operational program. We have been trying to fold this operational program into the regular budget of the Agency. But that requires a change in the Agency's basic statute and has run into considerable political and constitutional difficulty. Meanwhile, we are moving to reduce our share of the IAEA's operational program, which has been running at 50 percent for several years past. In 1965, we propose to adopt a matching formula by which we would pay 45 percent of the program, and further reduce the percentage in subsequent years.

INDUS BASIN DEVELOPMENT FUND

Our request for contribution to the Indus Basin Development Fund in fiscal year 1965 is $37 million.

The Indus waters fund, administered by the World Bank, is financing a 10-year project to divert to India waters now used in Pakistan, and provide for replacement of the diverted waters by a system of dams, reservoirs, and link canals in Pakistan. Completion of the project is designed to resolve one of the major causes of friction between India and Pakistan.

REQUESTED CONTRIBUTION FOR FISCAL YEAR 1964

During the present fiscal year we have been asked to contribute only $12.4 million because construction problems and delays in letting some contracts slowed down the work and reduced the amounts due to contractors.

Now construction has been speeded up and it is expected that all the contracts will be let by the end of fiscal year 1965. This year's request of $37 million thus represents as firm a requirement as can be developed at this time and is based on the assumption that construction will now proceed on schedule.

The payments called up by the IBRD for the Indus Basin works are based on projected requirements for actual expenditure, principally payments to contractors as work progresses, rather than on the signature of contracts. This method of financing avoids the outflow of dollars from the U.S. Treasury until they are actually needed.

The reduction in the amount of funds required for payment to the Indus Waters Fund made it possible to program fiscal year 1964 funds for other voluntary contributions at essentially the same level we justified as required in the revised estimate submitted in December. It also made possible the funding of part of our pledge we made in late March for support of the U.N. peacekeeping operation in Cyprus.

INTERNATIONAL PEACE CORPS SECRETARIAT

The International Peace Corps Secretariat was formed in January 1963 as a result of actions by the 41 nations represented at the Conference on Middle-Level Manpower held in Puerto Rico in October of 1962. The Secretariat is performing a dual function: It serves as a clearinghouse for information on peace corps type organizations, and it also encourages and assists in the development of volunteer service organizations for service abroad or, in the less-developed countries, for service in their own countries. Already a total of 15 of the more developed countries, in addition to the United States, have established or are about to establish such operations.

CONTRIBUTIONS OF CASH AND PERSONNEL

For its first year the Secretariat operated with personnel contributed by several governments; the U.S. personnel were detailed pursuant to authority in the legislation authorizing the Peace Corps. The United States, as the host government, also made a one-time cash contribution of $40,000, funded from the fiscal year 1963 international conferences and contingencies appropriation, which is available for contributions to provisional organizations.

The interested governments recently voted to continue the Secretariat for 3 years, and representatives of the member governments discussed a proposed budget for fiscal year 1965 at meetings at The Hague in February and at Bonn in April. Adoption of the budget will be on the agenda of the next session of the organization's Council now scheduled for August. The U.S. pledge to the budget when adopted would be limited to 40 percent of total contributions.

The United Nations programs funded from chapter 3 are administered under my responsibility, and I will be glad to try to answer any questions about them. I am accompanied by Mr. Walter G. Farr, of the Agency for International Development, which administers U.S. participation in the Indus waters program, and Dr. Norman Parmer of the Peace Corps, the agency responsible for U.S. participation in the International Peace Corps Secretariat.

Mr. PASSMAN. Thank you, Mr. Secretary, for your statement.

We have a few questions we would like to ask with respect to your statement, sir.

Mr. CLEVELAND. Very well, Mr. Chairman.

Mr. PASSMAN. Before getting into the various programs, Mr. Secretary, may I apologize for the fact we have caused you some inconvenience. It was my understanding you had a speaking engagement. Had I known 3 days ago what I know now we would not have insisted that you appear before the committee today. However, we were trying to meet a predetermined date for reporting the bill to the House. We thought it would be possible for us to conclude our hear-

ings this week, and that is why we said we would have to hear from you today.

We did agree, however, that your deputy could come. I trust that message got through to you.

Since then, the program has been changed, and it may be necessary to have many more days of hearings after we finally get an authorization bill; we did not know that at the time.

I trust you will understand our position.

Mr. CLEVELAND. I understand, Mr. Chairman. Certainly there is no speaking date anywhere in the country that is a match for the importance of appearing before this committee.

FISCAL YEAR 1964 REQUEST AND APPROPRIATION

Mr. PASSMAN. I believe Congress appropriated $116 million for contribution to international organizations last year; is that correct?

Mr. CLEVELAND. That is correct, Mr. Chairman.

Mr. PASSMAN. What did you request of the Congress originally?

Mr. CLEVELAND. The initial presentation was $136 million.

Mr. PASSMAN. Was that in January of last year?

Mr. CLEVELAND. Yes. Then the revised presentation was $130.9 million.

PROPOSED CONTINGENCY FUND TRANSFER TO U.N. PEACEKEEPING OPERATION ON CYPRUS

Mr. PASSMAN. Have you had any supplement out of the contingency fund to your program this year?

Mr. CLEVELAND. We have not actually transferred it to the United Nations yet, but it is proposed to pay $424,000 out of the contingency fund to help make up the $2 million pledge which was made on the President's behalf to the U.N. for the Cyprus peace-keeping operation.

Mr. PASSMAN. That was a need which developed subsequent to the passage of the bill last year.

Mr. CLEVELAND. That is right, Mr. Chairman.

Mr. PASSMAN. You have a fairly satisfactory program operating, Mr. Secretary?

Mr. CLEVELAND. On the Cyprus——

Mr. PASSMAN. No, speaking of the overall.

Mr. CLEVELAND. I think so, Mr. Chairman.

APPROPRIATION HISTORY, FISCAL YEAR 1964

Mr. PASSMAN. Would you furnish for the record a table showing your original 1964 estimate, the several revised estimates during the period August to December, and in the last column show your current fiscal 1964 program?

Mr. CLEVELAND. We have a table here in just that form, Mr. Chairman.

(The information supplied follows:)

PROGRAM ESTIMATES—VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS, FISCAL YEAR 1964

The following table presents the changes in the estimate for the fiscal year 1964 programs included in the category of voluntary contributions to international organizations and programs.

The figures in the first column were those contained in the fiscal year 1964 congressional presentation books dated April 19, 1963, and were the basis for executive branch testimony before the House Appropriations Subcommittee in July 1963.

By December, when hearings were scheduled before the Senate Appropriations Committee, several developments had occurred which led to a change in the estimates: (1) The estimate of the amount which the IBRD would call up from the United States for the Indus Basin Fund had decreased; (2) the U.N. had reached agreement on a financing formula for continuation of peacekeeping forces in the Middle East and the Congo which involved a voluntary contribution from the United States; (3) other countries had increased their pledges to the U.N. Expanded Program of Technical Assistance and Special Fund beyond the amount earlier estimated, thereby calling for additional contributions from the United States under the 40-percent matching formula. The estimates as revised in December are shown in the second column.

The fiscal year 1964 appropriation for voluntary contributions was $116 million, and in addition $336,000 of prior year funds was reappropriated. In the initial reprograming exercise in January 1964, reductions were tentatively made in the levels of certain programs, pending a firm decision on the use of contingency funds. The program levels at that time are shown in the third column and also appear in fiscal year 1965 congressional presentation book.

In mid-March the IBRD communicated formally its call for contributions to the Indus Basin Fund due April 1, 1964. The call on the United States was for $12,313,000, a figure substantially below previous estimates. This reduction made possible increases in other programs and also the partial funding of the new requirement for $2 million as a contribution to the costs of the U.N. force in Cyprus, authorized by the U.N. Security Council on March 27. The remainder ($424,000) of the $2 million pledge is being funded from the contingency fund. The figures appearing in the fourth column reflect changes made in March. No further changes have been made through May 31.

Voluntary contributions to international organizations, fiscal year 1964

[In thousands of dollars]

Program	Congressional presentation		Program levels	
	Initial (1)	Revised (2)	January (3)	March (4)
U.N. peacekeeping forces:				
Cyprus (UNFICYP)	----------	----------	----------	[1] 2,000
Congo (UNOC)	----------	2,473	2,473	2,473
Middle East (UNEF)	----------	1,180	1,247	1,247
U.N. Congo technical and operational assistance	5,000	5,000	5,000	5,000
U.N. Relief and Works Agency for Palestine Refugees in the Near East	17,200	17,200	17,200	17,200
IAEA operational program	1,250	1,250	1,000	1,227
U.N. Children's Fund	12,000	12,000	12,000	12,000
World food program	2,000	2,000	2,000	2,000
U.N. Expanded Program of Technical Assistance and Special Fund	55,000	59,000	51,416	[2] 60,800
WHO medical research	500	500	500	500
Indus Basin Development Fund	43,100	30,300	23,500	12,313
Total	136,050	130,903	116,336	[1] 116,760

[1] Includes $424,000 from the contingency fund.
[2] Includes $1.8 million for calendar year 1963 programs and $59 million for calendar year 1964 programs.

ESTIMATED UNOBLIGATED BALANCES FOR FISCAL YEAR 1964

Mr. PASSMAN. How much unobligated funds do you anticipate you will have at the end of this fiscal year, Mr. Secretary?

Mr. CLEVELAND. I don't believe we will have any unobligated funds.

Mr. PASSMAN. Are you actually able to operate that close?

Mr. CLEVELAND. Yes; because these take the form of contributions to international organizations.

Mr. PASSMAN. In other words, all you have to do is to make the allotment and that is considered obligated; is that correct?

Mr. CLEVELAND. That is correct, Mr. Chairman. I would like to explain, though, that where in our analysis the international organization cannot yet spend the money for quite a while, we put it in the form of a non-interest-bearing note in the Treasury so that for balance-of-payments purposes, dollars do not flow out until actually needed.

Mr. PASSMAN. I understand. We like that system fairly well, and it is good until you find something better.

UNEXPENDED BALANCES

Could you, so that the committee can, this year as in previous years, be generous with its recommendation for your program, ascertain the amount of the unexpended funds in the several international organizations to which we make contributions?

Mr. CLEVELAND. Yes, indeed, Mr. Chairman.

Mr. PASSMAN. The AID people are so anxious to get a good job done they are trying to get all their funds obligated before June 30.

Mr. CLEVELAND. We have that information on each of the international organizations.

Mr. PASSMAN. You have that information?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Do you have it available at this time?

Mr. CLEVELAND. I think we do, yes.

Mr. PASSMAN. Let us read it into the record at this point if you will.

Mr. CLEVELAND. I think——

Mr. PASSMAN. Have you changed your mind?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. In other words, you cannot give it to us now?

Mr. CLEVELAND. I think we can probably get from all or most——

Mr. PASSMAN. I thought you said you had it with you until the gentleman whispered something to you.

Mr. CLEVELAND. We can analyze the pipeline between our obligations and the expenditures to the various agencies, which is in effect——

Mr. PASSMAN. What made you think you had that information?

Mr. CLEVELAND. Because I thought you were referring to what you might call our pipeline.

Mr. PASSMAN. I will take that. What is your pipeline?

Mr. CLEVELAND. U.S. obligations and unexpended.

PIPELINE BY AGENCY

Mr. PASSMAN. We will take the pipeline. Let us take it by agencies. What is the pipeline?

Mr. CLEVELAND. This would be——

Mr. PASSMAN. Let us take all of it and then we will break it out.

Mr. CUMMINS. From fiscal year 1964 funds where we have obligations of roughly $103 million, we have expended or authorized for expenditure at this date some $20,500,000.

Mr. PASSMAN. The unliquidated funds?

Mr. CUMMINS. Leaving about $80 million-plus obligated but unliquidated at the moment.

Mr. PASSMAN. It is obligated only in the sense that it is a contribution but it may well be if you could examine in detail the U.N. fund a good part of it would be unobligated. Is that right?

Mr. CUMMINS. It is obligated on the basis of the fact the United States has made a conditional pledge toward the cost of these programs, and to meet that pledge we estimate this is the amount of funds that would be needed for this purpose.

Mr. PASSMAN. You do have about $16 million purely unobligated, do you not?

Mr. CUMMINS. I was referring to the items exclusive of the Indus Basin item not handled in our particular bureau.

That is the difference.

Mr. PASSMAN. I understand that according to your accounting system when you make the contribution that cleans the slate so far as the AID Agency is concerned.

Mr. CUMMINS. That is right.

Mr. PASSMAN. Nevertheless, even after it is turned over to the international organization it gets into the pot with other contributions.

Mr. CUMMINS. That is right.

UNOBLIGATED BALANCES IN INTERNATIONAL AGENCY ACCOUNTS

Mr. PASSMAN. Then you have to obligate out of that pot. What we are trying to find out is the size of that fund. I guess you have access to it, do you not, Mr. Secretary?

Mr. CLEVELAND. Yes, we have access to it. I am not sure we have it here for all the agencies.

Mr. PASSMAN. Do you understand the information we need? I can understand our system, that it is an international organization. We do not have the right of examination—not the same right as we have with our own bilateral aid.

Nevertheless, it would be good for us to know, and I think you would like to know, how big the unobligated balance is. Let us call it, for the lack of a better word, the pot. Try to help us on that if you can.

Mr. FRECHTLING. We do get financial reports from these organizations. Some are closer at hand and some may have reported at a more recent date. We will give you this information for as recent a date as we can get.

(The information supplied follows:)

Uncommitted funds—International organizations and programs as of Dec. 31, 1963

Organization or program:	Amount
U.N. Expanded Program of Technical Assistance	$5,236,959
U.N. Special Fund	[1] 23,784,828
U.N. Children's Fund	5,539,355
U.N. Emergency Force (UNEF)	([2])
U.N. Economic Assistance to the Congo	415,885
UNRWA	5,994,096
IAEA Operational	878,169

[1] Available for allocation by the governing body in January 1964.

[2] As of Dec. 31, 1963, UNEF had a cash balance of $1,000,000 and obligations of $27,600,000 or a deficit of $26,600,000 at the end of the year. This deficit would be covered by assessments in arrears when they are paid.

Uncommitted funds—International organizations and programs as of Dec. 31, 1963—Continued

Organization or program—Continued	
Indus Basin Development Fund	(2)
U.N./FAO world food program	$3,915,250
International Peace Corps Secretariat	860

2 The World Bank, as administrator of the Indus Fund, signs contracts for construction of works constituting portions of the Indus scheme on the strength of the pledges of the several contributing governments. These contracts provide for initial payments to contractors and subsequent payments as the contractors complete specified portions of the works. The Bank calls up contributions from the contributing governments on Apr. 1 and Sept. 1 of each year, the amount of each call being determined by the Bank's estimate of the amounts to be paid to contractors over the following 6 months.

From the inception of the Fund through Dec. 31, 1963, the Bank had signed contracts providing for ultimate payment of approximately $499,700,000. As of the same date, the Bank had paid out $312,800,000 and held in its accounts actual receipts from participating countries of $56,600,000. On the same date, the Bank (on behalf of the participating governments) had committed approximately $130,300,000 more than was available in its accounts.

UNLIQUIDATED OBLIGATIONS FISCAL YEARS 1961–64

Mr. PASSMAN. Will you repeat the unliquidated estimate as of June 30?

Mr. CUMMINS. About $90 million.

Mr. PASSMAN. How does that compare with fiscal 1963?

Mr. CUMMINS. I think fiscal 1963 at this same time last year might have been a little bit higher.

Mr. PASSMAN. How about 1962?

Mr. CUMMINS. Probably would have been lower.

Mr. PASSMAN. Would you give it to us for 5 years?

Mr. CUMMINS. I would be glad to do that. That would be fiscal 1964, 1963, 1962, 1961, and 1960.

(The information supplied follows:)

Unliquidated obligations fiscal year 1961–64 as of June 30 [1]

	As of June 30, 1961	As of June 30, 1962	As of June 30, 1963	As of June 30, 1964, estimated
International organizations and programs	[2] 28,775,930	67,034,767	82,213,072	89,225,067
Contingency fund	24,648,202	8,707,839	7,000,536	1,301,680
Total	[2] 53,424,132	75,742,606	89,213,608	90,526,747
Less estimated expenditures in June				15,075,021
Total				75,451,726

1 Exclusive of activities handled in Agencies other than State Department, such as Indus Basin Development and IAEA activities managed in AEC.

2 Prior to fiscal year 1962 there was no separate ch. III and each of the individual programs were either separately provided or contained in "Special Assistance."

NOTE.—The fiscal year 1960 amounts are not available since State Department records have been returned to central inactive files.

(NOTE.—For additional information see p. 1313.)

NON-INTEREST-BEARING NOTES IN U.S. TREASURY TO THE CREDIT OF INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Could you tell us the amount of non-interest-bearing notes or bonds in the Treasury to the credit of the international organizations?

Mr. CLEVELAND. Total is just over $45 million.

Mr. PASSMAN. How much over?

Mr. CLEVELAND. $37.2 for the Special Fund, plus $6 million for UNICEF, plus $2.4 for world food program. That is $45.2 million.

Mr. PASSMAN. Could you give it to us for 1960 to 1964, inclusive, for the record?

Mr. CLEVELAND. Yes. We started this system only in 1963.

Mr. PASSMAN. Give it to us for 1963 and 1964 then.

Mr. CLEVELAND. These are in fact, the cumulative figures.

Mr. PASSMAN. This is money you have on hand that will be called for to put into the pipeline?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. This is our part, then, of unliquidated funds as of June 30?

Mr. CLEVELAND. The bonds represent money that we have obligated and expended on the books of the Treasury.

Mr. PASSMAN. But the bonds belong to the international organizations when you are called upon to deliver them.

Mr. CUMMINS. These actually show up as expenditures on the U.S. Treasury books. The Treasury does not actually have to lay out the money in effect until such time as the organizations——

Mr. PASSMAN. I understand. In other words, it is callable capital in one sense?

Mr. CUMMINS. So far as the organization is concerned it is cash. They know the U.S. credit is good.

Mr. PASSMAN. Nevertheless, we are dealing with over $45 million that is available, but the international organizations have not yet called upon the Treasury to turn the money over to them?

Mr. CUMMINS. That is correct.

Mr. CLEVELAND. It is the equivalent of an irrevocable letter of credit.

BREAKDOWN BY APPROPRIATION

Mr. PASSMAN. I understand perfectly what it is.

If you can, give us the $45 million by appropriation. Give us the caption, the appropriation, and the year that these non-interest-bearing notes went in.

Mr. CLEVELAND. Very well.

(The information supplied follows:)

Treasury bond transactions, as of Apr. 30, 1964

BY PROGRAM

	UNICEF	Special fund	World food program
Purchases:			
October 1963	$3,000,000		
Do		$10,000,000	
November 1963	8,590,506		
January 1964		27,189,267	
March 1964			$2,400,000
Total	11,590,506	37,189,267	2,400,000
Redemptions: December 1963	5,590,506		
Net holdings	6,000,000	37,189,267	2,400,000
Total current holdings (all programs)		(45,589,267)	

BY APPROPRIATION ACCOUNT

International organizations and programs	$46,276,782
Contingency fund	4,902,991
Total purchases	51,179,773
Less: Redemptions	−5,590,506
Total current holdings	45,589,267

UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Can you give us the total amount in the pot for all international organizations?

Mr. CLEVELAND. We haven't that for all the agencies for comparable periods.

Mr. PASSMAN. Do you have it for fiscal 1964? Can you give us the amount of unliquidated?

Mr. CLEVELAND. We will have to consult with the agencies and try to get their latest figures in each case.

(The information supplied follows:)

Unliquidated obligation as of May 28, 1964[1]

BY PROGRAM

UNTA and special fund	$56,656,294
UNICEF	16,032,670
Congo, economic	3,500,000
UNEF, voluntary	875,021
UNOC, voluntary	350
Cyprus, voluntary	1,500,000
UNRWA	10,800,000
IAEA, operational	909,765
WHO, medical research	250,000
NATO, science	2,647
Total	90,526,747

BY APPROPRIATION ACCOUNT

International organizations and programs	89,225,067
Contingency fund	1,301,680
Total	90,526,747

BY FISCAL YEAR

Fiscal year 1964	83,397,063
Fiscal year 1963	6,229,666
Fiscal year 1962 and prior years	900,018
Total	90,526,747

[1] Exclusive of activities handled in agencies other than State Department such as Indus Basin Development and IAEA activities managed in AEC.

Mr. PASSMAN. You don't keep it in your portfolio at all?

Mr. CLEVELAND. That comes out of their own accounting and auditing reports.

Mr. PASSMAN. It would appear that you have to know that before you can estimate the amount you need for the next fiscal year.

Mr. CLEVELAND. For past periods.

Mr. PASSMAN. Projecting this into 1965 don't you have to know what is on hand?

Mr. CLEVELAND. Yes, but it is not in that form. It is a question of the projects——

Mr. PASSMAN. Who establishes the level needed in the international organizations? Is it a board?

Mr. CLEVELAND. The governing body of the organization.

Mr. PASSMAN. How many members do we have on it?

Mr. CLEVELAND. It depends on the organization. In the case of the special fund——

MERGER OF U.N. EXPANDED PROGRAM OF TECHNICAL ASSISTANCE AND SPECIAL FUND

Mr. PASSMAN. Let us take the expanded technical aid program.

Mr. CLEVELAND. The Special Fund, which is being merged with the technical assistance program, has a governing board of 24 governments, of which 12 are developed countries and 12 are less developed countries. We are one member of that.

Mr. PASSMAN. You are merging those two funds?

Mr. CLEVELAND. We are merging them.

Mr. PASSMAN. What will it be known as then?

Mr. CLEVELAND. The United Nations development program. This is the proposal that will be coming up to the General Assembly this fall.

Mr. PASSMAN. Are you going to eliminate the U.N. expanded technical aid program?

Mr. CLEVELAND. By name, yes.

Mr. PASSMAN. Why do you always have to change names? AID must have a specialist down there thinking up new names. Is that practice going over into your program?

Mr. CLEVELAND. This is a very important step.

Mr. PASSMAN. It must be. You had not thought of it until this year.

Mr. CLEVELAND. We had thought of it for years.

Mr. PASSMAN. I never heard it mentioned before in this committee.

Mr. CLEVELAND. I used to recommend this before I was even back in the Government. These are two related programs which we think should be administered by a single administrator.

Mr. PASSMAN. All right.

Mr. CLEVELAND. This is what was worked out.

Mr. PASSMAN. I wish you well.

SATISFACTORY PROGRAM DESPITE REDUCTIONS IN APPROPRIATIONS

I believe you stated earlier you had a satisfactory program going at this time?

Mr. CLEVELAND. Well, I think it is serving the U.S. interest.

Mr. PASSMAN. I hope it is.

Mr. CLEVELAND. There are problems but we work on them.

Mr. PASSMAN. You are a taxpayer as I am, and we are both Americans. We have always known there is an asking price and a taking price. It has been most difficult for this committee to ever actually know what the taking price is.

You come here with the asking price, we appropriate what we think is close to what you need, and we have had that action confirmed the following year.

Last year, for example, your amended request was $134 million. We gave you $116 million. You had a satisfactory program. This is true not just with your agency but it is all through the AID program.

Had we given you all you asked for last year you would have had a more than satisfactory program, and that could have been embarrassing.

Mr. CLEVELAND. We were lucky this last year, Mr. Chairman.

Mr. PASSMAN. You mean the taxpayers were lucky. We took some of the fat out.

Mr. CLEVELAND. In the way it worked out in the Indus waters.

Mr. PASSMAN. We hope it works out equally as well this year. We will try to make it work.

U.N. AID VERSUS DIRECT U.S. ASSISTANCE

You commented in your statement in the presentation book on page 25 as follows:

> In addition, the U.N. Organization permits the exercise of initiative in certain highly charged political situations in which direct U.S. intervention could bring about explosive confrontations harmful to our basic interest.

Would you comment on that? That is about as much as I have ever read in one statement.

Mr. CLEVELAND. Mr. Chairman, that refers to such problems as the Arab-Israel dispute, the Congo affair, the Cyprus affair, where to move the U.S. Marines in between two disputing parties does not seem to us to be as good a solution as to have an international force, which we help to finance and we help with logistics support.

Mr. PASSMAN. Correct me if I am wrong. I believe at one time you advocated more of this aid going over into the international organizations and stated it would make it easier for the recipient nations to accept it out of an international organization rather than directly on a bilateral basis?

Mr. CLEVELAND. I think there are some kinds of aid where the sensitive nationalistic leaders of some of the new countries find it easier to work with an international technical assistance person who comes in than with an expert coming under national auspices, even if he happens to be of the same nationality. In other words, where it is a question of a seat at the other fellow's budget table, which is really practically an involvement in domestic decisions, it is easier for him to accept it from an organization which does not, as the Japanese once put it to me, carry the H-bomb in its pocket.

Mr. PASSMAN. I see what you mean.

Mr. CLEVELAND. We have this great power which has to be taken into account.

LACK OF IDENTIFICATION OF U.S. CONTRIBUTIONS TO THE U.N.

Mr. PASSMAN. In other words, "We like what Santa Claus brings but we don't like to identify the donor as Santa Claus." Is that the way it sums up?

Mr. CLEVELAND. In this case it has the further advantage that Santa Claus is in a club with a number of other countries who are putting up 60 percent of the total.

Mr. PASSMAN. Could it be any better said: that we like what Santa Claus brings us but we do not like it to be known it was given to us by Santa Claus?

This reminds me of a mulligan. To make a mulligan, you might take a couple chickens and a coon, slip in a possum, two or three squirrels, potatoes, onions, peas, and some cooking fats. You mix it all up and cook it for about 4 hours.

You have never eaten anything quite so good in your life. However, when you eat it you don't know whether you are eating coon, possum, squirrel, or chicken. It is all mixed up together.

I do not know of any better way to describe this U.N. pot. You get funds into the pot and you do not know who is giving it, like the amount of money going to Cuba from the U.N. funds.

The President can say, "We are not giving money to Cuba."

If it is in that pot, however, it is difficult to say categorically and factually that no part of it is U.S. dollars.

That is no fault of yours. You administer the program. If there is any way you can tell our money from the other fellow's money when it is mixed up in that account let us know about it.

Have I made a factual statement?

Mr. CLEVELAND. Yes; I am not sure all these programs are quite as tasty as mulligan.

Mr. PASSMAN. I am glad you said that. I know they are not.

Mr. CLEVELAND. But they all have the same characteristic; namely, that you get something better by mixing a lot of different elements together.

Mr. PASSMAN. A lot of people want this world to operate that way. You know, some people advocate a one-world government. I could not identify them. You are as familiar with them as I am.

As far as I am concerned, I want my preacher to know when my money drops in the plate. I do not want somebody to say we are taking up a collection for the church, they will not know it is your money, but they are going to get the money just the same. I would rather be identified with the gift. I can never agree with you that our generosity should not be identifiable. I did not pass the legislation, I do not administer it, I do not like it, and I cannot do anything about it. All I can do is recommend, after the committee tells me what to recommend, a figure that will discharge our commitments. Beyond that, all I can do is kind of keep from blowing my top when you people who administer the programs are before the committee.

Mr. CLEVELAND. I thoroughly agree with you that our contribution should be identified. I do not think there are any recipients of these U.N. technical assistance moneys who do not know that the United States of America is the biggest contributor and makes these things go.

USE OF U.S. FUNDS IN U.N. PROGRAM FOR CUBA

Mr. PASSMAN. The U.N. had a program for Cuba. The President said no U.S. money was involved. Can you tell how much of that contribution was U.S. dollars, since you are the only man I ever talked to who said it could be identified? What was the amount of U.S. funds?

Mr. CLEVELAND. We were talking about the proposed agricultural research station.

Mr. PASSMAN. How much was that project? Has it been allocated to Cuba?

Mr. CLEVELAND. No; it has been tentatively approved.

Mr. PASSMAN. I will take that.

Mr. CLEVELAND. But they have been fiddling around with it ever since.

Mr. PASSMAN. I hope they keep fiddling around. How much of our money are they fiddling with? Could you tell us?

Mr. CLEVELAND. They have told us. Paul Hoffman, head of the Special Fund, has said that the intention would be not to use any of the U.S. contribution for this purpose.

Mr. PASSMAN. How can he be sure?

Mr. CLEVELAND. Because he is going to draw experts and equipment mostly from countries that have tied contributions. He knows he is going to use their funds.

Mr. PASSMAN. Then why do we not just stop this monkey business and tie our contribution in the same way as the other countries do? You are actually supporting me 100 percent, that we should keep it separate so that we know and the recipients know. I do not think Paul Hoffman knows what he is talking about. You might say this specific contribution is coming out of country X's contribution to this organization; but you are going to have to turn around and fill the vacuum by a U.S. contribution.

Mr. Cleveland. I would not argue with you that essentially it is a pot.

Mr. PASSMAN. It is either a pot or it is not. You make the case that if you get it in a pot where the recipients could not identify it, that it is better. That is good as long as that fits your argument. When I try to identify what is going to Cuba, we come up with a different formula.

Mr. CLEVELAND. In this particular case there was a great row about it. Things were said about whether the U.S. funds were going to be used, and the Administrator of the Special Fund has told us they would not expect to use any of the U.S. funds for this particular purpose.

Mr. PASSMAN. But out of that pot will come funds for Cuba if you go through with the deal?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. OK. That is all I need. There is no need for me to say it is black, you will say it is white; if I say it is white, you will say it is black. But you do say it is a pot. You say in one instance we need the pot so the recipient nation would not be able to identify the donor. A man like Mr. Hoffman says we give it out of the pot but we are giving it out of the side of the pot, apparently, that which sticks to the side of the pot comes from other countries and what is in the middle is the contribution of the United States. If we cannot do it directly, we will do it indirectly.

Mr. CLEVELAND. It is important, I think, to note that the Communists have put more money into these pots than they have gotten out over the last few years.

Mr. PASSMAN. How about the United States? How much did we get out of the pot? We put more in and we do not get anything out of it, do we?

Mr. CLEVELAND. We get programs worth a hundred percent and we only have to put up 40 cents on the dollar.

Mr. PASSMAN. What do the other people get? Let us analyze that to a conclusion. The Communist countries put in and take out, do they not?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. We put in and taking nothing out other than to say it is in our national interest.

Mr. CLEVELAND. You can say the Communists on one side, you have to say the free world on the other.

Mr. PASSMAN. Yes.

Mr. CLEVELAND. As far as the free world is concerned, the free world gets more out of this than it puts in because the Communists make up the difference. That works out pretty well.

Mr. PASSMAN. You know pretty well the free world may put up as much as 80 percent of the total pot.

Mr. CLEVELAND. It puts in more than that; yes.

Mr. PASSMAN. We could discuss this thing until doomsday. It would just be a question of how many words we are going to put in the record. You know we are putting up this money and a lot of free nations, who call themselves contributors, are likewise getting aid from the United States out of some other fund; is that right?

Mr. CLEVELAND. Yes.

CONTRIBUTIONS TO IDA

Mr. PASSMAN. Take IDA. You have part I and part II countries. Part I countries create the pot for the part II countries. There are 17 countries in part I. We are the biggest contributor. We are going to put up $312 million into the new pot. If you look at the other 16 nations, you will find 13 of them are receiving aid from the United States.

If you had some way of accurately analyzing it, it may be we are putting up 95 percent of the money. You can do out of IDA things you could not do without a big argument if you did it out of our bilateral aid program.

You have a figure of $134,400,000 for contribution to these various international organization programs. This is a voluntary contribution and it is in no sense mandatory that the committee recommend the full amount of the estimate; is that correct?

Mr. CLEVELAND. That is correct.

U.N. EXPANDED PROGRAM OF TECHNICAL ASSISTANCE AND SPECIAL FUND

Mr. PASSMAN. The first program under this estimate is U.N. expanded program of technical assistance and special fund, for which the fiscal 1965 estimate is $60 million; is that correct, sir?

Mr. CLEVELAND. That is correct.

Mr. PASSMAN. Could you tell us at this point in the record, of the $60 million what part of it will do what the U.N. expanded technical aid program has been doing in the past? I know we have it in the pot, we are going to cook it together in the future; but you had to take into account the two before you arrived at the total. How much is it for the expanded technical aid U.N. program?

Mr. CLEVELAND. Roughly $22,800,000 would be used for the kinds of purposes that the expanded technical assistance program, really small-scale technical assistance programs——

Mr. PASSMAN. Pretty big scale as far as I am concerned. You people have figures, do you, on when the U.N. technical aid program started? When did we start carrying it as an identifiable item?

Mr. FRECHTLING. About 1950.

TOTAL CONTRIBUTIONS TO THE TECHNICAL AID PROGRAM

Mr. PASSMAN. Would you furnish for the record the amount of the technical aid program from its inception through fiscal year 1964? Could you do that for us, sir?

Mr. FRECHTLING. Yes.

(The format for data submitted by the Agency has been revised as follows:)

United Nations expanded program of technical assistance, calendar years 1950–64—Government contributions

[U.S. dollars]

Year	United States	Other countries	Total
1950–51	12,007,500	8,028,670	20,036,170
1952	11,400,000	7,397,232	18,797,232
1953	12,767,145	9,553,580	22,320,725
1954	13,861,809	11,159,247	25,021,056
1955	15,000,000	12,626,707	27,626,707
1956	14,414,761	14,414,761	28,829,522
1957	15,270,071	15,552,754	30,822,825
1958	14,086,140	17,216,393	31,302,533
1959	11,863,203	[1] 17,794,805	29,658,008
1960	14,655,445	[1] [2] 21,983,167	36,638,612
1961	17,679,981	[1] [2] 26,519,972	44,199,953
1962 [1]	19,641,913	[2] 29,462,869	49,104,782
1963 [1]	21,619,892	32,429,837	54,049,729
1964 [1]	22,551,686	33,827,529	56,379,215
Total	216,819,546	257,967,523	474,787,069

[1] Provisional.
[2] Includes assessed and audited local costs.

ADMINISTRATION OF MERGED PROGRAM

Mr. PASSMAN. In the future, are you going to be able to identify the amount of the U.N. technical aid program?

Mr. CLEVELAND. For the time being, the merged program will maintain somewhat separable administration for these two kinds of technical assistance—the larger surveys and training programs and preinvestment projects and the small-scale individual technical assistance projects.

Mr. PASSMAN. What do you mean by small scale and large scale?

Mr. CLEVELAND. One person; three, five.

EMPLOYMENT OF THE U.N. SPECIAL FUND

Mr. PASSMAN. What do you do out of the special fund?

Mr. CLEVELAND. The funds in the special fund go primarily for two kinds of things. One is major resource surveys—power surveys, minerals surveys, this kind of thing.

Mr. PASSMAN. That is still technical aid, is it not?

Mr. CLEVELAND. Yes, exactly; but it is a different kind, different scale, requiring different kinds of administration. It was not included in the kind of projects that were authorized back in 1950 for the so-called expanded program of technical assistance.

U.N. TECHNICAL AID EXPANDED PROGRAM

Mr. PASSMAN. Under this expanded technical aid program, they are involved in agriculture, is that right, giving technical aid on how to raise better chickens and how to raise better swine, how to do better farming, certain types of schoolroom instruction—in colleges and universities?

Mr. CLEVELAND. Many of those university contracts are operational in the sense that people go over and actually do the instruction. These are primarily——

Mr. PASSMAN. That is what you would call technical aid, is it not?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. University contracts?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. College contracts, and private contracts if it deals with teaching people our techniques for maybe raising better chickens and swine, better cattle, better farming, better planting of seed?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Better education?

Mr. CLEVELAND. Better education, better health.

Mr. PASSMAN. Do you agree that is correct?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. You have been with this program for a long time; is that right?

Mr. CLEVELAND. Three and one-half years. It seems a long time.

PEACE CORPS AS A TECHNICAL AID PROGRAM

Mr. PASSMAN. We have another purely technical aid program to which they attached a name with a lot of appeal, the Peace Corps. It does the same type of work that six other agencies do. But I cannot get those people to admit it is a technical aid program. They do the same work—bigger and finer chickens—bigger and finer swine, bigger and finer cows, better and higher fences, louder and sweeter instruction. They do the same work, but they just will not call it technical aid. It makes it impossible for me to help them. I want to know if you and I understand that it is the same thing.

Mr. CLEVELAND. I do not really believe the Peace Corps is the same thing.

Mr. PASSMAN. You just identified what you said was technical aid. I named the very things the Peace Corps does.

Mr. CLEVELAND. The technical aid is assisting other people to develop new techniques, et cetera.

Mr. PASSMAN. You mean the Peace Corps instructs rather than does the work?

Mr. CLEVELAND. The Peace Corps, by and large, are over there actually doing the work, doing the teaching, doing the digging or building, or whatever it is.

Mr. PASSMAN. Is that not what you said they do in the U.N. technical assistance program?

Mr. CLEVELAND. The U.N. technical assistance would primarily be assisting the local people of the country to learn how to do it themselves in the process.

Mr. PASSMAN. That is what the Peace Corps does.

Mr. CLEVELAND. To some extent yes.

Mr. PASSMAN. To a very great extent. If you people ever put it on the line, if you would not be evasive, you would have a friendly committee. On a simple project, the U.N. technical aid furnishes the material. The bilateral technical aid furnishes the instructors, and the Peace Corps personnel builds the unit. You sometimes have three of them on the same project. One furnishes the material, one does the instruction, the other does the building.

Mr. CLEVELAND. You would not find U.N. technical assistance people, by and large, doing the actual building themselves. This is the difference.

Mr. PASSMAN. I doubt if you find the Peace Corps actually building a school building. They are instructing.

Mr. CLEVELAND. They are also building school buildings.

Mr. PASSMAN. 53 percent of the volunteers are standing there with a rule and chalk actually teaching. That is what Mr. Shriver said. They are teaching the locals how to build the schools and also are teaching the locals how to read and write. They have an educational television program which is really superduper. They use television to instruct the listeners as to how to do certain things.

ACTIVITIES UNDER U.N. TECHNICAL ASSISTANCE AND THE SPECIAL FUND

I hope you will state for the record the facts as they are—I will try to understand them—that this $60 million for the U.N. expanded program of technical assistance is in reality all technical aid, but it falls into two different categories now.

Mr. CLEVELAND. Since 1959 the comparable figures have included the two elements, expanded technical assistance program and special Fund.

USE OF SPECIAL FUND FOR TECHNICAL AID PURPOSE

Mr. PASSMAN. The Special Fund I believe you defined as larger projects.

Mr. CLEVELAND. Those are larger projects, surveys and training institutions.

Mr. PASSMAN. Is that not in reality technical aid as we think of technical aid overall?

Mr. CLEVELAND. This is, I believe, a form of technical aid.

Mr. PASSMAN. I want to be fair to you; and I know you want to be fair to me.

Mr. CLEVELAND. It is prior to the investment stage of development.

Mr. PASSMAN. Preinvestment surveys?

Mr. CLEVELAND. Preinvestment.

Mr. PASSMAN. Is not that the same type of work, really, that our bilateral technical aid people, as such, have always done?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. To impart to people certain knowledge.

Mr. CLEVELAND. It is comparable to the development grant element of the bilateral program.

Mr. PASSMAN. But you do not make the grant, you merely train them how to make applications, how to execute the applications? You do not actually make loans out of this?

Mr. CLEVELAND. No; that is right.

Mr. PASSMAN. This is to train and instruct people; is it not?

Mr. CLEVELAND. That is right.

Mr. PASSMAN. I am very appreciative of your frankness on this program.

DESIRABILITY OF CORRECTLY IDENTIFYING TECHNICAL AID PROGRAM

Mr. CLEVELAND. It is indeed technical aid.

Mr. PASSMAN. I thank you for that because we have seven of these technical aid programs. If we expand this to $60 million under one caption and keep it identified as technical aid, I am for you on having it under one heading as long as we identify it as technical aid.

Mr. CLEVELAND. It is technical aid.

Mr. PASSMAN. Mr. Cleveland, would it make it difficult to administer the program if we identify this for what it is—that is, the U.N. enlarged expanded technical aid program—give it a caption whereby it can be identified as technical aid? Would that be acceptable to you?

Mr. CLEVELAND. We can certainly identify it as such in this process.

Mr. PASSMAN. If you justify it under this new title, a lot of people will not know what you are talking about. If we keep it in a form where the people who put up the money out yonder can identify it as technical aid, it will be a lot easier to handle. If we are generous in our recommendation, the title within itself would not handicap you in administering it; would it?

Mr. CLEVELAND. If you are generous, Mr. Chairman, we can work the semantics almost any way.

Mr. PASSMAN. We may not agree on my degree of generosity, but as long as we are generous, whether it is by your interpretation or mine, you are not going to have any difficulty administering it if we keep the title to where it is identifiable as technical aid?

Mr. CLEVELAND. That is right.

Mr. PASSMAN. I am very grateful for that contribution.

INCREASE IN FISCAL YEAR 1964 ALLOCATION DESPITE PROGRAM REDUCTION

Page 26 indicates that you propose to allocate to this program $51,416,000 out of the fiscal 1964 appropriation. Has this proposed contribution increased since the printing of the books?

Mr. CLEVELAND. Yes, it has. For the current year we have allocated $59 million. We are also picking up the shortfall in the matching arrangement from the previous year, which amounts to $1.8 million. The total amount that would be charged against the $116 million for fiscal 1964 comes out at $60,800,000.

Mr. PASSMAN. In other words, out of the $116 million that the Congress appropriated, you find you have sufficient money to increase this allocation to $59 million from $51 million?

Mr. CLEVELAND. Yes; it is not an increase because that was what our original presentation called for.

Mr. PASSMAN. Nevertheless, we cut the program to $116 million from $136 million. Out of the $116 million you are able to increase the original allocation from $51,416,000 to $59 million?

Mr. CLEVELAND. Yes, sir. As you recall, in my statement I said that we had done this because the Indus waters project cost so much

less than we thought it would that we were able to pick up the entire congressional cut that way.

Mr. PASSMAN. It is a question of overestimating in some instances and underestimating in others. The very fact that you could do this indicates that we gave you too much money last year.

I am chairman of this subcommittee. I do what a majority of the subcommittee tells me to do. I do what a majority of the full committee tells me to do. Usually I follow through on what the majority of the House tells me to do when I go to conference.

CONSULTATION BETWEEN LEGISLATIVE AND EXECUTIVE BRANCH

If an agency under the foreign aid program decides they want to spend some money in some country that heretofore has not been justified to the Congress, and representatives of that agency come to my office and tell me about it, what purpose does that serve? This is a hypothetical situation. What purpose does it serve if the head of some agency decides to spend a certain amount of money in a certain field that had not been presented to the Congress, and he comes down to my office and tells me about it? What real purpose is served?

Mr. CLEVELAND. This is the process of consultation between the Executive and the Congress that makes it possible to run a government with separation of powers.

Mr. PASSMAN. If I should say no, you go ahead and do it; if I say yes, you go ahead and do it. If your mind has been made up, you are going to do it regardless of my position; is that right?

Mr. CLEVELAND. It depends on the item.

Mr. PASSMAN. If you want to do it, you would do it anyway, would you not?

Mr. CLEVELAND. If the President really wanted to do it, he might do it if he had the authority.

Mr. PASSMAN. Do you know of any case where they did not do it when they alerted me of an expenditure they wanted to make?

Mr. CLEVELAND. I do not know of any.

Mr. PASSMAN. You find one and I will buy you a Stetson hat. I have objected several times in the past. The agency head wastes my time and he also wastes his time.

Mr. CLEVELAND. Last year in these hearings and indeed in the committee report there were words about my not having consulted on an item and we have been quite conscious of that.

Mr. PASSMAN. I never knew of an instance where I disagreed that they did not do just as they wanted to do, and as they have the right to do under the law. I often wondered about the purpose of the visit. I will always take time to talk to them. The very fact that they tell me what they are going to do, I do not see what it is accomplishing, when they know very well they are going to do what they want to do anyway.

My point has not gone over your head, I am sure.

Mr. CLEVELAND. Indeed not. In the case of this particular program there has never been a case where we came and consulted with you that way and you said not to do it so we never have had a test case.

Mr. PASSMAN. I will cite you several cases.

Mr. CLEVELAND. There may be other cases in other agencies.

NIGER RIVER DAM PROJECT

Mr. PASSMAN. I note on page 5 of your statement the Special Fund carried out a survey of the Niger River in Nigeria which recommended construction of the Niger River Dam. Your statement indicates that the World Bank has agreed to assist Nigeria in financing the first phase cost of $190 million. Is the United States contributing any funds for assisting in this project, Mr. Secretary?

Mr. CLEVELAND. We are the major contributor to the World Bank.

Mr. PASSMAN. Other than that. I know we are a contributor to the World Bank. Other funds other than the World Bank?

Mr. CLEVELAND. I am afraid I do not know whether there are any bilateral funds.

Mr. PASSMAN. Put it in the record. There are 16 spigots. I think we have a real big program going in Nigeria.

Mr. CLEVELAND. Over a period of time, yes.

(The information supplied follows:)

U.S. CONTRIBUTION OF FUNDS TO NIGER RIVER DAM PROJECT IN NIGERIA

The only direct U.S. contribution to Niger River Dam project for Nigeria has been a $14 million AID loan to cover the foreign exchange costs of the project. Other external financing is being negotiated with International Bank for Reconstruction and Development, and the Government of Italy, the United Kingdom, and the Netherlands, with possible participation by other countries.

Mr. PASSMAN. How many countries, if any, place restrictions on the use by the Fund of their contribution?

SOVIET BLOC RESTRICTIONS ON USE OF CONTRIBUTIONS TO THE U.N. TECHNICAL AID FUND

Mr. CLEVELAND. Generally speaking, it is the bloc countries that place restrictions. In effect, they tie their technical services in the same way a good many countries tie capital investment.

Mr. PASSMAN. They make sure they are going to get it back before they make it?

Mr. CLEVELAND. No, to make sure Russians get used.

Mr. PASSMAN. To be sure it serves Russia's purpose, if it is Russia?

Mr. CLEVELAND. They think it especially serves Russia's purpose to have Russian technicians used.

Mr. PASSMAN. Would you not agree to that?

Mr. CLEVELAND. I am not so sure.

Mr. PASSMAN. You do not think it serves our purpose to have U.S. technicians on the job?

Mr. CLEVELAND. To some extent, but it also serves our purpose if we want a job done and a Dutchman can also do the job, it serves our purpose if he does it.

Mr. PASSMAN. What if the Russians do the job?

Mr. CLEVELAND. The Russians all seem to work for the Russian——

Mr. PASSMAN. If you had a Russian technician that could do the job just as well, we will say, down in one of the Latin American countries, would that be just as good?

Mr. CLEVELAND. If the Russian were prepared to work by the rules of the game, which are that——

Mr. PASSMAN. Say he is going to build——

Mr. CLEVELAND (continuing). He should serve as an international civil servant. They all seem to operate half time as agents.

Mr. PASSMAN. It either fits or it does not. If you are building Chic Sales in country X, and you have a Russian technician and you have a United States technician, both countries are contributing to the U.N., would you object to the Russian doing the work?

Mr. CLEVELAND. I would object under present conditions.

Mr. PASSMAN. I would object, too.

Mr. CLEVELAND. I would object to the Russians doing the work because the Russians do not act as international civil servants.

Mr. PASSMAN. What if he is a deaf and dumb man and could not speak or make signs but he could build a Chic Sale just as well as our people. Would you object to his going in and building it?

Mr. CLEVELAND. If he could do the work and did not play politics, yes.

Mr. PASSMAN. Good. That answers my question. Is it true that Russia places restrictions upon their contribution to the U.N. technical aid program?

Mr. CLEVELAND. Yes, they do. Their restrictions are in effect tying their contribution to items that can be bought for rubles.

Mr. PASSMAN. On projects that are approved by them?

Mr. CLEVELAND. They participate in the approval through the same Board that we do.

Mr. PASSMAN. Anything requiring dollars they are out of it, are they not?

Mr. CLEVELAND. Anything that requires dollars, they are out of it.

Mr. PASSMAN. Why do we let them make a mockery of a program like this? Do any other countries place restrictions on the use of their contributions?

Mr. CLEVELAND. Outside of the bloc——

Mr. PASSMAN. I said country.

Mr. CLEVELAND. Yes; all the Communist countries operate on this basis.

Mr. PASSMAN. Why do you not get them out of the United Nations expanded technical aid program and put them in another pot? Let it be known as the bloc country pot.

Mr. CLEVELAND. It is pretty widely known that is the way it works.

Mr. PASSMAN. I do not know how it could be. We have had people before the committee who stated it is not important that people know where this aid comes from as long as it does good. You remember the day that philosophy was quite prevalent on the Hill.

Mr. CLEVELAND. I do, but I do not agree with it.

Mr. PASSMAN. I do not, either, but there have been such people before this committee. It is a sure thing, Mr. Secretary, that if this money is flowing out as freely as it is out of this big pot—it is a substantial pot with a lot of countries—and the Russians are a contributor to it, the recipient government may not be getting 1 ruble, but Russia gets credit, because she is a part of it. I do not see how in the world you are ever going to be able to bring these people in line. I believe I could make a contribution if you would permit me to sit with you occasionally on this program. I would offer a motion that we create a bloc pot. Those countries who insist on contributing their local currency, which goes back into Communist countries for projects that must be

approved by them, should be contributing to a bloc pot. Then when you make contributions to these countries out of the free world pot, these people could know where this contribution comes from.

I can assure you that you have people believing Russia is making a contribution through this fund, when you and I know they have not put up a nickel of it. Would you give some thought to that?

Mr. CLEVELAND. Among the recipients of these U.N. programs, it is widely known that you are not getting any Russian aid unless you are getting a Russian.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I was in hopes you would give a little encouragement that you should have two funds, one known as bloc country funds, identify what those funds can be spent for; one known as the free world group that can be spent where it will do good, that we are interested in helping mankind. We are interested in helping them acquire freedom. We are interested in helping them have a better standard of living. Beyond that we have no designs. I wish you people would give some thought to that suggestion.

CONTRIBUTIONS AND PLEDGES TO THE U.N. TECHNICAL ASSISTANCE FUNDS

Will you, for the benefit of the committee at this point in the record, furnish a list showing the name of the bloc country, the amount they contribute, the total, and for what purposes the total can be used for, and under what conditions, and list the restrictions?

Then give us another table showing the free world countries, the liberty-loving countries, the people who are working to improve the lot of the underprivileged people, and show at the bottom no restrictions, that it is in the interest of mankind. I hope my terminology may be acceptable and you will enlarge on it. Can we get those two lists?

Mr. CLEVELAND. Yes, sir.

(The information supplied follows:)

Contributions and pledges to the expanded program of technical assistance and the special fund may be made in the countries national currencies, although governments are urged to contribute in currencies that are readily usable. As a practical matter most of the pledges are payable in readily usable currencies; i.e., U.S. dollars or in the donor's currency with provision for full or partial convertibility. Only some of the pledges which are made in the donor's currency with limited or no provision for convertibility are considered to be difficult currencies. For example the local currency pledged by a country receiving assistance from these programs can be readily used in implementing the projects authorized. Local currency pledged by a net doner country without provision for free convertibility may, however, prove to be difficult.

The pledges of the Soviet bloc countries are payable in their national currency and, therefore, must be used primarily for the employment of experts or purchase of equipment. In the case of the U.S.S.R., the Ukrain S.S.R., and the Byelorussian S.S.R., provision is made for limited convertibility. Those countries permit the conversion of rules for the following purposes: To cover the travel and other expenses of experts, fellowships, or mission. In 1963 about 37 percent of the contribution in rubles was converted for the purposes listed.

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE, CALENDAR YEAR 1964

Soviet bloc countries' pledges

Albania	2,000
Bulgaria	10,256
Byelorussian S.S.R.	100,000
Cuba	25,000
Czechoslovakia	104,166
Hungary	31,942
Poland	120,000
Rumania	33,333
Ukrainian S.S.R.	250,000
U.S.S.R.	2,000,000
Total	2,676,697

Other countries' pledges

Contributing countries	Payable in U.S. dollars, fully convertible	Payable in convertible currencies or in the currency of the donor with provision for full or partial convertibility	Payable in the currency of the donor with limited or no provision for conversion
Afghanistan	17,000		
Algeria	40,000		
Argentina			113,388
Australia	150,000		600,000
Austria	225,000		
Belgium		625,000	
Bolivia	15,000		
Brazil			104,839
Burma		40,000	
Cambodia			11,428
Cameroon	4,000		
Canada		2,150,786	
Ceylon			25,000
Chad			2,400
Chile			100,000
China	5,000		19,000
Colombia	81,889		
Congo (Brazzaville)			1,200
Congo (Léopoldville)			35,000
Costa Rica	10,053		
Cyprus			9,800
Dahomey			20,325
Denmark		1,085,855	1,085,855
Dominican Republic			30,000
Ecuador	30,000		
El Salvador	7,700		
Ethiopia	20,000		
Federation of Malaya	25,000		
Finland		150,000	
France		1,852,555	
Gabon			8,130
Germany, Federal Republic of		2,650,000	
Ghana			99,224
Greece			50,000
Guatemala	12,000		
Guinea			13,300
Holy See	1,000		
Iceland		8,012	
India			850,000
Indonesia			60,000
Iran			125,000
Iraq	72,000		
Ireland		20,000	
Israel			80,000
Italy	900,000		
Jamaica		10,000	
Japan		630,000	
Jordan	25,000		
Korea, Republic of			8,000
Kuwait	125,000		
Laos	3,000		
Lebanon		32,000	

Other countries' pledges—Continued

Contributing countries	Payable in U.S. dollars, fully convertible	Payable in convertible currencies or in the currency of the donor with provision for full or partial convertibility	Payable in the currency of the donor with limited or no provision for conversion
Liberia	35,000		
Libya	60,000		
Luxembourg		4,000	
Madagascar		6,098	
Mali			20,325
Mauritania			20,000
Mexico		121,000	
Monaco			1,114
Mongolia			10,000
Morocco			55,000
Nepal		4,000	
Netherlands		1,790,254	
New Zealand		69,522	208,565
Nicaragua			4,000
Niger	10,000		
Nigeria			95,211
Norway		980,000	
Pakistan		85,000	165,000
Panama	5,000		
Peru	40,000		
Philippines	66,000		
Portugal	30,000		
Saudi Arabia	100,000		
Senegal	16,000		
Sierra Leone	10,000		
Spain			75,000
Sudan	90,000		
Sweden		2,000,000	
Switzerland		813,953	
Syria			13,089
Tanganyika			4,900
Thailand	48,000		
Togo			2,500
Trinidad and Tobago	20,000		
Tunisia	30,000		
Turkey			273,333
Uganda			700
United Arab Republic			114,995
United Kingdom		3,750,000	
United States of America	22,551,686		
Uruguay		100,000	
Venezuela	350,000		
Vietnam, Republic of			25,714
Yemen	1,000		
Yugoslavia	30,400		121,600
Total	25,261,728	18,978,035	4,662,935

UNITED NATIONS SPECIAL FUND, CALENDAR YEAR 1964

Soviet bloc countries' pledges

Albania	2,000
Bulgaria	10,256
Byelorussian SSR	50,000
Cuba	40,000
Czechoslovakia	69,444
Hungary	21,295
Poland	150,000
Rumania	16,667
Ukrainian SSR	125,000
U.S.S.R	1,000,000
Total	1,484,662

Contributing countries	Payable in U.S. dollars, fully convertible	Payable in convertible currencies or in the currency of the donor with provision for full convertibility	Payable in the currency of the donor with no or limited provision for conversion
Afghanistan	12,500		38,500
Algeria	60,000		
Argentine			98,113
Australia	560,000		
Austria	450,000		
Belgium		665,000	
Bolivia	15,000		
Brazil			104,839
Burma		35,000	
Cambodia			10,000
Cameroon	4,000		
Canada		4,625,347	
Ceylon			20,000
Chad			3,600
Chile			100,000
China	5,000		22,000
Colombia	30,150		
Congo (Brazzaville)			1,800
Congo (Léopoldville)			70,000
Costa Rica	10,000		
Cyprus			11,200
Dahomey			20,325
Denmark		1,882,149	
Dominican Republic	15,000		
Ecuador	60,000		
El Salvador	2,000		
Ethiopia	29,000		
Finland		350,000	
France		1,122,066	
Gabon			12,195
Germany, Federal Republic of		5,350,000	
Ghana			42,000
Greece			50,000
Guatemala	8,000		
Guinea			26,700
Holy See	1,000		
Iceland		8,012	
India			2,150,000
Indonesia			60,000
Iran			175,000
Iraq	62,000		
Ireland	30,000		
Israel			100,000
Italy	1,350,000		
Jamaica		15,000	
Japan			2,219,504
Jordan	17,000		
Korea, Republic of			50,000
Kuwait	125,000		
Laos	7,000		
Lebanon		50,000	
Liberia	25,000		
Libya	60,000		
Luxembourg		6,000	
Madagascar		6,098	
Malaysia			10,000
Mali			20,325
Mauritania			10,000
Mexico		100,000	
Monaco			1,114
Morocco			125,000
Nepal	4,000		
Netherlands		3,842,154	
New Zealand		139,043	
Nicaragua			12,000
Niger	6,000		
Nigeria			184,822
Norway		3,080,000	
Pakistan			380,000
Panama	5,000		
Peru	100,000		
Philippines	200,000		
Portugal	10,000		
Saudi Arabia	100,000		
Senegal	24,000		
Sierra Leone	10,000		

Contributing countries	Payable in U.S. dollars, fully convertible	Payable in convertible currencies or in the currency of the donor with provision for full convertibility	Payable in the currency of the donor with no or limited provision for conversion
Spain			50,000
Sudan	70,000	8,100,000	
Switzerland		1,046,512	
Syria			7,853
Tanganyika			4,900
Thailand	192,000		
Togo			2,500
Trinidad and Tobago	40,000		
Tunisia	60,000		
Turkey			329,667
Uganda			1,400
United Arab Republic			229,991
United Kingdom		6,250,000	
United States of America	36,412,485		
Uruguay		50,000	
Venezuela	260,000		
Vietnam, Republic of			16,686
Yemen	1,000		
Yugoslavia			220,000
Total	40,432,135	36,722,381	6,992,034

POSSIBILITY OF REDUCTION IN U.S. PERCENTAGE PARTICIPATION IN FUNDS

Mr. PASSMAN. Mr. Secretary, inasmuch as it would appear that the contributions to the special fund and the expanded program of technical assistance are approaching and will possibly exceed the target of $150 million annually, is it not appropriate for the United States to look toward a reduction in our percentage of contribution to the fund as well as a reduction in our annual dollar contribution, possibly looking toward an annual contribution of from 15 to 20 percent or slightly more if necessary?

Mr. CLEVELAND. Mr. Chairman, we have taken a careful look as we indicated last year we would, at the problem of our 40-percent matching contribution. Our conclusion, for this next round at least, is that 40 percent continues to be an appropriate U.S. share of these programs, and that our matching arrangement has worked very well in getting other countries to put up their share.

Mr. PASSMAN. Is that really our assignment, to talk old, enlightened, wealthy countries and talk them into it? Do they not think of the value of their freedom and their security? Why is it that 1 nation out of 112 has to say it is our responsibility to talk other enlightened people into doing these things? Do they ever talk us into doing anything or is the talking all coming from our side? I always thought the man who did the most talking usually wound up on the little end of the horn.

Mr. CLEVELAND. Talking goes both ways, but it seems to me it is very much in our interest to get other developed countries to put up funds for these kinds of purposes so we do not have to do it all by ourselves.

Mr. PASSMAN. Do they do that strictly upon our urging?

Mr. CLEVELAND. No, but our urging and our matching helps.

Mr. PASSMAN. Suppose we were to cut it down and say, gentlemen, we have matched ourselves into an unbalanced budget; you people have substantial unused gold and you have substantial dollar balances you are not using; how about you letting us do less talking and you do a little more matching? Did you ever try that formula on them?

Mr. CLEVELAND. We tried the formula of asking them to do more, and they have done it. It helps in fund raising when somebody comes to you and says that if you will put up a dollar, there is another fellow who also puts up a dollar.

Mr. PASSMAN. This would be wonderful, but it does not work that way.

Mr. CLEVELAND. By putting up $1 you can make a contribution of $2 in effect. That is a technique that works pretty well here at home, and also internationally.

Mr. PASSMAN. Does it mean if you let us do the most talking, you will also let us put up the most money? We originate these programs and talk somebody into it. You are doing business with enlightened people. How many nations in the free world group that are contributing to this outfit?

Mr. CLEVELAND. 106, in 1964.

CONTRIBUTION FROM UNITED STATES AND OTHER FREE NATIONS

Mr. PASSMAN. What is our total contribution to the pot?

Mr. CLEVELAND. In 1964 it was $59 million.

Mr. PASSMAN. I am talking about the percentage.

Mr. CLEVELAND. Forty percent.

Mr. PASSMAN. Forty percent. What is the contribution by the other 105 free nations? Take out the bloc nations and see whether we should not let them do more talking and we do less contributing. How about that, Mr. Frechtling?

Mr. FRECHTLING. We have separate figures for the expanded program of technical assistance.

Mr. PASSMAN. Out of the 106 free world nations making contributions?

Mr. FRECHTLING. Yes.

Mr. PASSMAN. We are one of them. What is the percentage of the total of the other 105? First subtract the bloc nations.

Mr. CLEVELAND. Sixty percent is the total.

Mr. PASSMAN. It takes all the contribution to round out the hundred percent?

Mr. CLEVELAND. Yes.

PERCENTAGE CONTRIBUTION OF SOVIET-BLOC COUNTRIES

Mr. PASSMAN. Subtract the bloc nations and see what those 106 free nations are contributing percentagewise. I can ask the question another way. What percentage are the bloc nations contributing in total?

Mr. CLEVELAND. We will have to add up the bloc percentages.

Mr. PASSMAN. Let us take a 5-minute recess and do that.

(Recess taken.)

Mr. PASSMAN. The committee will come to order. Before we yielded to the mathematical section, we took a brief recess to ascertain what the other 106 members of the free world were contributing to the U.N. technical aid program. I believe the figures are now available. What is the percentage?

Mr. CLEVELAND. The total amount for 1964 is $147.8 million, of which the United States——

Mr. PASSMAN. Is that just the free world country part?
Mr. CLEVELAND. This is the total.
Mr. PASSMAN. Give us the bloc country total.
Mr. CLEVELAND. $4 million.
Mr. PASSMAN. How many nations?
Mr. CLEVELAND. Seven.
Mr. PASSMAN. Seven bloc countries, including Russia, putting up $4 million?
Mr. CLEVELAND. Yes.
Mr. PASSMAN. They designate the type of currency and the project where it is to be spent?
Mr. CLEVELAND. Yes.

TOTAL FREE WORLD CONTRIBUTIONS

Mr. PASSMAN. Subtract that $4 million; that is terrific. That leaves $143,800,000; is that correct?
Mr. CLEVELAND. $143.8 million.
Mr. PASSMAN. What part are we putting up?
Mr. CLEVELAND. We are putting up $58.9 million of that.
Mr. PASSMAN. Thank you, Mr. Cleveland. Does that not indicate clearly that there is some substance to my suggestion? Why should we not indicate to the world that the bloc nations, including Russia, are only putting up $4 million of this $147,800,000 and yet around the world they get credit for being a contributor to this U.N. fund and the recipients do not know how little the bloc countries are contributing and to what extent their restrictions are. Knowing of your background as a good administrator, I believe you are going to explore the possibility of breaking this out in a pot to itself.

CONTRIBUTIONS FROM THE SOVIET BLOC

This shocks me. I thought I knew something about the program. I am amazed to think that we have permitted these people to outsmart us to the extent that they have, that they are only contributing $4 million, which is only about 2½——
Mr. CLEVELAND. About 3 percent.
Mr. PASSMAN. About 3 percent of the total. Yet they are getting as much credit as poor old Uncle Sam who is putting up $58.9 million.
Mr. CLEVELAND. The only part I do not agree with is that they are not getting that credit.
Mr. PASSMAN. I did not know this situation existed. This shocks me, it surprises me. Some of these people are not as smart as I am—I mean, the recipients. I say that, I could not prove it. How could these people in the underdeveloped countries that cannot read or write have any knowledge that this money is not coming from Russia? As far as I am concerned, I am going to put out statements somehow to get it in the press that the Communist bloc is not putting up anything. They are merely promising to put up 3 percent. Then in their own currency and they place such restrictions upon it that there is a question whether any of it is ever spent. You could blow these people out of the water and make sputnik look like it is still on the ground. I do not know why you do not avail yourself of that opportunity.

Mr. CLEVELAND. I assure you every time these matters come up in U.N. committees that we do raise Cain about this. So do a good many other nations.

Mr. PASSMAN. That is in the committee. Why do you not do it in the press? Seven bloc countries including Russia are putting up $4 million out of $147,800,000 and getting credit for being large contributors. That is, so far as the people are concerned. I do not believe the Members of Congress—I have heard more statements that by doing this we get the bloc countries in, but this is ridiculous.

Mr. CLEVELAND. I do not think they are getting any credit for this.

Mr. PASSMAN. I do not see how they could.

Mr. CLEVELAND. It is an open scandal around the U.N. that they put up so little and restrict it so much.

Mr. PASSMAN. You are giving aid to the recipients in the underdeveloped countries.

Mr. CLEVELAND. They are represented in all these committees.

Mr. PASSMAN. I do not see why. Why would you not say we are not going to operate on this basis, we are going to create a bloc pot, and a pot known as the free nation pot, 106 nations are putting up $143,800,000 to be spent where it will help people. The Communist bloc of seven nations are only putting up $4 million with such restrictions, that little of it, if any, has ever been spent to help any person anywhere. You could blow them out of the water.

Mr. CLEVELAND. That is what we have been saying at the top of our voices.

Mr. PASSMAN. I have never heard it before. Well, I have put out the seed. You put the fertilizer to it. It may grow into something useful.

Mr. CLEVELAND. We will take another look as to whether we can advertise their delinquency better.

Mr. PASSMAN. Delinquency? They are not giving anything and they are getting credit for a lot.

Mr. CLEVELAND. I mean that. That is what I mean.

Mr. PASSMAN. I am glad you said that is what you meant. When you make up these pots, you do not have any spectators; it is strictly executive, is it not?

Mr. CLEVELAND. Most of the time it is open session. You start talking about numbers in an open session and they are not likely to get into the press. It is only executive session testimony that is interesting enough to get into the press.

Mr. PASSMAN. When you work out the percentage on these pots and have the wool pulled over your eyes such as this, is it in executive session or in the open where people can observe?

Mr. CLEVELAND. This is in public session.

Mr. PASSMAN. Could I come in and get close enough to hear you?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Let me know when you are going to mark up one of these things. I am serious. I would like to know how these people can act like this and get by with it.

Mr. CLEVELAND. Next time we have a row on this subject, I will——

Mr. PASSMAN. Let me know before the row starts. If that is all you can do by having a row, I would not fuss at them any more. I just would not meet with them. I could almost give you that much if you would take a postdated check and not use it. That is the way they operate.

U.N. EMERGENCY FORCE IN THE GAZA STRIP

How long has the U.N. Emergency Force been operating in Gaza Strip, Mr. Secretary?

Mr. CLEVELAND. Since right after the Suez crisis. The very end of 1956, early 1957.

Mr. PASSMAN. Would you furnish for the record the total cost?

Mr. CLEVELAND. Yes.

(The information supplied follows:)

The total cost to the United Nations for the U.N. Emergency Force in the Middle East (UNEF), from its inception through the present financing period (November 1956 to December 1964) will have amounted to $169,230,000. Included in this amount is that period of operations when UNEF was financed from the proceeds of the U.N. bond issue (July 1962 to June 1963; $19,230,000).

Mr. PASSMAN. Could you furnish for the record information indicating for the fiscal years the amount of the U.S. contribution and the contribution of other countries showing volunteer and assessed contribution of each to this Emergency Force operation?

Mr. CLEVELAND. Yes, sir; we have a table showing that.

(The information supplied follows:)

United Nations Emergency Force (UNEF) assessed and voluntary contributions by fiscal periods November 1956 to December 1964

	November 1956 to December 1958	January to December 1959	January to December 1960	January to December 1961	January to June 1962	July 1962 to June 1963	July to December 1963	January to December 1964	Total
U.S. contributions:									
Assessed	$13,023,563	$4,943,146	$6,497,064	$6,115,519	$3,121,950		$3,037,040	$5,664,856	$42,403,138
Voluntary	14,112,431	3,500,000	3,200,000	1,800,000	1,320,000		371,546	871,905	25,175,882
Share financed from U.N. bond proceeds						$6,157,446			6,157,446
Subtotal, United States	27,135,994	8,443,146	9,697,064	7,915,519	4,441,950	[1] 6,157,446	3,408,586	6,536,761	73,736,466
Other members' contributions:									
Assessed	27,005,425	10,261,854	10,027,936	10,949,481	5,240,550		5,771,067	10,428,788	79,685,101
Voluntary	858,581	295,000	275,000	135,000	67,500		320,347	784,451	2,735,879
Share financed from U.N. bond proceeds						13,072,554			13,072,554
Subtotal, others	27,864,006	10,556,854	10,302,936	11,084,481	5,308,050	[1] 13,072,554	6,091,414	11,213,239	95,493,534
Total U.N. costs	55,000,000	19,000,000	20,000,000	19,000,000	9,750,000	19,230,000	9,500,000	17,750,000	169,230,000

[1] During the period July 1962 through June 1963 the UNEF peacekeeping operation, totaling $19,230,000 was financed from proceeds of the U.N. bond issue, with no assessments levied against member states. The annual installments on the repayment of both the principal and interest on the bonds will, over the 25-year-maturity period, be included in the U.N. regular budget. The U.S. assessed share during the period July 1962 through June 1963 was 32.02 percent. Therefore, in order to reflect the overall cost to the United States of the UNEF operations, the proportionate U.S. share (32.02 percent) of the $19,230,000, amounting to $6,157,446, is included in the above table. Similarly, that share of peacekeeping operations financed from the U.N. bond proceeds applicable to other member states, is reflected in the table.

Assessments and estimated voluntary contributions for the United Nations Emergency Force (UNEF) for the period January to December 1964

[U.S. dollars]

Member countries [1]	Assessed contributions	Voluntary contributions [2]	Total	Percent of total contributions
Afghanistan	4,333		4,333	0.024
Albania	3,466		3,466	.020
Algeria	8,665		8,665	.049
Argentina	87,518		87,518	.493
Australia	293,681	45,219	338,900	1.909
Austria	79,613	12,257	91,870	.517
Belgium	212,299	32,630	244,929	1.380
Bolivia	3,466		3,466	.020
Brazil	89,251		89,251	.503
Bulgaria	17,330		17,330	.098
Burma	6,066		6,066	.034
Burundi	3,466		3,466	.020
Byelorussia	91,997		91,997	.518
Cambodia	3,466		3,466	.020
Cameroon	3,466		3,466	.020
Canada	551,979	84,971	636,950	3.588
Central African Republic	3,466		3,466	.020
Ceylon	7,798		7,798	.044
Chad	3,466		3,466	.020
Chile	22,529		22,529	.127
China	395,997		395,997	2.231
Colombia	22,529		22,529	.127
Congo (Brazzaville)	3,466		3,466	.020
Congo (Léopoldville)	6,066		6,066	.034
Costa Rica	3,466		3,466	.020
Cuba	19,063		19,063	.107
Cyprus	3,466		3,466	.020
Czechoslovakia	183,993		183,993	1.037
Dahomey	3,466		3,466	.020
Denmark	102,612	15,735	118,347	.667
Dominican Republic	4,333		4,333	.024
Ecuador	5,199		5,199	.029
El Salvador	3,466		3,466	.020
Ethiopia	4,333		4,333	.024
Finland	65,459	10,104	75,563	.426
France	1,050,882	161,826	1,212,708	6.832
Gabon	3,466		3,466	.020
Ghana	7,798		7,798	.044
Greece	19,930		19,930	.112
Guatemala	4,333		4,333	.024
Guinea	3,466		3,466	.020
Haiti	3,466		3,466	.020
Honduras	3,466		3,466	.020
Hungary	90,228		90,228	.508
Iceland	7,076	1,159	8,235	.046
India	175,902		175,902	.991
Indonesia	38,993		38,993	.220
Iran	17,330		17,330	.098
Iraq	7,798		7,798	.044
Ireland	24,768	3,810	28,578	.161
Israel	12,997		12,997	.073
Italy	396,293	60,954	457,247	2.576
Ivory Coast	3,466		3,466	.020
Jamaica	4,333		4,333	.024
Japan	401,600	61,782	463,382	2.611
Jordan	3,466		3,466	.020
Kuwait	3,466		3,466	.020
Laos	3,466		3,466	.020
Lebanon	4,333		4,333	.024
Liberia	3,466		3,466	.020
Libya	3,466		3,466	.020
Luxembourg	8,846	1,325	10,171	.057
Madagascar	3,466		3,466	.020
Malaysia	11,265		11,265	.063
Mali	3,466		3,466	.020
Mauritania	3,466		3,466	.020
Mexico	64,121		64,121	.361
Mongolia	3,466		3,466	.020
Morocco	12,131		12,131	.068
Nepal	3,466		3,466	.020
Netherlands	178,686	27,496	206,182	1.162
New Zealand	72,536	11,097	83,633	.471
Nicaragua	3,466		3,466	.020
Niger	3,466		3,466	.020
Nigeria	18,196		18,196	.103
Norway	79,613	12,257	91,870	.518
Pakistan	36,393		36,393	.205
Panama	3,466		3,466	.020

Assessments and estimated voluntary contributions for the United Nations Emergency Force (UNEF) for the period January to December 1964—Continued

[U.S. dollars]

Member countries [1]	Assessed contributions	Voluntary contributions [2]	Total	Percent of total contributions
Paraguay	3,466		3,466	0.020
Peru	8,665		8,665	.049
Philippines	34,661		34,661	.195
Poland	226,453		226,453	1.276
Portugal	13,864		13,864	.078
Rumania	56,613		56,613	.319
Ruanda	3,466		3,466	.020
Saudi Arabia	6,066		6,066	.034
Senegal	4,333		4,333	.024
Sierra Leone	3,466		3,466	.020
Somalia	3,466		3,466	.020
South Africa	93,765		93,765	.528
Spain	74,521		74,521	.420
Sudan	6,066		6,066	.034
Sweden	229,992	35,446	265,438	1.495
Syria	4,333		4,333	.024
Tanganyika	3,466		3,466	.020
Thailand	13,864		13,864	.078
Togo	3,466		3,466	.020
Trinidad-Tobago	3,466		3,466	.020
Tunisia	4,333		4,333	.024
Turkey	34,661		34,661	.195
Uganda	3,466		3,466	.020
Ukraine	350,294		350,294	1.973
U.S.S.R.	2,648,435		2,648,435	14.921
United Arab Republic	21,663		21,663	.122
United Kingdom	1,341,024	206,383	1,547,407	8.718
United States	5,664,856	871,905	6,536,761	36.827
Upper Volta	3,466		3,466	.020
Uruguay	9,532		9,532	.054
Venezuela	45,059		45,059	.254
Yemen	3,466		3,466	.020
Yugoslavia	32,927		32,927	.119
Total	16,093,644	1,656,356	17,750,000	[3] 100.000

[1] This listing does not include the 2 member countries (Kenya and Zanzibar) admitted to the U.N. at the 18th U.N. General Assembly whose assessment rates have not yet been approved.
[2] The amounts shown are tentative depending on parliamentary action by the governments concerned.
[3] Detail does not add to total due to rounding.

U.N. PEACEKEEPING FORCE IN CYPRUS

Mr. PASSMAN. I note the United Nations has recently established a peacekeeping force in Cyprus, which according to the general statement is to be financed by volunteer contributions from certain United Nations members.

Could you give us a list of those contributions to date?

Mr. CLEVELAND. Shall I read them?

Mr. PASSMAN. Start with the largest donor.

Mr. CLEVELAND. On the military?

Mr. PASSMAN. Give the total, it is just as good.

Mr. CLEVELAND. Military contingents are in terms of number of men, and the others are——

Mr. PASSMAN. I am interested in dollars if you can give it to us.

Mr. CLEVELAND. There are three kinds of voluntary contributions.

Mr. PASSMAN. Let's get the monetary one first.

Mr. CLEVELAND. The people who put troops in are paying much more.

Mr. PASSMAN. That is a later question. Presently, I want to know the cash contributions pledged by nations up to date.

Mr. CLEVELAND. The largest pledges are——

Mr. PASSMAN. What is ours?

Mr. CLEVELAND. $2 million. United Kingdom, $1 million. Greece, $500,000. West Germany, $500,000.

Mr. PASSMAN. Put the rest in the record.

Mr. CLEVELAND. Yes.

(The information supplied follows:)

United Nations Force in Cyprus (UNFICYP)—Voluntary cash pledges as of May 26, 1964

Government	Amount pledged	Government	Amount pledged
United States	$2,000,000	Turkey	$100,000
United Kingdom	1,000,000	Denmark	75,000
Federal Republic of Germany	500,000	Switzerland	75,000
Greece	500,000	Norway	49,699
Cyprus	280,000	New Zealand	42,000
Italy	250,000	Austria	40,000
Australia	111,875	Morocco	10,000
Belgium	100,000	Luxembourg	5,000
Japan	100,000	Liberia	3,000
Netherlands	100,000	Nigeria	2,800
Sweden	100,000	Total to date	5,444,374

TROOP CONTRIBUTIONS

Mr. CLEVELAND. There are six countries putting in operational troops.

Mr. PASSMAN. List them in the record if you will.

(The information supplied follows:)

United Nations Force in Cyprus (UNFICYP)—Strength report of troop contributions as of May 25, 1964

Government	Troops on site
Canada	1,126
Denmark	677
Finland	1,003
Ireland	636
Sweden	955
United Kingdom	2,375
Total to date	6,772

MEDICAL AND POLICE CONTRIBUTIONS

Mr. CLEVELAND. Then there are police contingents from five other countries which we will also put in.

(The information supplied follows:)

United Nations Force in Cyprus (UNFICYP)—Strength report of medical and police contributions as of May 25, 1964

Government	Medical personnel	Police personnel
Austria	55	33
Australia		40
Denmark		40
New Zealand		20
Sweden		40
Total to date	55	173

Mr. PASSMAN. How soon do you anticipate the peacekeeping force will be able to withdraw from Cyprus?

Mr. CLEVELAND. I wish I knew.

Mr. PASSMAN. What is the population of Cyprus?

Mr. CLEVELAND. About 650,000, something of that order.

Mr. PASSMAN. What is the land area of Cyprus?

Mr. CLEVELAND. I do not know.

Mr. PASSMAN. What is the population division between the Turks and the Greeks?

Mr. CLEVELAND. About 18 percent Turks and about 80 percent Greeks and 2 percent other.

POSSIBLE DURATION OF U.N. CYPRUS OPERATION

Mr. PASSMAN. You said you did not know, but on page 12 of your statement it says:

> No funds have been requested for this purpose in fiscal year 1965 since the forces are not authorized beyond the end of fiscal year 1964.

Mr. CLEVELAND. That is right.

Mr. PASSMAN. I asked that question on account of your statement. There is nothing requested for fiscal year 1965 and nothing authorized beyond fiscal year 1964. I thought perhaps you could give us a general idea as to how long this thing is going to last.

Mr. CLEVELAND. It is authorized for only 3 months, up to June 27 of this year. They are discussing now about extending it for another 3 months. It might have to be extended beyond that.

Mr. PASSMAN. You operate 3 months at a time?

Mr. CLEVELAND. So far, yes. The Congo operation looked pretty difficult 3 years ago, but it is coming to a successful end now.

U.N. RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES

Mr. PASSMAN. The next program is the U.N. Relief and Works Agency for Palestine Refugees for which the fiscal year 1965 estimate is $16 million. Is that correct?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Could you furnish for the record a table showing the total amount of the U.S. contribution to this program, also the contributions of other contributing countries since the inception of the program to date?

Mr. CLEVELAND. Yes.

(The information supplied follows:)

United Nations Relief and Works Agency for Palestine Refugees in the Near East—Statement of income May 1, 1950, to Dec. 31, 1963

[In U.S. dollars]

I. PLEDGES BY GOVERNMENTS

Contributor	*Amount*
Australia	$2,776,703
Austria	16,950
Bahrein	23,867
Belgium	336,000
Bolivia	5,000
Brazil	25,000
Burma	9,546
Cambodia	7,141
Canada	15,431,688
Ceylon	3,400
Cyprus	1,123
Cuba	5,000
Denmark	592,090
Dominican Republic	6,000
El Salvador	500
Ethiopia	35,500
Finland	23,000
France	11,780,118
Gambia	30
Gaza authorities	617,497
Germany, Federal Republic of	2,232,076
Ghana	15,000
Greece	230,017
Haiti	6,000
Honduras	2,500
Holy See	13,965
India	290,518
Indonesia	240,000
Iran	43,153
Ireland	63,876
Israel	256,547
Italy	501,326
Japan	112,500
Jordan	1,336,565
Korea	6,500
Kuwait	602,750
Laos	4,687
Lebanon	582,965
Liberia	26,500
Libya	24,000
Luxembourg	28,000
Malaysia	24,738
Mexico	115,691
Monaco	5,849
Morocco	99,563
Netherlands	651,899
New Zealand	1,876,000
Nigeria	5,000
Norway	585,569
Pakistan	520,542
Philippines	11,250
Qatar	62,728
Rhodesia and Nyasaland	39,200
Saudi Arabia	1,618,413
Spain	16,667
Sudan	153,940
Sweden	1,316,246

United Nations Relief and Works Agency for Palestine Refugees in the Near East—Statement of income May 1, 1950, to Dec. 31, 1963—Continued

Contributor	*Amount*
Switzerland	$604, 820
Syrian Arab Republic	1, 165, 030
Thailand	4, 125
Tunisia	10, 000
Turkey	51, 759
United Arab Republic	4, 602, 016
United Kingdom of Great Britain and Northern Ireland	79, 724, 004
United States of America	315, 968, 069
Uruguay	5, 000
Vietnam	21, 000
Yugoslavia	488, 700
Sundry governments through World Refugee Year stamp plan	238, 211
Total, Government pledges	448, 301, 627
II. CONTRIBUTIONS FROM OTHERS	
UNESCO	1, 696, 194
WHO	500, 955
Sundry donors	5, 239, 302
Total contributions from others	7, 436, 451
III. MISCELLANEOUS INCOME AND EXCHANGE ADJUSTMENTS	
Amount	8, 223, 559
Total income	463, 961, 637

VOCATIONAL EDUCATION AND TRAINING PROJECTS

Mr. PASSMAN. How much of the total program is being used to finance vocational education and training projects?

(The information supplied follows:)

UNRWA EXPENDITURES FOR EDUCATION AND TRAINING

For the calendar year 1964, UNRWA has budgeted the following amounts:

General education	$8, 720, 000
Vocational education	2, 740, 000
University education	410, 000
Total	11, 870, 000

The $11,870,000 represents 32.1 percent of the total budget of $36,940,000.

Mr. PASSMAN. I note in your general statement that for the first time since 1953 the number of people on the ration rolls declined by approximately 2,000 names in 1963. I am glad to see that.

Could you tell us the total population of these people?

Mr. CLEVELAND. Just under 880,000 ration recipients.

Mr. PASSMAN. I am certainly happy to see there is a decline. I am very much in sympathy with the problems these people are up against. I was somewhat worried, and I know you are worried, when we note you're actually having a generation now that was born in these camps. You are actually bringing up people who do not know anything but those terrible conditions.

Do you still have the pigpens?

Mr. CLEVELAND. Some have been improved, but some are pretty bad still.

Mr. PASSMAN. Off the record we were discussing the situation in Cyprus with its population of about 650,000 people. I believe the refugees amount to 880,000.

I referred to a little country that came into being a few weeks ago of about 300,000. These seem to be some of our major problems. If we cannot solve these problems with this small number of people, I wonder how we are ever going to solve the problems of possibly 2 billion people around the world?

It is just about that simple, as far as I am concerned. More power to you. I hope this thing can be alleviated. I am sorry for these people. So far as I am concerned, the time has come to let these people know the facts of life. You know and I know that what they pretend to believe will be forthcoming is unrealistic. They are going to have to know the facts of life some day. It would appear to me the quicker the better.

I cannot see anything but a den of haters as a result of keeping those people in poverty expecting something they will never, never get.

Mr. CLEVELAND. What we are hoping to do as a partial contribution is to get more of the youngsters better educated so they can really get jobs outside and work themselves out of this hopeless situation.

Mr. PASSMAN. The youngsters usually listen to mama and papa?

Mr. CLEVELAND. Not if they get enough education.

Mr. PASSMAN. Are they getting enough education?

Mr. CLEVELAND. They are not getting enough yet. The elementary schools have been developed there. The vocational schools are expanding and improving.

Mr. PASSMAN. Are you going to leave that in the record, what you said?

Mr. CLEVELAND. I think it is all right.

Mr. PASSMAN. There has been some fuzzy reasoning before this committee as to why we should continue the aid program. I know of one instance where a witness said the leader led a pretty fast life; maybe he will die and we will get one more friendly. That is the fuzziest reasoning I have ever listened to before this committee.

U.N. CHILDREN'S FUND

The next program under this estimate is the U.N. Children's Fund, for which the 1965 estimate is $12 million.

Would you furnish for the record a table showing the names of the countries and the amount of their contribution to this program since its inception in 1946?

(The information supplied follows:)

Governmental contributions to UNICEF Central Fund from inception to Dec. 31, 1963

[In U.S. dollars]

Contributing country	*Amount*
Afghanistan	97,200
Algeria	35,000
Argentina	351,364
Australia	16,806,384
Austria	545,409
Belgium	1,601,088
Bolivia	80,000
Brazil	5,161,780
British Caribbean territories:	
Antigua (Leeward Islands)	1,108
Bahamas	5,600
Barbados	4,756
Grenada (Windward Islands)	7,003
St. Lucia (Windward Islands)	2,556
British Guiana	6,000
British Honduras	2,099
Brunei	75,136
Bulgaria	34,126
Burma	722,400
Byelorussian Soviet Socialist Republic	300,000
Cambodia	28,010
Cameroon	24,490
Canada	14,795,553
Central African Republic	11,896
Ceylon	160,171
Chad	18,269
Chile	800,977
China	154,712
Colombia	1,698,483
Congo (Brazzaville)	26,949
Congo (Leopoldville)	35,996
Costa Rica	270,001
Cuba	300,659
Cyprus	2,000
Czechoslovakia	1,447,222
Dahomey	15,000
Denmark	1,430,340
Dominican Republic	450,000
Ecuador	112,461
El Salvador	180,000
Ethiopia	128,116
Federal Republic of Germany	7,235,714
Finland	370,345
France	11,482,836
Gabon	26,830
Gambia	3,360
Ghana	113,400
Greece	441,885
Guatemala	241,174
Guinea	30,447
Haiti	68,000
Holy See	12,000
Honduras	228,308
Hong Kong	35,000
Hungary	87,742
Iceland	235,034
India	5,455,846
Indonesia	1,430,000
Iran	2,019,059

Governmental contributions to UNICEF Central Fund from inception to Dec. 31, 1963—Continued

[In U.S. dollars]

Contributing country	*Amount*
Iraq	574,000
Ireland	122,130
Israel	405,776
Italy	2,247,290
Ivory Coast	20,408
Jamaica	50,330
Japan	1,739,935
Jordan	29,657
Kenya	3,081
Korea, Republic of	24,000
Kuwait	10,994
Laos	1,000
Lebanon	73,831
Liberia	36,000
Libya	36,301
Liechtenstein	7,613
Luxembourg	67,000
Madagascar	20,408
Malaysia:	
Malaya	314,076
Sabah	12,081
Sarawak	84,759
Singapore	68,203
Mali	15,000
Mauritania	3,265
Mexico	3,550,293
Monaco	16,299
Morocco	129,991
Netherlands	901,822
New Zealand	4,125,000
Nicaragua	114,000
Niger	6,122
Nigeria	84,000
Norway	1,131,829
Pakistan	1,039,119
Panama	95,000
Paraguay	60,000
Peru	1,075,465
Philippines	1,372,963
Poland	1,450,701
Rumania	150,000
Saudi Arabia	30,000
Senegal	20,000
Sierra Leone	4,200
Somalia	3,000
South Africa	556,497
Spain	304,805
Sudan	80,050
Sweden	3,546,152
Switzerland	5,501,478
Syria	87,175
Tanganyika	700
Thailand	3,927,050
Togo	9,602
Trinidad and Tobago	66,000
Tunisia	59,773
Turkey	1,420,991
Uganda	5,601
Ukrainian Soviet Socialist Republic	600,000
Union of Soviet Socialist Republics	5,025,000
United Arab Republic	938,490
United Kingdom of Great Britain and Northern Ireland	8,467,000

Governmental contributions to UNICEF Central Fund from inception to Dec. 31, 1963—Continued

[In U.S. dollars]

Contributing country	*Amount*
United States of America	204,231,000
Upper Volta	12,245
Uruguay	1,000,000
Venezuela	175,000
Vietnam, Republic of	51,926
Yemen	2,000
Yugoslavia	3,491,920
Total	338,334,691

COUNTRIES CONTRIBUTING TO UNICEF CENTRAL FUND 1963

Mr. PASSMAN. How many nations are contributing to UNICEF?

Mr. CLEVELAND. In 1964 so far, 40 nations.

Mr. PASSMAN. Are any bloc nations contributing?

Mr. CLEVELAND. The 1964 figure is just the contributions so far. There will be more before they get through in this calendar year; 1963 would be better.

Mr. PASSMAN. Give us 1963 then. You operate on a calendar year basis?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. Insert it in the record and tell us whether or not you have bloc countries contributing to the U.N. Children's Fund.

(The information supplied follows:)

Governmental contributions to UNICEF Central Fund 1963

[In U.S. dollars]

Contributing country	*Amount*
Soviet bloc:	
Bulgaria	4,274
Byelorussian SSR	62,500
Cuba	70,000
Czechoslovakia	52,083
Poland	59,850
Ukrainian SSR	125,000
U.S.S.R.	675,000
Subtotal	1,048,707
Free world:	
Algeria	35,000
Australia	537,600
Austria	97,387
Belgium	200,000
Bolivia	5,000
Brazil	209,677
British Caribbean territories:	
Antigua	175
Bahamas	2,800
Barbados	4,000
Grenada	1,170
British Guiana	1,000
British Honduras	700
Brunei	3,267
Burma	56,000
Cambodia	5,000
Cameroon	8,163

Governmental contributions to UNICEF Central Fund 1963—Continued

[In U.S. dollars]

Contributing country	*Amount*
Canada	738,548
Central African Republic	4,275
Ceylon	14,725
Chad	10,204
Chile	80,000
Colombia	150,000
Congo (Brazzaville)	7,725
Congo (Léopoldville)	6,991
Costa Rica	30,000
Cyprus	1,000
Dahomey	5,000
Denmark	173,760
Ecuador	10,000
El Salvador	20,000
Ethiopia	18,116
Federal Republic of Germany	1,500,000
Finland	62,500
France	1,109,184
Gabon	11,524
Gambia	560
Ghana	21,000
Greece	57,000
Guatemala	30,000
Guinea	10,000
Holy See	1,000
Honduras	10,000
Hong Kong	3,500
Iceland	10,651
India	630,000
Indonesia	100,000
Iran	275,000
Iraq	56,000
Ireland	10,000
Israel	35,000
Italy	192,000
Jamaica	8,392
Japan	190,000
Jordan	5,600
Kenya	2,801
Korea, Republic of	5,000
Kuwait	5,994
Lebanon	12,574
Liberia	15,000
Libya	9,801
Liechtenstein	1,003
Luxembourg	6,000
Madagascar	10,204
Malaya [1]	39,676
Mali	5,000
Mexico	500,000
Monaco	2,041
Morocco	25,136
Netherlands	138,122
New Zealand	210,000
Nicaragua	10,000
North Borneo [1]	3,267
Norway	280,000
Pakistan	96,534
Panama	15,000
Peru	89,552
Philippines	185,000
Sarawak [1]	8,167

[1] Prior to the formation of Malaysia.

Governmental contributions to UNICEF Central Fund 1963—Continued

[In U.S. dollars]

Contributing country	*Amount*
Saudi Arabia	20,000
Sierra Leone	2,800
Singapore [1]	6,533
South Africa	30,098
Spain	66,667
Sudan	10,004
Sweden	752,896
Switzerland	348,837
Tanganyika	700
Thailand	141,483
Togo	5,102
Trinidad and Tobago	7,000
Tunisia	14,360
Turkey	194,445
Uganda	2,801
United Arab Republic	109,060
United Kingdom of Great Britain and Northern Ireland	938,000
United States of America	12,000,000
Vietnam, Republic of	15,000
Yemen	2,000
Yugoslavia	200,000
Subtotal	23,309,852
Local costs	4,212,856
Grand total	28,571,415

[1] Prior to the formation of Malaysia.

Mr. CLEVELAND. There are some bloc countries.

Mr. PASSMAN. Do they place the same restrictions upon their meager contributions as they do in the expanded technical aid program?

Mr. CLEVELAND. In the case of the Children's Fund, I do not believe so. UNICEF got started before they started that. They have not been able to backtrack on it.

Mr. PASSMAN. If you cannot use the rubles, it is the same as not making a contribution.

Mr. CLEVELAND. I think in the case of the Children's Fund, while some material is bought from the bloc countries, the same flat restrictions do not apply.

Mr. PASSMAN. Incidentally, on that $4 million in fake, misleading contribution made by the Communist bloc of seven nations, break that $4 million down by countries.

Mr. CLEVELAND. Right.

Mr. PASSMAN. For UNICEF, tell us the amount of the contribution by bloc countries.

Mr. CLEVELAND. The total for the period, 1959–63 inclusive?

Mr. PASSMAN. No; 1963 only.

Mr. CLEVELAND. We will have to do a little addition here.

Mr. PASSMAN. We will take a brief recess.

(Short recess taken.)

Mr. PASSMAN. Do you have the figure for us?

Mr. CLEVELAND. $1,048,707.

Mr. PASSMAN. $1,048,707?

Mr. CLEVELAND. Out of a total foreign exchange contribution of $24.3 million.

Mr. PASSMAN. That makes it about 4 percent of the total?

Mr. CLEVELAND. About 4 percent of the total.

Mr. PASSMAN. Against 3 percent in the U.N. You have given us a list of the nations and their contribution. What does Russia give?

Mr. CLEVELAND. $675,000, about two-thirds of the bloc total.

Mr. PASSMAN. As the recipients of this program are concerned they do not know but what the bloc countries are putting up percentagewise as much as we.

Mr. CLEVELAND. No one——

Mr. PASSMAN. You did not know it and I did not know it. We had to get all these figures. I am not talking about the people up in the U.N. I am talking about the recipients, Mr. Secretary.

Mr. CLEVELAND. The Children's Fund is so identified with the Western countries, and with American leadership, and so forth—it is run by an American—there is no doubt in anyone's mind at all that the bloc is just a tail on the dog.

Mr. PASSMAN. Do not include me in that group in anybody's mind. There is very serious doubt in my mind. I have a very high regard for you, sir, but if I just had to bet money, I would take you on, 20 to 1, that not 1 percent of the people in the recipient countries, the actual recipients, would have the vaguest idea as to how this contribution is split up.

Our great country permits these people to get in these programs just enough so they can go out and capitalize on what they are doing. I would put it in another pot and let the people actually see for themselves.

UNICEF PROGRAM BREAKDOWN

How much of the UNICEF program is now allocated to education?

Mr. CLEVELAND. Eleven percent for education.

Mr. PASSMAN. Insert the breakdown.

(The information supplied follows:)

UNICEF assistance approved, 1963

[In millions of U.S. dollars]

	Commitments
Health services	10.1
Disease control	8.1
Family and child welfare	1.1
Nutrition	[1] 7.2
Education	5.2
Vocational training	0.8
Other programs	0.3
Emergency	0.7
Freight	2.5
Total program aid	36.0
Operational services	4.3
Administrative services	2.4
Total	42.7

[1] Includes the cost of freight for milk shipments.

U.N. FOOD AND AGRICULTURAL ORGANIZATION—WORLD FOOD PROGRAM

Mr. PASSMAN. The next program is the U.N. Food and Agricultural Organization world food program, for which the fiscal 1965 estimate is $2.3 million; is that correct?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Is that another one of those pots?

Mr. CLEVELAND. This is a 3-year experimental program.

Mr. PASSMAN. Would you give us the contributors on this fund? Keep the Communist blocs on one side and indicate the strings that are attached.

(The information supplied follows:)

WORLD FOOD PROGRAM

When the 3-year experimental world food program began in 1963, it was decided that three types of contributions would be accepted; commodities, services (transportation), and cash. As of April 30, 1964, the following amounts had been pledged or contributed in each of these categories:

Pledges to Apr. 30, 1964

[In U.S. dollars [1]]

	Commodities	Services	Cash	Total
SOVIET-BLOC COUNTRIES				
Cuba	[2] 320,000			*320,000
Rumania			[3] 41,667	*41,667
OTHER COUNTRIES				
Afghanistan			1,000	1,000
Australia	1,000,000		500,000	[4] 1,500,000
Austria	442,029		57,971	500,000
Belgium	660,000		240,000	900,000
Bolivia	20,000			20,000
Brazil	40,000			40,000
Cambodia			1,000	1,000
Cameroon			4,000	4,000
Canada	3,320,000		1,680,000	5,000,000
Ceylon	10,000			[4] 10,000
Chile	100,000			[4] 100,000
China (Taiwan)	*2,080			*2,080
Congo (Leopoldville)			1,000	1,000
Colombia	*60,000			*60,000
Cyprus			100	100
Dahomey			204	204
Denmark	1,333,333		666,667	2,000,000
Ecuador			1,000	1,000
Ethiopia			2,000	2,000
Finland	625,000			[4] 625,000
France	2,150,000		850,000	3,000,000
Germany, Federal Republic of	[5] 6,762,500		1,237,500	[4] 8,000,000
Ghana			5,000	5,000
Greece	*126,950			*126,950
Iceland	5,000			5,000
India	[6] 333,333		166,667	500,000
Indonesia	100,000		4,762	104,762
Iran		30,000	100,000	130,000
Iraq	40,000		20,000	60,000
Ireland	600,000		240,000	840,000
Israel	30,000	5,000	15,000	50,000
Italy	500,000		1,000,000	1,500,000
Ivory Coast	5,000			5,000
Jamaica			3,000	3,000
Japan		666,667	[3] 333,333	1,000,000
Jordan			4,000	4,000
Kuwait			100,000	100,000
Lebanon			5,000	5,000
Liberia			3,000	3,000
Libya			1,000	1,000
Malagasy	*8,163			*8,163
Malaya	3,300		3,300	*6,600
Morocco	25,000			25,000
Netherlands	1,314,700	222,000	763,300	2,300,000
New Zealand	425,000		75,000	500,000
Norway	*1,119,977		*559,989	*[4] 1,679,966
Pakistan		*[7] 530,000		*[7] 530,000
Philippines	*28,736		*[3] 57,471	*86,207
Rhodesia and Nyasaland			*2,800	*2,800
Sierra Leone			*1,400	*1,400
Somalia			5,000	5,000
South Africa	*102,500			*102,500
Sweden	1,000,000		1,000,000	*2,000,000

See footnotes at end of table.

Pledges to Apr. 30, 1964—Continued
[In U.S. dollars [1]]

	Commodities	Services	Cash	Total
Switzerland			1,000,000	*1,000,000
Tanganyika	14,000			14,000
Thailand			70,000	70,000
Tunisia	35,714			35,714
Turkey	*18,470			*18,470
United Arab Republic	666,667		333,333	1,000,000
United Kingdom	2,500,000		2,500,000	5,000,000
United States	40,000,000	[8] 4,000,000	6,000,000	[9] 50,000,000
Vietnam			1,000	1,000
Yugoslavia	100,000			100,000
Total	65,947,452	5,453,667	19,657,464	91,058,583

[1] All figures are pledges made in U.S. dollars, except those followed by an asterisk; these latter are contributions which were quoted in national currencies and converted to dollars, as in the case of Belgium, Indonesia, Malagasy, Norway, Pakistan, Philippines, Malaya, Rhodesia and Nyasaland, Sierra Leone, and Rumania, or where the estimated value of commodity offerings was calculated, as in the case of China, Cuba, Greece, South Africa, and Turkey.
[2] Available in 1964.
[3] Nonconvertible currencies.
[4] Subject to parliamentary approval.
[5] To be delivered on a cost, insurance, and freight basis, with the German exporters free to use shipping pledges on the most advantageous terms irrespective of the flag of the vessels concerned.
[6] Includes services.
[7] Utility to be determined by negotiation.
[8] For shipping services.
[9] U.S. contribution subject to a number of reservations, including necessity for Executive Director and the United States to concur in each separate project or commodity purchase in which U.S. contribution is to be employed, and including limitation that U.S. contribution in cash will not exceed 40 percent of the total cash contribution and is subject to legislative action.

Mr. CLEVELAND. None of the Communists are participating in this program.

Mr. PASSMAN. Could you give us a breakdown at this time of those who have contributed to the 1964 fund? How much was the amount of the 1964 fund?

Mr. CLEVELAND. It is a 3-year program.

Mr. PASSMAN. How much have we allocated?

Mr. CLEVELAND. Our pledge was in three parts. One, $40 million of surplus foods.

Mr. PASSMAN. I am talking about $2.3 million. I am interested in the cash outlay right now.

Can you give us a breakdown, Mr. Secretary, of what our cash outlay is for 1964 which would be a comparable figure to the $2.3 million asking price for fiscal year 1965?

Mr. CLEVELAND. I see what you mean. Two million dollars.

Mr. PASSMAN. How much did the other countries contribute?

Mr. CLEVELAND. $6 million.

Mr. PASSMAN. Can you give us a breakdown?

How many nations?

(The information supplied follows:)

WORLD FOOD PROGRAM

UNITED STATES AND SOVIET BLOC CONTRIBUTIONS

The United States has pledged $50 million in commodities, services, and cash to the world food program. This pledge includes $40 million in Public Law 480 commodities and $10 million in shipping services and cash over the 3-year experimental period. Of the $10 million, it is presently estimated that $4 million will be provided in shipping services (transportation of Public Law 480 commodities) and $6 million in cash. U.S. cash contributions are limited to 40 percent of total cash contributions.

The U.S. cash contributions since the program started in January 1963 include $1,638,096 from fiscal year 1963 funds and $2 million from fiscal year 1964 funds. As of March 30, 1964, other countries has paid $6,458,980 in cash; on that date, the U.S. payments represented 36 percent of total cash receipts.

Rumania, the only Soviet bloc country which has provided cash to the program, pledged the equivalent of $41,667 in inconvertible Rumanian currency. Cuba has pledged commodities (sugar) valued at $320,000 and limited further by the stipulation that the sugar would not be provided before 1964. Total Soviet bloc pledges represent 0.4 percent of total pledges.

WORLD FOOD PROGRAM CONSIDERED AS TECHNICAL AID

Mr. PASSMAN. Is this a technical aid program?

Mr. CLEVELAND. Yes. It is partly technical aid, but mostly an education and building program. It is an attempt to use food in the less developed areas. It is the provision of food for development purposes.

Mr. PASSMAN. That is the $40 million. I am speaking about the cash contribution. You indicated earlier it was partly technical aid?

Mr. CLEVELAND. Yes.

Mr. PASSMAN. That is good enough. Who thought this program up?

You have so many of these programs now we cannot keep up with them.

RELATIONSHIP TO PUBLIC LAW 480 PROGRAM

Mr. CLEVELAND. A good many people were involved. Our Department of Agriculture and our food-for-peace program. This is really an international extension of our food-for-peace program.

Mr. PASSMAN. Food for peace—apparently we have a specialist downtown who gets a high salary thinking up all these exotic names. Is it food for empty stomachs, or food for peace?

Mr. CLEVELAND. It is called food for peace.

Mr. PASSMAN. They do not eat it?

Mr. CLEVELAND. They eat it, but it is mostly supposed to be used in this program to assist development programs, and not simply as a direct relief program.

Mr. PASSMAN. You have $40 million involved in here for food?

Mr. CLEVELAND. Under Public Law 480.

Mr. PASSMAN. How much food have the other countries put up against that $40 million in Public Law 480 commodities?

Mr. CLEVELAND. They have put up so far about $25 million of food surpluses from various countries.

Mr. PASSMAN. And are we not getting too many organizations set up to give away something that may be in short supply in a few years?

Mr. CLEVELAND. The Public Law 480 part comes out of the same authority as the bilateral food-for-peace program.

Mr. PASSMAN. Is this another facet of the Public Law 480 program as we know it? You have four titles, I, II, III, and IV.

Mr. CLEVELAND. Yes.

Mr. PASSMAN. This is another facet of that program?

Mr. CLEVELAND. This is a piece of title II actually.

Mr. PASSMAN. How did you get this thing set up?

Mr. CLEVELAND. This is an attempt to combine our surplus foods with those of others for a specific development purpose.

Mr. PASSMAN. It is another U.N. program?

Mr. CLEVELAND. It is a U.N. program.

Mr. PASSMAN. You cannot identify the direct contribution from the United States?

Mr. CLEVELAND. Again——

Mr. PASSMAN. I am not discussing the merit of it. I am trying to find out whether this is an international organization that is distributing food in addition to our main Public Law 480 program?

Mr. CLEVELAND. That is right, yes, and getting other people's food into it.

Mr. PASSMAN. Is everyone depending on us to get them into the programs? Are not most of the recipients former colonies of these people who are putting up the food and money?

Mr. CLEVELAND. A good many of them are.

CHANNELING U.S. AID THROUGH THE U.N.

Mr. PASSMAN. I know as well as you that the trend is to shift all aid over to international organizations. I disagree with you, but I respect your views. I respect your right to have opinions. I think you were one of the strong advocates a few years ago of getting this into the U.N., were you not?

Mr. CLEVELAND. I have never thought that everything ought to be done through the U.N.; no.

Mr. PASSMAN. I am talking about the AID program as such. You indicated recipients accepted it with more grace. Did you say that?

Mr. CLEVELAND. With respect to some kinds of aid to some kinds of countries, there is no doubt that that is the case.

RECIPIENT COUNTRIES UNDER WORLD FOOD PROGRAM

Mr. PASSMAN. This is a case here. Who will be the recipient of this fifth spigot?

Mr. CLEVELAND. Various underdeveloped countries.

Mr. PASSMAN. Will they be getting out of this pot a supplement to what they are already getting out of the U.S. Public Law 480 food-for-peace pot?

Mr. CLEVELAND. They might.

Mr. PASSMAN. This will be a supplement?

Mr. CLEVELAND. Yes; indeed, most of the food comes from the same Public Law 480 pot.

Mr. PASSMAN. I am trying to be fair. This is something already set up. We can do nothing about it. I think we have gone too far afield, as we have Public Law 480, direct bilateral aid, where we make these grants and give these people our food.

Mr. CLEVELAND. That is right.

Mr. PASSMAN. This would be supplementary to that in certain countries?

Mr. CLEVELAND. That is right.

Mr. PASSMAN. I don't know how I can whack it off, but I wish I could.

Mr. CLEVELAND. This is an experiment. We will now look at the experience for a year or so and then see whether it makes sense to have a major world food program.

Mr. PASSMAN. Somebody tried to peddle it to me 3 or 4 years ago.

I said, "Go downtown and try those people." He must have been persistent, because it has come into being. I can't think of his name, but he was persistent.

I didn't think he could sell this program, but he evidently did.

PARTICIPATION OF THE SOVIET BLOC IN THE PROGRAM

I still think if you are going to give charity let them know where it is coming from. Russia may contribute 10 or 20 bushels of that wheat she is buying from Canada and she will be in on this program.

Is she in on it or is it limited to strictly free nations?

Mr. CLEVELAND. This is a free world nations project except for Rumania. They are sort of pulling away at this point.

Mr. PASSMAN. On the surface. What if the others wanted to get into it? Will you block them out?

Mr. CLEVELAND. If they want to put something into the U.N. program that is better.

Mr. PASSMAN. Provided they put something in. Right now the program has $4 million of currency you cannot spend, out of some $127,800,000.

Off the record.

(Discussion held off the record.)

INTERNATIONAL ATOMIC ENERGY AGENCY PROGRAM

Mr. PASSMAN. The next program is the International Atomic Energy Commission Agency program. The estimate is $1,100,000 for fiscal 1965. Is that correct?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. A few years ago we had one of the Commissioners, a fine gentleman, forthright and honest, experienced and brilliant. I asked him a question, "How would you feel if you had to appropriate money for a case as weak as you have made?"

He said, "I would feel like hell."

Mr. CLEVELAND. Fortunately I haven't that same feeling, Mr. Chairman.

Mr. PASSMAN. He was a brilliant fellow. Of course you are brilliant, too.

But this man said he would feel badly if he thought he had a committee in the Congress representing him and appropriating money for a program with as weak testimony as he presented.

This is part of the same program, is it not, that we had a few years ago, the atoms-for-peace program?

Mr. CLEVELAND. This is partly the successor for the atoms-for-peace program.

Mr. PASSMAN. Except atoms for peace was a direct appropriation and this is through the U.N.?

Mr. CLEVELAND. That is right.

INDUS BASIN DEVELOPMENT FUND

Mr. PASSMAN. The next program is the Indus Basin Development Fund. The fiscal 1965 estimate is $37 million. Is that correct?

Mr. CLEVELAND. Yes.

Mr. Walter Farr, Mr. Chairman, is responsible for this program. He is here.

Mr. PASSMAN. What did you request for this program in January of last year?

Mr. FARR. $43.1 million.

Mr. PASSMAN. What did you allocate to this program for fiscal 1964?

Mr. CLEVELAND. $12,300,000 was obligated during fiscal 1964.

Mr. PASSMAN. That was the total amount of the allocation out of the lump-sum appropriation of $116 million?

Mr. FARR. That is right.

Mr. PASSMAN. You have a fairly satisfactory program going? The project is going along as anticipated?

Mr. FARR. During 1964 there were some holdups for a number of reasons.

Mr. PASSMAN. Overall, is the project progressing satisfactorily?

Mr. FARR. It is expected that the project will be completed on schedule, but there were some holdups during this last year.

Mr. PASSMAN. Do you think it is progressing satisfactorily? There has been no crippling incident that you know of?

Mr. FARR. The problems which we had to overcome during this past year have largely been overcome so that the program should proceed satisfactorily in the future.

Mr. PASSMAN. Will you tell us about some of those problems?

ADDITIONAL FUNDS REQUIRED

Mr. FARR. As we testified before this committee last year, the refining of the cost estimates for the Indus project——

Mr. PASSMAN. That is what I call being frank.

Refining which way?

Mr. FARR. Made it clear there was not enough money to finance all of the Indus works. Therefore it was not possible for the World Bank to enter into certain new contracts until the Indus Basin agreement was amended to provide for pledging of additional funds from the contributing governments.

This amendment to the Indus fund agreement providing for additional pledges occurred finally in April of this year.

Mr. PASSMAN. When did you start the Indus project?

Mr. FARR. The agreement was made in September of 1960.

TOTAL U.S. CONTRIBUTIONS

Mr. PASSMAN. What has been the total U.S. contribution from the inception through fiscal 1964?

Mr. FARR. The U.S. Goverment has obligated $78.2 million of grant funds, which is the category of funds covered under the "International organizations" appropriation.

In addition to that, the U.S. Government has obligated $70 million through a development loan, of which $65.5 million has been called for disbursement to date.

Mr. PASSMAN. Is that that thing Secretary Dillon calls credits which have terms of 40 years, no interest, three-fourths of 1 percent service charge? Is that the type of thing you are talking about?

Mr. FARR. Not quite.

Mr. PASSMAN. What is the interest rate, if any?

Mr. FARR. This is a rupee-repayable loan.

Mr. PASSMAN. It is not repayable in dollars?

Mr. FARR. That is right.

Mr. PASSMAN. You don't even get the three-quarters of 1 percent, then.

Mr. FARR. The interest rate is in excess of that.

Mr. PASSMAN. If it is repayable in rupees, the rupees go back into the U.S. Treasury or the AID fund?

Mr. FARR. Into the U.S. Treasury.

Mr. PASSMAN. This is a loan financed from the old Development Loan Fund?

Mr. FARR. That is right.

Mr. PASSMAN. Repayable in currencies. If they were used in the country then there was mutual agreement between the donor and the recipient; is that correct?

Mr. FARR. Repayments to the Development Loan Fund go into the U.S. Treasury and are available only upon appropriation.

Mr. PASSMAN. The new estimate which is increasing, are you making it on the same terms or according to the new criteria?

Mr. FARR. Under the revision, which came into effect in April of this year, there will be an additional development loan which will be made under present terms.

Mr. PASSMAN. And that is what Secretary Dillon referred to as development credits.

I asked him pointblank, "Mr. Dillon, would you call these things loans?"

He said, "No, they are development credits."

I don't want the people I represent to get any idea these things are loans as we think of loans. Any time you give people money for 40 years at no interest and only three-quarters of 1 percent service charge, then when the money finally comes back it goes back into the AID fund and not the Treasury, I don't want the people I represent to get the wrong idea.

Webster will define a loan as something with interest repayable on short terms.

We had to look up the definition the other day.

Mr. FARR. With my boss; yes, Mr. Macomber.

Mr. PASSMAN. He is one of the great men in Government.

Mr. FARR. The terms which are presently available to AID are 2 percent interest for the last 30 years of the loan.

Mr. PASSMAN. Let us get the record straight. The pressure was on last year. The heat was being applied to point out the stupidity of this program.

Along the way, they brought out the compromise that, way off yonder in the future, some 10 years from now, these loans would start drawing 2 percent. Is that the way it is?

Mr. FARR. Those are the terms of loans presently being made.

Mr. PASSMAN. The first 10 years is no interest, three-quarters of 1 percent service charge. It is only 10 years in the future that the 2 percent would apply. Is that correct?

Mr. FARR. We call the three-quarters percent interest.

Mr. PASSMAN. You are the first man I have heard call it that.

Mr. FARR. That is what the loan agreements call it.

Mr. PASSMAN. I call it a service charge.

Mr. FARR. It is a three-quarters percent payment, whatever you want to call it.

Mr. PASSMAN. I call it a service charge because that is a little less than what it costs to service the loan.

NEED FOR REVISED COST ESTIMATES

However, is this correct, that this project was not actually firmed up when we made our commitment? There had to be some new estimates, new refinements, substantial details. The cost estimate was way off; is that correct?

Mr. FARR. Cost estimates which existed at the time the agreement was made were substantially too low.

Mr. PASSMAN. How much too low in percentage?

Mr. FARR. They represented less than 50 percent of the total cost of all of the Indus works.

Mr. PASSMAN. Of the ultimate cost?

Mr. FARR. That is right.

Mr. PASSMAN. I believe under the revised cost our contribution from all spigots will actually total $651,810,000; is that correct?

Mr. FARR. That is correct.

Mr. PASSMAN. In your January request of last year you requested $43,100,000 for fiscal 1964; is that correct?

Mr. FARR. At the point last July, when I testified before you, the World Bank had that estimate, but the original executive branch request for fiscal year 1964 was $43,100,000.

Mr. PASSMAN. $43,100,000. The ultimate allocation, or obligation, was $12 million?

Mr. FARR. $12,300,000.

Mr. PASSMAN. In fiscal 1965 the asking price is $37 million; is that correct?

Mr. FARR. That is correct.

CONTRIBUTIONS TO THE INDUS BASIN DEVELOPMENT FUND

Mr. PASSMAN. Would you furnish for the record a table indicating the contributions on either a grant or credit basis to date by the various participating countries in this project?

Mr. FARR. Yes, sir.

(The information supplied follows:)

Allocations to the Indus Basin Development Fund through Apr. 30, 1964

[Millions of dollars]

Contributor	Foreign exchange		Pakistan rupee	Total
	Grant	Loan		
Australia	6.9			6.9
Canada	10.3			10.3
Germany	13.2			13.2
World Bank		6.9		6.9
India	69.5			69.5
New Zealand	1.1			1.1
Pakistan	.5		20.2	20.7
United Kingdom	25.8			25.8
United States	78.2	65.5	112.8	256.5
Total	205.5	72.4	133.0	410.9

COMPARISON OF U.S. CONTRIBUTIONS WITH TOTAL ESTIMATED COST

Mr. PASSMAN. Would you also furnish another table showing the amount of the original estimate of the U.S. contribution to the project and the actual estimate for each fiscal year since we started contributing to the project?

Mr. FARR. Yes, sir.

(The information supplied follows:)

INDUS BASIN DEVELOPMENT FUND

Requests for dollar grant appropriations, including interim revisions of such requests, as compared with actual allocations

[Millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965
Original estimate	7.3	16.9	30.0	43.1	37
Interim revision				30.3	
Actual allocations	6.8	34.5	24.6	12.3	

Mr. PASSMAN. Let us use the term in form of allocations, the original estimate and the allocations.

Mr. FARR. Do you mean the original estimate as it appeared in the congressional presentation when it was first made?

As you recall, we change it from time to time as soon as we get additional information.

Mr. PASSMAN. That is right. Give us the progress—the original estimate, revised estimate, second revised estimate, third revised estimate, and so on. Give us the final revision.

Mr. FARR. Final obligation.

Mr. PASSMAN. The final estimate and final allocation.

Mr. FARR. Yes, sir.

REVISED ESTIMATE OF TOTAL COST FOR INDUS BASIN PROJECT

Mr. PASSMAN. Page 30 of the presentation book indicates that this project is now estimated to cost approximately $2 billion instead of the original $1 billion of the original estimate. Is that an accurate statement?

Mr. FARR. I don't think that is a correct statement.

Mr. PASSMAN. I think you are correct, too, notwithstanding the fact that is what the printed justification said. The justifications are usually to get money and not something you live by.

Let me read what it says and you straighten out the people who prepared these books:

I am reading from page 30, marked "Confidential," second paragraph.

Revised estimates now place the total cost at $2 billion, instead of the $1 billion originally estimated.

Mr. FARR. That is correct, but the project as redefined in the agreement completed on April 7 is not a $2 billion project.

Mr. PASSMAN. Did I read into the record what you people said in the 1965 presentation book?

Mr. FARR. Yes.

Mr. PASSMAN. At the time they printed these books they were giving us what they thought was the correct estimate; is that correct?

Mr. FARR. Yes, but when I said I don't think it is a correct statement, I understood you to refer to the revised estimate of the project.

The presentation book refers to the revised estimates of the works as originally contemplated.

Mr. PASSMAN. Did I read this statement into the record verbatim?

Mr. FARR. When you read it the second time, you read it verbatim.

Mr. PASSMAN. How many times have they revised this project upward since its inception?

Mr. FARR. The cost estimates restated?

Mr. PASSMAN. Upward.

Mr. FARR. It became apparent in early 1962 that the estimates were wrong. Since that time the estimates have been refined.

Mr. PASSMAN. When you say "refined"——

Mr. FARR. They have done more engineering work.

Mr. PASSMAN. You can answer questions as you want to. You are a dedicated public servant, I understand, but when you say "refined" you do not intend to mislead the people who read the record but that is exactly what we are doing. We are misleading the people unintentionally.

If I put it in my phraseology tell me whether or not it is acceptable.

When we say there has been a new estimate which has increased the cost of the project, on that basis, how many times have we revised the estimate since its inception?

May I say to you, sir, that your book uses that terminology "revised." They say nothing about refinement in this paragraph that I read. How many times have we revised the estimates upward since the inception of the project?

Mr. FARR. I would say it has been a process of revision.

Mr. PASSMAN. That is good enough. Has it been every year?

Mr. FARR. I don't believe we have given more than one revised estimate. At least not more than one that I know of.

Mr. PASSMAN. When did the project originally start?

Mr. FARR. The agreement was signed in September of 1960. Contracts didn't begin to be let for a number of months thereafter.

Mr. PASSMAN. 1960?

Mr. FARR. I suppose the first contracts were not let for actual construction work until 1961.

Mr. PASSMAN. And at the time of printing these books included this language shown on page 30 of your 1965 justifications, I believe:

Revised estimates now place the total cost at $2 billion, instead of the $1 billion originally estimated.

Have I read that into the record verbatim out of the book?

Mr. FARR. Yes, you have.

Mr. PASSMAN. The reason I asked that question is that there is uncertainty of the ultimate cost. Even since the printing of this book there have been revisions; is that correct?

Mr. FARR. No.

Mr. PASSMAN. Is this estimate good?

REDUCED SCOPE OF WORKS FINANCED FROM THE INDUS FUND

Mr. FARR. This is the revised estimate of the works as originally contemplated, that is the physical works which they originally thought they would build. That is about $2 billion.

What I was saying was that in the new agreement it is not contemplated that all these works will be financed out of the Indus fund. The new agreement reduced the scope of the work to be accomplished.

Mr. PASSMAN. That makes this more complicated than ever. They have reduced the scope of the work. Yet during the time of developing this estimate it has gone from $1 billion to $2 billion.

You have not said yet they would not spend $2 billion, but that $2 billion may not all be spent out of the Indus account.

Does that mean they will seek financing from the AID program or other U.S. spigots?

FINANCING OF TARBELA DAM PROJECT

Mr. FARR. The principal project, which is no longer contemplated to be fully financed out of the Indus fund, is the Tarbela Dam project.

Mr. PASSMAN. Are they going to build that project?

Mr. FARR. We don't know yet.

Mr. PASSMAN. Have they formulated plans yet?

Mr. FARR. The World Bank is presently supervising a very substantial study of the technical and economic feasibility of the Tarbela Dam and of other projects in the Indus Basin.

Mr. PASSMAN. It may or may not be developed?

Mr. FARR. That is right.

Mr. PASSMAN. If it is developed would they be eligible then to come to the Development Loan Fund for money?

Mr. FARR. The Government of Pakistan can come to the Development Loan Fund or any other lending institution with an application for money.

Mr. PASSMAN. I am asking about this specific project.

Mr. FARR. There is nothing that makes this project ineligible for an application to the Development Loan Fund.

Mr. PASSMAN. If they are not ineligible then that means they are eligible; is that right?

Mr. FARR. The Government of Pakistan may make an application to the Development Loan Fund for financing of part or all of the Tarbela Dam.

Mr. PASSMAN. Are they in the early stage of consideration?

Mr. FARR. The feasibility of the Tarbela Dam is presently being studied by a group of engineers supervised by the World Bank.

Mr. PASSMAN. There is a feasibility study underway at this time leading in that direction?

Mr. FARR. If Tarbela Dam proves to be technically and economically feasible I suspect the Government of Pakistan will certainly seek financing for it.

Mr. PASSMAN. Out of the Development Loan Fund?

Mr. FARR. From any source that it can get it.

Mr. PASSMAN. I believe at the present time Pakistan is either the greatest, or at least no lower than the No. 2 receipient of our generosity on a per capita bases. Is that right?

Mr. FARR. I don't know about a per capita basis because there are an awful lot of people.

Mr. PASSMAN. I will break it down on a dollar basis. I believe Pakistan has received from the United States aid in excess of $3 bilion, have they not?

Mr. FARR. I couldn't give you that.

Mr. PASSMAN. Let me put it in the record for your information.

You didn't create this project. I am not blaming you, but these things are so loose.

Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Let us show that the economic aid alone for Pakistan through fiscal 1963 was $2,250,600,000, plus the political aid and all the international spigots.

PRESENT ESTIMATES OF U.S. SHARE OF INDUS PROJECT COSTS COMPARED TO ORIGINAL PRESENTATION

If I recall correctly the U.S. share of the original cost of the project was to be $515 million; is that correct?

Mr. FARR. Yes.

Mr. PASSMAN. I think it would be appropriate at this time to read into the record an excerpt from the committee's report on the fiscal 1962 appropriation bill which reads as follows:

> Last year, section 404 of the Mutual Security Act of 1960 authorized the U.S. participation in the Indus water development plan. The total financial contribution of the United States to the project in dollar grants and loans, and foreign currency is estimated to be $515 million.
>
> The United States contributed $6,800,000 in grant aid to the project in fiscal 1961 and also made a DLF loan of $70 million to Pakistan for the project. The committee points out that the United States has agreed to participate in the project prior to (1) the establishment of firm cost estimates for the different phases of the project, and (2) an arrangement for the sharing of costs in the event actual construction costs exceeds the estimate of $1,064 million.

Such haste to commit the U.S. taxpayer to the expenditure of over a half billion dollars without recognition of the potential cost illustrates the kind of thing that can happen when commitments are made prior to full review and approval.

I think what the committee feared in 1962 has already come to pass, and I can only state that we hope that the present revised estimate of $2 billion will hold firm during the remainder of the construction period of the project, and that the overburdened American taxpayer will not force our Government to have to borrow additional money with no prospect of ever repaying it, to make expenditures over and above the present revised estimate.

Mr. FARR. May I comment on that statement?

Mr. PASSMAN. Sure.

Mr. FARR. The revision which was signed by the U.S. Government and the other contributing governments, including Pakistan, makes it clear, and states in so many words, that the pledges made by the contributing government, fulfill all obligations, legal and moral, of all of these governments to the Indus works.

One of the principal purposes of the revision was to make this clear or, as George Woods, the President of the World Bank who negotiated this provision indicated, to draw two red lines underneath the Indus Basin fund account so there would be no longer any uncertainty as to the obligation, legal, or moral, of countries to contribute to that fund.

Mr. PASSMAN. Did you read the committee's report in 1962?

Mr. FARR. I am sure I did several years ago. I have not recently read the 1962 report.

POSSIBILITY OF FUTURE PAKISTANI REQUESTS FOR AID ON THE INDUS PROJECT

Mr. PASSMAN. What you just stated is what the committee urgently recommended in 1962. It has been shuffled around since then. You are up to $2 billion. All these legal entanglements you just referred to were offset by a prior statement that Pakistan could come to us and get it out of one of the other spigots and the sky would be the limit again, would it not? Am I making a statement of fact?

Mr. FARR. It is our objective to help Pakistan develop economically.

Mr. PASSMAN. I know, but you have not answered the question. Of course, there is nothing to make you answer if you do not want to. You indicated how beautiful all these legal agreements are. That was offset, previously, by your statement that the one phase of the project that has been eliminated, Tarbela Dam, is eligible, and that Pakistan could come to our Government for a credit out of the development loan account to do this phase of the project.

Mr. FARR. Pakistan could ask for it.

Mr. PASSMAN. All the legal stuff you just mentioned is only wasting money to print. Leave it in the record.

Mr. FARR. We are not obligated to contribute to any project in the Indus works beyond our present pledge. Pakistan could ask us.

Mr. PASSMAN. There is no law to make us give it without their asking for it. We have not gotten so far out as to be forcing people to take it.

I wish you well in administering this program. I would like to bet you a Tab—that is a new drink Coca-Cola puts out, 1 calorie to a bottle

and it will not make you fat—that within 24 months Pakistan will be in with a request for money to build this project, Tarbela Dam, that has now been deleted.

I will bet you another bottle of Tab that they get it. Do you want to bet? Are there any takers? No takers.

Mr. Farr, you wanted to comment further.

FIRMNESS OF FISCAL YEAR 1965 ESTIMATES

Mr. FARR. I had begun to explain that during fiscal year 1964 there were certain factors which slowed down the expenditure of money and which resulted in there being an overestimation by the World Bank.

Mr. PASSMAN. Will you put the factors in the record?

Mr. FARR. Would you rather have me supply them in writing?

Mr. PASSMAN. Yes.

Mr. FARR. I will be happy to.

Mr. PASSMAN. Congratulations; I hope those new factors pop out again this year.

Mr. FARR. I was going to add that it is our opinion that these factors do not exist with respect to 1965. That is why we feel the $37 million figure we requested for 1965 is a firm figure.

Mr. PASSMAN. I hope those factors pop up again in 1965 and that you will have the same luck obligating funds in 1965 that you had in 1964.

Mr. FARR. I do not expect they will, Mr. Chairman.

Mr. PASSMAN. I know you have not given much encouragement. I am only hoping they will.

(The information supplied follows:)

INDUS BASIN DEVELOPMENT FUND

REASONS WHY ESTIMATES OF U.S. DOLLAR GRANT CALLS FOR FISCAL YEAR 1965 ARE MORE LIKELY TO BE FIRM THAN WERE THE FISCAL YEAR 1964 ESTIMATES

(1) The fiscal year 1965 estimate that the World Bank will call upon the United States to contribute $37 million as its share of payments to Indus contractors between October 1, 1964, and September 30, 1965, is based on engineering forecasts which were specially reviewed by the World Bank at the request of the U.S. Government in March 1964. In contrast, the $43.1 million estimate included in the fiscal year 1964 congressional presentation was based on regular World Bank reports prepared in mid-1962. Thus, this year's figures are much more current than were last year's figures.

(2) New construction contracts scheduled to be let during fiscal year 1964 were held up by the World Bank pending signing of the supplemental agreement providing additional funds for the Indus project. The supplemental agreement came into force on April 6, 1964, so that contracting may now proceed on schedule.

(3) Fiscal year 1964 estimates were based on the requirement in the original Indus Basin fund agreement that foreign exchange contributions must be large enough to cover purchase of 40 percent of Indus rupee requirements. In fact, no rupees were purchased in fiscal year 1964, because negotiations leading to the supplemental agreement indicated that scarce foreign exchange would not be so used. The supplemental agreement does provide that Pakistan shall supply the rupees which would have been purchased under the original agreement, and the fiscal year 1965 estimates are correctly based on this agreement.

(4) Delays in progress on the earthwork of Mangla Dam, largest of the Indus fund projects, as well as in progress under some of the other Indus construction contracts during fiscal year 1964, resulted in lower requirements for payments to contractors. These problems are not expected to recur. In addition, earlier

cement shortages in West Pakistan, which could have slowed future progress on the Mangla project, have been overcome. Furthermore, there is every incentive for construction (and progress payments) to speed up, because most Indus construction contracts provide bonuses for early completion and penalties for late completion.

(5) The fiscal year 1964 World Bank estimates included a substantial reserve for contingencies. At United States urging that the pipeline be kept to a minimum, the World Bank has eliminated this reserve. The fiscal year 1965 request for appropriations reflects no provision for contingencies.

International Peace Corps Secretariat

Mr. Passman. The next program is the International Peace Corps Secretariat for which the fiscal 1965 hope, dream, estimate, or request is $150,000; is that correct?

Mr. Cleveland. Yes, sir.

Mr. Passman. I note the U.S. contribution to the Secretariat has been in the form of personnel detailed to the Secretariat and that the United States made a one-time cash contribution of $40,000 from the 1963 State Department appropriation; is that correct, sir?

Mr. Cleveland. Yes, sir; from the international conferences and contingencies appropriation.

Mr. Passman. Why did the State Department throw this out?

Mr. Cleveland. The State Department did not throw it out.

Mr. Passman. If they started it, and it was originally financed by the State Department, why did they not continue it on that basis?

Mr. Cleveland. That appropriation, the international conferences and contingencies appropriation, is available for financing for 1 year of provisional organizations where the arrangements about financing have not yet been regularized. We did it for that first year. A supplemental was later put in and did not get through.

Mr. Passman. Did not get through what?

Mr. Cleveland. Did not get through the Congress.

Mr. Passman. I wonder why?

Mr. Cleveland. Not enough votes.

Mr. Passman. Lack of votes. I want to congratulate the Congress for their action. Did the United States make any contribution to the Secretariat either in personnel or in cash in fiscal 1964?

Mr. Cleveland. Yes; it has made contributions of personnel.

Mr. Passman. From what appropriation?

Mr. Cleveland. The Peace Corps appropriation.

Mr. Passman. You say they did get a contribution out of the Peace Corps appropriation?

Mr. Cleveland. Not a contribution out of the Peace Corps appropriation; a detailing of persons to work in this Secretariat.

Mr. Passman. Out of the Peace Corps and the personnel were paid by the Peace Corps appropriation?

Mr. Cleveland. Financed by the Peace Corps appropriation; yes.

Mr. Passman. Did you not circumvent the intent of the Congress by this procedure inasmuch as the Congress had voted this down?

Mr. Parmer. In the fiscal year 1964 act, title 3 was inserted by the Congress and approved, passed in the legislation, and by title 3 of the U.S. Peace Corps can have personnel from time to time working with the Secretariat.

Mr. PASSMAN. How many personnel does the Peace Corps have assigned at this time?

Mr. PARMER. At this moment, we have no one formally assigned.

Mr. PASSMAN. How many have you had in 1964, during the fiscal year 1964?

Mr. PARMER. We have not really had anyone there, sir.

Mr. PASSMAN. I thought the Secretary said you did.

You people are bound to know more about what you are doing than that. You said "No." He said "Yes." Did we or did we not have Peace Corps personnel assigned to the Secretariat in fiscal 1964?

Mr. PARMER. We have had some persons, different persons at different times, doing some work for the Secretariat.

Mr. PASSMAN. In 1964?

Mr. PARMER. Yes, sir.

Mr. PASSMAN. Then you are disputing what you just said, that you did not have.

How much time and how much money did the Peace Corps pay to the personnel during the time you had them assigned? We are trying to find out how much of the Peace Corps appropriation went to finance personnel in the Secretariat.

Mr. PARMER. I think the problem is with the word "assigned." We have had no one formally assigned to the Secretariat.

Mr. PASSMAN. You just had them working?

Mr. PARMER. Yes.

Mr. PASSMAN. Did you pay them while working?

Mr. PARMER. Yes.

Mr. PASSMAN. What is the difference between being assigned, sent up, or dropping in to do this work? How are we going to find out what you are doing? Did they just drop in and go to work or did the Peace Corps say you better ship out? Or if you happen to be there, stay there? I am trying to find out how they got there if they were not assigned.

Mr. PARMER. The Secretariat's headquarters is in the same building as the Peace Corps.

Mr. PASSMAN. Did some Peace Corps personnel spill over into the International Secretariat without being assigned?

Mr. PARMER. No, sir.

Mr. PASSMAN. How did they get there if they were not assigned?

Mr. PARMER. The Secretariat has from time to time asked for secretarial help from us, help of this nature. We would send a person up for as much as a half day, even at little as 2 or 3 hours.

SALARIES AND EXPENSES OF U.S. PEACE CORPS PERSONNEL DETAILED TO THE INTERNATIONAL SECRETARIAT

Mr. PASSMAN. That would not fall in the category of being assigned? I am not going to prolong it, it is too good a record for me to mess it up. How long did they stay, those people who got there without being assigned? How long did they work? Could you give us a general idea?

Mr. PARMER. You would like this in days or hours?

Mr. PASSMAN. Dollars.

Mr. PARMER. We would have to look it up.

Mr. PASSMAN. Could you give us an estimate at this time? Would you say it would be $5 or $10 million?

Mr. PARMER. No, sir; nothing like that.

Mr. PASSMAN. Lower than that?

Mr. PARMER. Perhaps a few thousand dollars, but we would have to check.

Mr. PASSMAN. Are any of your supporting witnesses able to help on that?

Mr. PARMER. I am the one and only, sir.

Mr. PASSMAN. It is undetermined at this time. You say $2,000?

Mr. PARMER. I say a few thousand dollars. I have no idea. I would not be able to estimate.

Mr. PASSMAN. Would you say it would be in the neighborhood of maybe $150,000?

Mr. PARMER. You are talking, sir, about personnel salaries?

Mr. PASSMAN. Yes, and related costs.

Mr. PARMER. I doubt if it would be anything like that in terms of personnel salaries.

(The information supplied follows:)

OBLIGATION OF PEACE CORPS FUNDS VIS-A-VIS THE ISVS (IPCS) FISCAL YEAR 1964

From July 1, 1963, through December 31, 1963, the Peace Corps obligated approximately $35,780 of its funds for compensation and benefits of Peace Corps personnel detailed to the International Peace Corps Secretariat. These were the only obligations incurred by the Peace Corps with respect to the Secretariat during this period. On December 31, 1963, detail of Peace Corps personnel to the IPCS ceased.

During the period January 1, 1964, through May 31, 1964, the Peace Corps assisted the International Secretariat for Volunteer Service on an ad hoc basis in the carrying out of work that it had started in the previous 6 months. It is estimated that during this period one secretary worked on an average of approximately 12 hours per week and three professional staff members each worked on an average of approximately 10 hours per week on matters primarily concerned with the International Secretariat for Volunteer Service. It is estimated that during this period Peace Corps funds for the salaries of such personnel in an amount of $6,500 should be allocated to such work.

CONGRESSIONAL INTENT IN REGARD TO U.S. PARTICIPATION IN THE INTERNATIONAL SECRETARIAT

Mr. PASSMAN. Would you gain the impression by the Congress voting down this appropriation that it was the intent of Congress that no contribution be made to this Secretariat? The Secretary said it did not prevail. I asked, Why? He said that there was not enough votes. Did you gain the impression that it was the intent of Congress that the Peace Corps not spend any money on that Secretariat, Mr. Secretary?

Mr. CLEVELAND. Mr. Chairman, our impression was that the congressional intent was that in fiscal 1964 there should not be a contribution of funds to this Secretariat. The language clearly left room and was, I believe, intended to leave room for this assigning, or whatever you call it, of people to this work.

Mr. PASSMAN. Are you saying the Congress didn't know what it was doing? You asked for it, Congress voted it down, and purposely left room in the language where you could do the same thing?

Mr. CLEVELAND. Yes, sir.

Mr. PASSMAN. Is that what you said?

Mr. CLEVELAND. Yes, sir, I think that was clear.

Mr. PASSMAN. Why did they take a vote on it?

Mr. CLEVELAND. Because the funds for contributing to the work of the organization, other than the detailing of personnel, was carried in a supplemental appropriation. That item did come to an explicit vote. In fact, the House was against it, the Senate was for it, it came to conference, and the House view, which was none, prevailed.

Mr. PASSMAN. Just between the two of us now, would you agree with me it was the intent of Congress that no funds be made available for this by that vote?

Mr. CLEVELAND. Yes, sir; and no funds were made available.

Mr. PASSMAN. But you found a way later to get around that law, and the people who had testified for the Peace Corps funds this year stated they spent $144,000 cash. I am glad you agree with me. I can say that Congress has given up about 90 percent of its prerogatives already to the executive. You are going to get it one way or you are going to get it another way.

Mr. CLEVELAND. The authorizing legislation that would make a contribution of funds to this enterprise possible is now before the Congress.

I am sure you want us to tell you what we think the national interest requires.

Mr. PASSMAN. When Congress says no, you do it anyway.

Mr. CLEVELAND. We did not do what the Congress said not to do.

Mr. PASSMAN. You already agreed with me that when the Congress voted this thing down, it was the intent of Congress that you not do what you found a way to do, which is spend $144,000.

Mr. CLEVELAND. That is not my understanding of it.

Mr. PASSMAN. Earlier you said it was your understanding.

Mr. CLEVELAND. Since the action of the Congress, we have not made available to this organization any cash contribution.

Mr. PASSMAN. Mr. Secretary, you do it with personnel and you pay personnel salaries, do you not? I think you have in your legislation language that would abolish the Constitution if you wanted to interpret it broadly enough. I am not saying you are not within the law. I do not know of anything you could not do under the authorizing legislation. But I want to tell you brilliant people one thing. Be careful because you may wind up with some other Federal agency one of these days. If you do, under a regular U.S. agency, what you are permitted to do by law under this agency, they could send you to the penitentiary for 100 years.

I am not saying you did not have the law. But when you tell the committee no, we did not give them any money, but we gave them personnel, and the personnel cost money, to the extent of $144,000——

Mr. PARMER. Mr. Chairman, could I make a comment and I think make a correction for the record?

Mr. PASSMAN. I would be disappointed if you did not.

Mr. PARMER. This reference to $144,000 does not refer a contribution either in kind or in salaries or in money to the International Peace Corps Secretariat, sir.

RATIONALE FOR THE DETAILING OF PEACE CORPS PERSONNEL

Mr. PASSMAN. You already said for the record you did not know how much, but you did say that you had personnel working in the outfit. You did not assign them but they worked there. How they got there we do not know. You did not say two. You said several. It is a good question. What did you spend the $144,000 for?

Mr. PARMER. Under title 3.

Mr. PASSMAN. What is title 3?

Mr. PARMER. Of the fiscal year 1964 act. We spent it for carrying out the responsibilities of title 3.

Mr. PASSMAN. For what, to buy whisky, or take a junket, or for personnel? What did you spend it for? That is a fair question?

Mr. PARMER. These are Peace Corps personnel who are not assigned to anyone but work for the Peace Corps.

Mr. PASSMAN. Not assigned to anyone?

Mr. PARMER. No, sir.

Mr. PASSMAN. Did they get over in the Secretariat's domain?

Mr. PARMER. Not at all.

Mr. PASSMAN. What did they do?

Mr. PARMER. They were carrying out the responsibilities of title 3.

Mr. PASSMAN. What are the responsibilities of title 3?

Mr. PARMER. There are two. One is to maintain liaison with and work with foreign governments and foreign organizations who have developed and who have an interest in developing volunteer-type organizations such as the U.S. Peace Corps.

Mr. PASSMAN. What is the purpose of the International Peace Corps Secretariat? What is it supposed to do? Is it liaison work?

Mr. PARMER. The purpose of the International Peace Corps Secretariat—the title has been changed, it is now International Secretariat for Volunteer Services——

CHANGE IN OFFICIAL NAME OF THE SECRETARIAT

Mr. PASSMAN. People get wise to what these things are and then they change the name. You have had so many directors of the giveaway program that I cannot remember them all. The average tenure is about 16 months. They change the name of the program so often I get it mixed up. When I get real tired, I cannot think of the name at all. I believe it is finally AID. I do not know of any other word or phrase that would fit it better unless you call it the giveaway program.

They will be calling the Peace Corps something else in a year or two. You changed this one. What is the new name?

Mr. PARMER. International Secretariat for Volunteer Services. This is an international organization, and the United States had nothing to do with the changing of the name. This was decided by the members.

Mr. PASSMAN. We do not have much to do with any of these programs except put up the money. I think you made as good a statement as could be made. We did not have anything to do with it. If you went so far as to say that applies to all spigots, I would adjourn this session.

Mr. PARMER. The Secretariat is currently being paid for by other governments. We have contributed no money to this organization.

Mr. PASSMAN. You have utilized personnel. That we have established. The distinguished Secretary said it was the intent of Congress that we not do this, but you found a loophole.

Mr. CLEVELAND. No, sir.

Mr. PASSMAN. You did say it, I believe. We will go by the record.

Mr. CLEVELAND. The intent was not to give funds in furtherance of this kind of thing to any international organization, but the sentence just before that says very clearly activities carried out by the President in furtherance of the purposes of this title shall be limited to furnishing of knowledge and skills relating to the selection, training, and programing of volunteer help.

Mr. PASSMAN. Let me ask you this one question and we will pull down the curtain. The personnel that you did not assign but which wound up working in the Secretariat, were they working free or did they get paid from appropriated funds?

Mr. PARMER. They were U.S. Peace Corps personnel, paid out of funds appropriated for the U.S. Peace Corps Act.

Mr. PASSMAN. I do not know of anything you could say that is any clearer. Thank you, gentlemen. Mr. Secretary, thank you very much.

As I mentioned in the beginning of the session today, we were trying to meet a predetermined date for reporting the bill to the House. We anticipated that the authorizing legislation would have passed so we could meet the schedule. Since that has been delayed, and since there are many other pertinent questions to be asked about the program, rather than say we have concluded our hearings, we are merely going to recess subject to the call of the Chair. I question whether we will have any more hearings until after we have had an authorization bill.

STATEMENTS ON BUDGET AMENDMENTS AND PROGRAMS

If there should be reasons to resume hearings prior to the authorizing legislation, the committee reserves that right.

At this point in the record I should like to insert statements dealing with "Surveys of Investment Opportunities" with an estimate of $2.1 million; the "Interregional Programs," a program estimated at $44 million; "Administrative Expenses, AID," estimated at $52.5 million; and "Administrative Expenses, State," estimated at $2.9 million. Also statements from Mr. Bell and Secretary McNamara with respect to the budget increase of $55 million for military assistance for Vietnam and the $70 million for supporting assistance for Vietnam.

When we asked these people for their statements on these budget amendments and programs, it was predicated upon the fact we were meeting a deadline. The statements will go in the record at this point with whatever comment is necessary by the members of the committee with respect to their justification.

It is somewhat like the other questions we have asked the witnesses that we have endeavored to examine on some of the projects. When you consider we have a program in 99 nations, and 9 territories, with over 2,300 prime projects and doubtless in excess of 4,000 subprojects

and sub-subprojects, it is positively impossible to cover them all. As some of the AID witnesses indicated, if you spent weeks you could only do a fair job of examining projects in one country. So you can imagine the task we have trying to know just a little something about what I have often said, and which some day will be verified, is an uncontrolled and uncontrollable program. The witnesses said if you should examine on these other projects, we would give you similar answers to the similar questions on similar projects. I expect if we were to ask questions on these statements we would get about the same answers that we would get on the others.

(The statements referred to follow:)

Survey of Investment Opportunities

Statement of William O. Hall, Assistant Administrator for Administration, Agency for International Development

Mr. Chairman and members of the committee, one of the most effective newer techniques for increasing the flow of U.S. private capital into constructive investment in the developing countries is the program of surveys of investment opportunities. Since fiscal year 1963 over 70 investment surveys have been undertaken by U.S. companies—generally medium-size firms—in such varied fields as dairies, seafood processing, small iron foundries, and chemicals in such varied countries as Colombia, India, Thailand, Pakistan, and Nigeria.

Under section 231 of the Foreign Assistance Act of 1961, as amended, AID may pay up to 50 percent of the approved costs of approved surveys. AID makes an agreement with the applicant to cover 50 percent of approved costs on the basis of an initial cost estimate by the applicant. This agreement specifies an investment determination date, by which time the applicant is to indicate to AID his intention with respect to the potential investment. If the prospective investor signifies his intention to go ahead with the investment, AID will have no obligation and the results of the survey belong to the investor. If the investor determines not to make the investment and submits a professionally acceptable survey report and itemized expenses or vouchers in accordance with the survey agreement, AID will then make reimbursement under terms of the agreement. The survey report then becomes the property of the U.S. Government, and if the information is considered significant it may be made available to the U.S. business community.

During fiscal year 1962, 1 grant of $1,800 was obligated; during fiscal year 1963, 29 grants aggregating approximately $400,000; and during the first three quarters of fiscal year 1964, 44 grants obligating $465,000. In addition, as of March 27, 1964, there were 19 applications in process with an additional AID obligation, if all are approved, of $235,000.

These investment surveys are undertaken in countries of relatively high investment risk. Therefore, it is expected that many surveys will not result in an actual investment. However, the modest cost of this program will be repaid many times in terms of jobs and economic growth for the countries in which investments do result. If all surveys currently underway resulted in decisions to invest, over $200 million of investment would occur. In general, if only 20 percent of all surveys resulted in investment, each dollar disbursed by AID would be matched by roughly $70 in investment.

Although it is still early in the life of this program, we already have indications that these surveys are leading to positive investment decisions. For example, one company has decided to go forward with a plastic coating factory in Mexico, a second firm will construct a cement plant in Central America, and a publishing firm is investing in Nigeria. Of the 77 grants obligated from the inception of the program to May 1, 1964, 5 surveys have (as of May 1, 1964) resulted in a decision to go forward with the investment. If they do go forward their plans call for total investments in excess of $12 million. We are advised that in 20 other cases the firms involved intend to invest subject to current negotiations with local partners and Government agencies or the conclusion of satisfactory arrangements for financing. In contrast, requests for actual disbursements by AID under these survey grants, to all investors who

have made their surveys and informed us of a decision not to invest, have been less than $100,000.

We are not, however, content to sit back and wait for companies to come to AID seeking investment survey grants. When one of our field mission people identifies a good, developmentally useful investment opportunity we work with the Department of Commerce in trying to find a suitable U.S. firm to send its own team out to investigate under one of our grants. We believe that involving potential investors in the investigation is more likely to result in constructive investment than if the U.S. Government made the survey for its own account and then promoted the feasibility report.

We have already been successful in finding potential investors to undertake many such surveys of investment opportunities that our missions have identified to us. To help us further, we now have available as of May 1, 1964, a catalog of studies of private investment opportunities in the developing countries which should stimulate U.S. investment in these countries resulting in increased applications for the investment survey program.

Originally appropriated in fiscal year 1962 for surveys of investment opportunities was $1.5 million. This amount was reappropriated for fiscal year 1963, during which the program commenced to operate effectively. A carryover of approximately $1.1 million of unobligated funds from fiscal year 1963 enabled the program to continue without requesting additional funds for fiscal year 1964. We estimate that the final obligation level of fiscal year 1964 will be approximately $800,000 representing a 100-percent increase over the obligation level for the previous year. Based on the past growth of the program and the current level of applications, we expect this rate of growth will continue throughout fiscal year 1965, which will result in about $1,600,000 in new obligations. However, there should be a suitable margin to accommodate applications in excess of this estimate and to provide a yearend carryover to permit the program to continue to respond to investor interest. With a recovery of deobligated funds estimated at $300,000, an appropriation of $2,100,000 under the requested authorization will provide approximately $2,400,000 available to this important program.

We have found that this program serves as a concrete demonstration to the American business community that the U.S. Government realizes the value of private initiative and capital in the development effort. Small and medium-size firms, which would not otherwise investigate oversea opportunities, are encouraged to do so by these grants. If given the means, we are confident that we can continue on a larger scale to induce companies to explore constructive investment opportunities in developing countries.

Funds available for surveys of investment opportunities

	Authorization	Appropriated or reappropriated	Estimated amount available from deobligation	Total available for obligation	New obligations	Year end unobligated appropriation
Fiscal year 1962	$5,000,000	$1,500,000	0	$1,500,000	$1,800	$1,498,200
Fiscal year 1963	2,000,000	1,498,200	0	1,498,200	400,000	1,098,200
Fiscal year 1964	2,000,000	1,098,200	$100,000	1,198,200	[3] 800,000	[3] 398,000
Fiscal year 1965	[1] [2] 2,100,000	[1] [2] 2,100,000	200,000	2,300,000	[3] 1,600,000	[3] 700,000

[1] This is proposed to be authorized for use beginning in fiscal year 1965 and to remain available until expended.
[2] Requested.
[3] Estimate.

Interregional Programs (Technical Cooperation and Development Grant Appropriation)

Statement of William O. Hall, Assistant Administrator for Administration, Agency for International Development

Mr. Chairman and members of the committee, our request for the fiscal year 1965 for the interregional programs is $44,475,000. This category of technical cooperation expenses is for program implementation activities conducted mainly in the United States. The costs of these activities are charged on a worldwide

basis because it would be impractical to relate them precisely to individual country or regional programs.

Funds are requested for fiscal year 1965 for the following activities:

AID/Washington program staff, $16 million

The AID/Washington program staff is that segment of the Agency's Washington personnel which supports oversea programs. It includes a variety of personnel: Contract officers, development loan officers, participant training officers, technicians, engineers, and research evaluation personnel, who are concerned with program implementation. The increase in this category over fiscal year 1964 is required primarily to cover increased costs resulting from the Federal employees pay raise, and to strengthen the staff training program.

Program support by Department of State, $8,700,000

The Department of State provides communications, health, fiscal, transportation, and custodial services on a reimbursable basis to a number of Government agencies operating overseas. The pro rata portion of these costs attributable to AID program personnel and operations is charged to interregional programs. It is anticipated that the level of these services required by AID in fiscal year 1965 will be approximately the same as in fiscal year 1964. The increase in costs over fiscal year 1964 is attributable to increased pay costs of U.S. nationals, increases in local wages, and price increases.

Participant services, $8,700,000

Each year about 6,000 foreign nationals from aided countries are sent to the United States for advanced training in a wide variety of technical and professional fields. The total training workload in fiscal year 1965 is estimated at 9,500 participants consisting of approximately 6,000 new arrivals and 3,500 whose training programs carry over from fiscal year 1964.

Training by universities and other private and public institutions is charged to country or regional program funds when these costs are payable on a tuition-fee basis. Activities in support of AID-sponsored participants during their technical and professional training in the United States, are charged to the interregional program. These activities consist of: (1) Services provided by AID/Washington including reception and orientation, English language training, interpreter services, health and accident fees, contractual services of universities, colleges and other facilities in the private sector, and various other services; and (2) services provided by Federal agencies in planning, developing, and implementing training programs. The increase over fiscal year 1964 provides for salary increases and related expenses of participating agency personnel, and charging of participating agency supporting services to interregional funds rather than to the administrative expenses for purposes of simplification and improved control.

Training in cooperatives, $300,000

AID contracts with various U.S. private institutions such as rural electric cooperatives, credit unions, and related organizations for technical assistance in promoting the development of cooperatives. In addition, some direct support activities, particularly training, are conducted under the interregional program in order to provide a coordinated effort in the program. In fiscal year 1965 the program will continue its activities toward development of cooperatives in the developing countries.

Central book fund, $700,000

Books are a major requirement in building human resources. There has been an increasing awareness of the extreme shortage of reading matter in all fields of knowledge in the developing countries. There is also a recognition of the increased dissemination of low-cost, Sino-Soviet publications in these countries. The central book fund was established to counter these trends by supporting experimental undertakings to increase the availability of text, scientific, and other books at reasonable prices. The fiscal year 1965 estimate provides for expansion of the program to include additional countries and for continuation of programs designed to increase the availability of reading matter in the developing countries.

Excess property offices, $400,000

Section 608 of the Foreign Assistance Act authorized AID to acquire domestic or foreign excess property in anticipation of oversea needs, and to repair, main-

tain, and transport such property as required. This provision makes it possible for AID to provide equipment to oversea missions at prices far below those of new property. By using U.S. Government-owned excess property wherever possible in fiscal year 1963, AID saved more than $43 million in its oversea assistance projects.

In fiscal year 1965 it is anticipated that the excess property offices in Frankfurt, Germany, and Tokyo, Japan, will be fully operational and fully staffed; thus resulting in an increase over fiscal year 1964 costs. The completion of staffing of these offices has been delayed pending agreements with the military departments on services and facilities required by AID.

International aid coordination, $350,000

AID maintains a small staff as part of the U.S. mission to the Organization for Economic Cooperation and Development. This staff supports the U.S. representative to the Development Assistance Committee (DAC), a 12-nation group formed at U.S. initiative which includes all major free-world aid donors and has been a major force in improving the terms and increasing the volume of aid from other free countries. The fiscal year 1965 estimate also includes the salary and expenses of the chairman of the Development Assistance Committee, an American citizen.

Communications resources services, $750,000

A Washington communications resources staff provides supporting services and materials to AID missions to assist them in program implementation. These services include dissemination of technical literature, books, and training information; design and development of communications media techniques; maintaining a film loan library, providing exhibit services, answering technical inquiries, preparing special-purpose technical publications, and other technical and advisory services. This activity is estimated to continue in fiscal year 1965 at about the same level as in fiscal year 1964.

General technical services, $5,300,000

Technical services in support of countries activities are provided in various fields of activity, such as health, labor and education through centralized services provided under the interregional program. Through the provision of services such as these, it is possible to provide information and technical assistance on problems common to several missions much more efficiently, for example, nutritional studies, bibliographies of investment opportunities, unified sample seed purchasing, furnishing of management and medical education consultants.

These services include technical assistance by AID/Washington central staff, and advice and consultation from private institutions and various Government agencies. The increase over fiscal year 1964 is attributable primarily to increased services being provided by other Government agencies, and charging of participating agency supporting services to interregional funds rather than to administrative expenses for purposes of simplification and improved control.

Building facilities, $1,825,000

Under section 636(c) of the Foreign Assistant Act of 1961, not in excess of $3 million of the funds available in any fiscal year (excluding development loans) may be used to construct or acquire outside the United States, living quarters, office space, schools, hospitals, and other supporting facilities for the use of personnel carrying out activities authorized by the act, U.S. Government personnel and their dependents. Facilities will be purchased or constructed in fiscal year 1965 as required in areas where facilities are not available for lease from private sources or are not provided by the host government.

Dependent education, $1,500,000

Under section 636(d) of the Foreign Assistance Act of 1961, not in excess of $1.5 million of foreign assistance funds (excluding development loans) may be used to assist schools already established (or to be established) overseas whenever this is considered most economical or whenever this will best serve U.S. interests in providing for the education of dependents of foreign assistance personnel, or other Government personnel posted overseas. In fiscal year 1965 efforts will continue to improve educational facilities overseas through assistance to established schools.

These are the broad outlines of our interregional program activities.

Administrative Expenses, Fiscal Year 1965

Statement of William O. Hall, Assistant Administrator for Administration, Agency for International Development

Mr. Chairman and members of the committee, our fiscal year 1965 request for administrative expenses is $52.5 million. This amount is required for the proper management of foreign assistance program funds. The request reflects the Agency's intention to achieve steadily increasing efficiency in operations. It also reflects a small but significant reduction in the employment of Americans overseas by the end of the fiscal year.

The amount proposed for fiscal year 1965 is $528,800 higher than the $51,971,200 available in fiscal year 1964. This net increase is the result of several proposed increases and decreases. The increases include: oversea wage and price increases, $385,000; additional audit contracts, $210,000; strengthened training activities, $500,000; increased Federal pay costs, $522,000. The decreases cover anticipated economies of $420,000 and a change in funding arrangements whereby other Government agency costs of $668,200 will henceforth be charged to the program account rather than the administrative account.

Two items requiring additional funds—i.e., oversea wage and price increases and increased Federal pay costs—are both unavoidable. Prices in the countries in which AID operates have risen on the average of more than 5 percent per year for the past 5 years. The increased Federal pay costs will put into effect for a full year the salary increases which were authorized in January 1964.

The increased funds requested for additional contract audits represent expanded use of public accounting firms and Department of Defense audit services to handle an increased volume of audit work—a practice initiated this year as the alternative to increasing AID's audit staff. In addition to the deterrent effect of such audits, the recommended recoveries to the Government as a result of the audits more than offset their cost. In fiscal year 1963 the recommended recoveries, as a result of audits performed primarily by the Agency's own audit staff, totaled $979,000. Thus far in fiscal year 1964 recommended recoveries from contract audits have amounted to $2,356,000—more than double those obtained in fiscal year 1963.

The proposed increase in funds for training will enable us to send selected key personnel to professional training institutes to improve their skills in their professional fields. These key personnel will receive intensive full-time training for a period geared to the individual's particular needs. In addition to this professional training, we propose to conduct selective inservice training of promising midcareer personnel. This program will be designed to broaden the capabilities of these employees in the management of Agency activities.

We expect to achieve economies aggregating $420,000 in fiscal year 1965 by eliminating or reducing the AID structure and staff in a number of countries. While most of our employment reductions will be accomplished in the program-funded area, we expect to reduce at least 45 administrative-funded U.S. oversea positions by June 30, 1965. Washington employment is expected to remain at about the current level, as elimination of certain field missions will result in additional responsibilities to be assumed centrally. Further, workload in Washington continues to grow and we feel that the present manpower level is needed to adequately manage and service the total program.

The second decrease is essentially a transfer between accounts. At the present time, the cost of program services provided to AID by other Government agencies is prorated to several AID accounts. We believe we can effect tighter control and more efficient handling by simplifying fiscal arrangements to reflect all such charges against the program account. This means that fiscal year 1965 requirements for this item have been dropped from the administrative account and are being budgeted under the program account.

Mr. Chairman, this concludes my itemization of the factors affecting the administrative expense budget. The committees' approval of our request will enable us to continue to administer the program in an efficient and responsible manner.

Administrative Expenses, Department of State

U.S. Mission to NATO, Organization for Economic Cooperation and Development, and the Mutual Defense Control Act

Statement of Verne B. Lewis, Deputy Assistant Secretary of State for Budget and Finance

Mr. Chairman and members of the committee, I am appearing today in support of the budget estimates for programs conducted under section 637(b) of the Foreign Assistance Act of 1961, as amended. These programs are (*a*) the U.S. mission to the North Atlantic Treaty Organization, and the Organization for Economic Cooperation and Development (USRO); and (*b*) the Mutual Defense Assistance Control Act (MDAC).

Our request is for $2,900,000, an increase of $200,000 over the $2,700,000 appropriated for fiscal year 1964, and an increase of $184,700 over the amount available because of carryover balances from prior years. This request is in two parts: $1,999,000 for USRO and $901,000 for the Mutual Defense Assistance Control Act.

The $1,999,000 request for USRO is an increase of $126,700 over the $1,872,300 available for 1964. This increase is requested to provide for:

Mandatory increases of $53,100 for pay act salary increases, oversea wage and price increases, and within-grade salary costs.

Improved support of $47,000 for increased assignment and transfer travel and replacement of depleted supply and equipment inventories. The travel increase is attributable to the normal variation in the number of personnel transfers. The increase requested for supplies and equipment will provide for restoring inventories, which have been depleted due to deferral of procurement in 1964, to their normal level; and for

Conference activities an increase of $26,600 is requested to permit increased participation in the NATO conferences to assure adequate U.S. representation.

No additional positions are requested.

The primary objectives of NATO, since its inception in 1949, have been to plan and provide for the defense of the North Atlantic Treaty area.

These objectives are being accomplished by the cooperative efforts of the 15 member countries. It requires our constant attention and frequent negotiation to improve the systems of integrated defense for the mutual safety of the member countries. The equitable distribution of this defense burden is one of our major concerns.

The United States attaches great importance to NATO and OECD. We enhance our security and welfare by cordinating political, military, and economic policies with our Atlantic partners.

In 1964 the prinicpal effort of the U.S. mission to NATO has been to improve the processes of political consultation on major issues of common interest: East-West relations, arms control, Cuba, trade, and multilateral force negotiations. The United States continued its efforts to achieve a strengthening of NATO defenses and to formalize NATO defense planning under new procedures set up in 1963.

The Organization for Economic Cooperation and Development (OECD) was established officially on September 30, 1961, with U.S. participation following Senate advice and consent to the OECD Convention on March 16, 1961.

The United States has sought to strengthen the Atlantic partnership by vigorously using the OECD to coordinate economic policies and programs.

During its brief period of existence, the OECD has contributed to the development of greater mutual understanding of economic policy problems; encouraged close cooperation between the United States and other key currency countries in the monetary field and the expansion of aid from non-U.S. sources. OECD is also engaged in an examination of a variety of nontariff barrier problems, and has been devoting increasing attention to finding constructive measures to deal with the trade problems of less developed countries. There is also a growing effort to deal with a wide range of other problems: economic growth, structural problems in agriculture, export credits, capital markets, science, manpower, and industry.

The staff of our USRO mission provides support to our representatives in NATO and the OECD. It interprets and analyzes developments and submits recommendations for U.S. action to Washington. The mission maintains liaison with various American embassies to obtain assistance in encouraging other coun-

tries to accept a U.S. position on current NATO or OECD problems, and represents the United States at meetings when there is no representation from Washington.

Our participation in the work of NATO is to insure that satisfactory policies, consonant with our national interests, are furthered by NATO actions. Our participation, politically and financially, is in the interest of the security of the United States.

The second activity, the operations of the Mutual Defense Assistance Control Act (MDAC), will require $901,000 next fiscal year, or $58,000 more than the $843,000 available this year. The Control Act program, based on Public Law 213 of the 82d Congress, is directly related to the overall defense efforts of the United States. Termination of U.S. aid is mandatory under the act if a country knowingly ships arms, ammunition, or certain atomic energy items to the Sino-Soviet bloc. It also provides for terminating aid at the President's discretion if a shipment involves certain listed strategic commodities. The Department performs a very important function in attaining these objectives by determining items to be included on the lists for control purposes, negotiating satisfactory controls with aid recipient countries, making reports to the Congress on shipments of listed items by such countries, and making recommendations to the President concerning termination of assistance because of shipment of listed commodities. The Department coordinates all U.S. activities concerning security trade rules exercised by other countries, and keeps countries receiving foreign aid informed of revisions in the list of strategic materials which should not be shipped to the Sino-Soviet bloc.

Increases requested for this function are to cover:

Mandatory increases of $22,000 for pay act salary increases, oversea wage and price increases, and within-grade salary costs;

Reimbursement to the Department of Commerce in an increased amount of $36,000 to provide a total of $160,000 to cover the estimated cost of preparation of statistical data and reports covering trade of free world countries with Soviet bloc countries, technical analysis and advice on matters pertaining to the strategic significance of individual commodities, the international control system, and other similar related activities. This increase wll provide funds to cover increased costs resulting from the recent Pay Act salary increase and increased workload experienced by the Department of Commerce in connection with these activities.

Request for Supplemental Funds

Statement of David E. Bell, Administrator, Agency for International Development

Mr. Chairman and members of the committee, the President has asked the Congress for $125 million additional aid for Vietnam in fiscal year 1965, of which $70 million is required for economic assistance.

As presented to the Congress initially, the fiscal year 1965 program for South Vietnam estimated requirements for $130 million in supporting assistance (SA) funds. The $130 million, based on January plans, was divided as follows:

Initial proposed fiscal year 1965 program

	Million
Commercial import program	$95
Counterinsurgency program	35
Total	130

The fiscal year 1965 program also contains $7 million for technical cooperation.

To date (May 25, 1964), the fiscal year 1964 program, including contingency fund allotment, involves the following amounts:

Fiscal year 1964 program approvals

	Million
Commercial import program	$113.0
Counterinsurgency program	41.5
Total	154.5

For fiscal 1964, there is also a TC/DG program of $6 million.

The commercial import program supports the war-strained economy by financing imports of fertilizer, industrial materials, and other essentials. Amounts requested for the commercial import program are based upon an assessment of Vietnam's import financing gap, given estimated levels of domestic production, taxation, money supply, export earnings, financial assistance from other sources, and other factors.

The counterinsurgency program provides immediate benefits for rural people, and in a variety of ways directly supports the South Vietnamese counterinsurgency effort in the countryside.

Since the fiscal year 1965 program was prepared in January, the Vietcong guerrillas have intensified terrorist action. In response to this and in accord with plans mutually agreed to by Government officials of Vietnam and the United States, the new Vietnamese Government under the leadership of Prime Minister Khanh has adopted a revised budget, increasing by nearly 40 percent over 1963 levels its planned expenditures to permit carrying out the plans for a greatly intensified counterinsurgency program. It is now evident that the resources required to mount an accelerated counterinsurgency program and to maintain reasonable price stability will be greatly in excess of the resource requirements upon which the initial fiscal year 1965 AID program was based.

New Vietnamese Government measures are:

Expanding the Vietnamese Army, civil guard, self-defense corps, and police forces, and integrating their operations with political, economic, and social measures in a systematic clear-and-hold campaign.

Greatly expanding and upgrading the Vietnamese civil administrative corps to increase the Government's effectiveness and services at the village, district, and province level. Local government capacity, responsiveness to popular needs, and initiatives are to be strengthened.

Better pay scales for the men and adequate budgets for the organizations engaged in this struggle of many fronts.

Manifold expansion of training programs, to provide teachers, health workers, agricultural, financial, and administrative staffs for the rural areas.

The increased and well-directed Vietnamese effort merits and requires increased U.S. support.

Subject to availability of funds and the Vietnamese Government's performance and needs, it is the administration's intention to carry out supporting assistance programs in Vietnam in fiscal year 1965 totaling approximately $200 million, of which about one-fourth will be for direct counterinsurgency operations in the rural areas and about three-fourths for basic economic support.

The increases in the commercial import program will meet part of the increase in imports stimulated by greatly expanded Vietnamese Government spending. The Vietnamese Government also will license increased imports against its own reserves.

The increase in the AID counterinsurgency program will provide more fertilizer, medical supplies and services, repair parts, and replacements for war-damaged railway rolling stock, school supplies and building materials, well-drilling equipment and teams to bring fresh water to the villagers, and enlarged U.S. advisory staffs in the provinces.

I have outlined in fairly specific terms the need for this additional $70 million in economic assistance and purposes to which it will be put. It is clear that the situation in South Vietnam and the increased efforts of the Vietnamese Government require this additional effort on our part. I urge this committee to appropriate the full amount requested for our mutual defense and development programs, including the additional $125 million in economic and military assistance for Vietnam.

STATEMENT OF HON. ROBERT S. MCNAMARA, SECRETARY OF DEFENSE

Mr. Chairman, members of the committee, when I testified before this committee in March, I stated that there was a serious question in my mind as to whether the amount proposed for military assistance for Vietnam in the fiscal year 1965 budget request would be sufficient. The estimate of $151 million was included in the overall budget request for $1 billion. This estimate was developed at a time when the situation in Vietnam was uncertain. I can now state that the $151 million will definitely not be sufficient if we are to win the struggle against communism currently being waged in Vietnam.

In support of this increased request, I will cover four main points. First, the situation in South Vietnam as I found it during my recent visit; second, the Vietnamese Government's views as to certain of the political and military aspects of the situation; third, some of the actions I believe that we and the South Vietnamese governments can take to strengthen our counterinsurgency program; and, fourth, the nature and content of the military assistance increment of the President's request for additional foreign aid.

First, the situation. It is clear that since last September the number of people and the number of villages under the control of the Vietnamese Government has declined. Most of this decline occurred between the first of October and the end of January as I previously indicated to the committee. This decline continued at a lesser rate during February and March. It appears to have leveled off in April and May.

The rate of harrassing incidents—kidnapings, ambushes, propaganda attacks, terror attacks of all kinds—with their very adverse effects on public morale continue to rise.

I think it is also clear that the fighting strength of the Vietcong in formal attacks, company size and larger, has also risen. While they are not yet capable of attacking an area and holding it in the face of determined Government resistance, they are now able occasionally to stand and fight rather than dissolve immediately upon the application of Government pressures.

As the Vietcong strength has risen, so also have the Government's operations become more effective. This can be seen throughout the country in the holding and "oil spot" operational concepts that I have discussed before with the committee. These holding operations are taking place in a large number of areas in the country. General Khanh has a clear and a very effective concept of the pacification program needed to counter the Vietcong attacks.

He thinks that Government control will gradually increase and he believes that the military strategy laid out will assure this. He points out that this will require a long period of time and emphasizes that the problem today is not primarily military in character.

What can be done at the present time to strengthen the actions against the Vietcong? There are a number of steps we can take. We discussed these both in March and also in May with our own political and military leaders in South Vietnam and with the Vietnamese and we are all in agreement on them.

The first step of a military nature involves an increase of the regular and paramilitary forces. This must be done between now and the end of the year. This includes the national police, which I am including for this purpose under the paramilitary heading and an increase in the number of men to be used as a cadre for the political and economic programs in the rural areas in addition to the requirement for an increase in the regular and purely paramilitary forces.

South Vietnam's budget must be improved quickly, and in fact expanded over and above increases already made to provide for the intensified war effort, the increased strengths and increases in personnel compensation. Action has already been started, but we must insure that it is implemented effectively at the province level.

We must increase certain of the materiel support we are providing to the South Vietnamese. For example, we must increase the number of aircraft in the Vietnamese Air Force and we must increase the number of Vietnamese combat pilots. We must exchange A–1H-type aircraft for the T–28 aircraft remaining in the Vietnamese Air Force. We must add other military equipment to their forces to meet certain marginal requests that they have recently placed upon us. It is this program, along with certain other political and economic actions, that has led the President to request of the Congress the addition of $125 million to the previous request for fiscal year 1965 economic and military assistance to South Vietnam.

The additional $55 million for military assistance is to provide the following requirements:

Additional A–1H aircraft for close air support and surveillance. This involves replacement of other types of aircraft, filling out newly activated units, and provision of attrition replacement aircraft.

Additional helicopters are required.

Ammunition will be added to the fiscal year 1965 program to provide for increased aircraft and increased level of combat operations.

Increased training of pilots, training of technicians and to maintain approximately the fiscal year 1964 level of training support.

Additional construction will be required to provide for expansion of airfields and facilities to accommodate the additional aircraft, plus cantonment areas for increases in troop strength.

Increased force support for the increased activity. Includes such items as follow-on aircraft spares, aircraft engine overhaul, additional POL, replacements for combat losses, communications and maintenance services.

Increased deliveries to Vietnam in fiscal year 1965, will require an additional amount for packing, handling, crating, and transportation.

These proposed additions to the fiscal year 1965 military assistance program are tied directly to Vietnamese Government's program to intensify the overall effort in Vietnam. I am convinced that General Khanh is determined to carry the batle to Vietcong with all the resources at his command. We must insure that the resources are sufficient to dispel any doubt about the ultimate outcome.

Statements of Interested Individuals and Organizations

Mr. Passman. We shall insert in the record at this point statements previously filed by outside witnesses. It has been an inspiration to the members of this committee to observe the interest of many people who have appeared before this committee, particularly the UNICEF witnesses. A lot of very fine dedicated ladies have made strong statements for UNICEF, and based upon their knowledge and their interest, the committee has, as far as I know since I have been chairman of the committee, recommended every dime they have asked for.

We are also grateful to the other patriotic Americans who may appear in support of the program as well as those who appear in opposition to an excessive program. We are grateful to all of them. They come at their own expense. They speak out of their hearts. They express themselves as Americans usually do. As long as people have that right to be heard before the committees of the Congress and to express their views, just that long will we have a free and great country. We are always glad to have them.

(The statements follow:)

Statement of Spark M. Matsunaga, Member of Congress (Hawaii), on Appropriations To Implement the Foreign Assistance Act of 1964, June 10, 1964

Mr. Chairman and members of the subcommittee, I thank you for this opportunity to testify in support of appropriations to implement the Foreign Assistance Act of 1964.

So much attention has been focused on the effect that our foreign aid program has had on receipients of our aid that we have tended to overlook the benefits that we as donors have gained from this program.

I wish therefore to direct my remarks to a specific phase of our AID program which has greatly benefited the people of the entire United States—the public health projects of AID.

In this age of the jetplane, heavy import-export trade, and world travel, public health officials are deeply concerned over the general health problems abroad in order to protect our own country's public health. Cholera outbreaks in the countries of the Pacific, the presence of malaria in the Philippines, and the hitchhiking of the anopheles mosquito into American areas, all pose a threat to the health of our own citizens. It is only a few hours from any Asian nation to Hawaii; 4½ hours from Hawaii to San Francisco; and only 9 hours from Hawaii to Washington, D.C., or New York. That which menaces Hawaii today menaces our entire Nation.

These facts were brought to my attention by our well-respected former chief health officer for the State of Hawaii, Dr. Richard K. C. Lee, who is now director of public health and medical activities at the University of Hawaii, and who has been for many years active in the field of international health, particularly in the Pacific and Asian areas.

Dr. Lee points out that the health problems of our neighbors are of danger to the United States, and anything our Government can do to help them with these problems will be in our own health and economic interests. The maintenance at full strength of the activities of the Health Service of the Office of Human Resources and Socal Development of the Agency for International Development are of paramount importance to our own national public health.

Let us consider another phase of the benefits which the foreign aid program has brought to our country. Even though some mistakes may have occurred in the past, we have succeeded in building up friendly nations with which we are carrying on mutually profitable trade, and we in the United States have attained the highest standard of living in our history. This is due in part to the success of the foreign aid program. If through economic failures and consequent loss of democratic governments in Western Europe and Japan, those countries had become Communist satellites, the United States would now be a tense, armed camp, and our own economy would not have achieved its spectacular post-World War II growth.

With the end of colonialism and the emergence of new nations, we have a totally different foreign aid problem; if we fail to meet the challenge, it will cost the United States dearly both in terms of economic growth and in terms of national security.

Is ask that no lesser amounts than those authorized be reported favorably by this committee for appropriation by the House of Representatives.

Thank you very much.

STATEMENT OF BONNER FELLERS, BRIGADIER GENERAL, U.S. ARMY, RETIRED, NATIONAL CHAIRMAN, CITIZENS FOREIGN AID COMMITTEE, MAY 29, 1964

Mr. Chairman and members of the committee, my name is Bonner Fellers. For the opportunity again to present a statement to this distinguished committeen I am grateful. Fourteen of my thirty years' active service were spent in foreign lands. For 2 years, 1940–42, I served with the British as U.S. observer of combat in the Libyan Desert campaigns. In 1943–46 I participated in the war in the Pacific; my most responsible assignment was Chief of Joint Planning under General of the Army Douglas MacArthur.

U.S. MILITARY ASSISTANCE

U.S. survival

Over the years the Congress has supported foreign aid principally because administration leaders have testified that aid was necessary for the military security of the United States. Of all the arguments for foreign aid, this claim is loaded with the most sophistry.

The major Red military threat against the United States can come only from—

Armed spacecraft.

Bombers and missiles based on Russia and Cuba.

Missiles fired from submarines.

Our firm policy of striking Russia only if she strikes first demands constant striking superiority, if parity is to exist after an enemy sneak attack. A peacetime policy of striking power parity is extremely dangerous. While we reduce our strategic striking forces, which we are now doing to achieve parity—the Soviet objective is to achieve superiority. It is therefore imperative that the United States continuously maintain superiority in striking power. To this vital requirement, none of our allies is making a telling contribution.

Friendly surface forces along the Sino-Soviet frontier, NATO forces and those of our allies, cannot prevent Red attacks from the sky. The majority of these countries are armed merely to provide their own internal security; only a few have conventional war capabilities. European countries and Japan have the talent and the industrial capacity to create and man modern striking power but so far they have not chosen to do so.

Inside the Communist bloc are modern armies and striking forces. They can invade any country along their vast frontiers. And since these countries cannot defend themselves, their free-world defense contribution is negligible.

Only Americans can and will defend America.

Containment

Our Soviet containment policy was adopted in the hope that were Russia held within her borders, the Russian people would liberate themselves. Unforunately this was a forlorn hope. The entire perimeter about the Sino-Soviet

bloc is greater than the circumference of the earth. Physical containment therefore imposes an insuperable task upon free world forces.

Moving on interior lines, possessing the initiative, and concentrating with numerically greater armies and air power, Communist forces unquestionably can penetrate the Sino-Soviet frontier at any selected point. Thus it is evident that a surface containment of the Red bloc not only exceeds free world capabilities, but it would be the costliest of all plans to cope with the Communist menace.

The Communist bloc is committed to huge standing armies. Their peoples hate the system; to prevent uprisings and revolution, their dictators compel them to live under their own military occupation. This requires huge standing armies and obviously draws funds and effort which otherwise might be lavished on nuclear air and space striking power.

On the other hand, free world powers are not committed to huge standing armies. They, therefore, can and should afford to create superior conventional and nuclear striking power.

Deterrent power

Through the centuries, Russia has hungered for more and more territory. Since huge Red armies enable her to invade adjacent countries at will, should she entertain aggressive intent, what deters her? The word "deter" means "to prevent from action by fear of consequences."

U.S. strategic nuclear striking forces, superior—as of now—to those available to the Communist bloc, have the capability of destroying the Red war potential. Khrushchev has admitted that the U.S. nuclear striking forces constitute an effective major war deterrent which he does not care to challenge.

The Red countries are the base from which the Communist dream of world domination must emanate. They will not knowingly risk destruction of this base. Therefore, so long as the United States possesses superior strategic striking power, the chance of a major war against the Communist powers is remote.

U.S. MILITARY ASSISTANCE REQUIREMENTS

The Latin American States have already received $716 million for military aid. They need only internal security forces. The U.S. strategic striking forces extend incidental protection to these states.

Africa

African States face no external military threat; it would be a disservice to them to continue military assistance.

Near East and south Asia

The 13 countries in this area have been given $20.2 billion in U.S. foreign aid. Long ago this largesse should have enabled these countries to provide their internal security. Few have even a limited conventional warfare capability.

AID officials claim that our military assistance enables Greece and Turkey to defend the NATO right flank. This claim is wholly empty. The Red army, with ample air support, can overrun the Greek and Turk forces. Greece and Turkey are defenseless against Red air strikes.

Aid advocates argue further that since Russia has given Bulgaria some 10 or 11 modern, highly mobile divisions, U.S. aid must likewise modernize Greek and Turkish forces. Nothing would suit the Kremlin better than for the United States to pour out more and more treasure—which we do not have—on expensive equipment for all countries along the Communist-bloc frontiers. Moreover, Greece and Turkey, traditionally bitter enemies, are as likely to fight one another as they are to join hands against Bulgaria.

There are better ways to meet such Bulgar threats as may exist. If and when this threat clearly manifests itself, the United States should officially remind Bulgaria of our NATO treaty obligations which we propose to honor.

Missiles have caught the imagination of the world. Unquestionably they are potentially an effective weapon. Among their limitations, however, one is outstanding. Because they carry a small payload, they must be nuclear armed.

Despite the administration's refusal to develop and produce new strategic bombers, our existing bomber forces, with conventional or nuclear bombs, remain our best tried and proven war deterrent. The Bulgars will not invite a bomber attack.

To achieve maximum effectiveness, airpower must be delivered en masse. It must not be parceled out to countries bordering the Communist bloc. Central control is essential for full utilization of its power, speed, and flexibility.

The United States and eight other industrial nations, together with the World Bank, on May 26 pledged India $1 billion in economic aid. Until the relations of India and Pakistan with the Communist bloc and with each other are clarified, more military assistance to each of these bitter enemies would be a disservice.

Far East

The U.S. policy apparently is to press the South Vietnamese for a military victory. If the Vietnamese respond favorably, sufficient assistance should be granted.

American leadership cannot guarantee that the Vietnamese will fight an all-out war. It would be a grievous error to commit American troops to full-scale combat. Vietnamese resent the white man killing other Vietnamese, even though those killed may be Communist enemies. And were a military victory to be won, who would then guard hundreds of miles of tropical jungle frontier from future Red infiltration?

Moreover, Americans in Vietnam today inherit the Oriental hate of French and British imperialism. Next to the desire for survival, racial is the most basic of human emotions. Our South Vietnam venture is certain to become ill fated unless we enlist aid from our Far East friends.

The Japanese, Filipinos, and Nationalist Chinese are all fearful of the extension of communism throughout the Orient. They stand by idly and see the white man—giant that he may be—failing in South Vietnam. Conservative Oriental thought is, that as events are now unfolding, all Asiatic peoples on the mainland will be under Communist domination in 2 years.

Our committee therefore proposes that the Japanese, Nationalist Chinese, and the Filipino peoples be invited, urged, and supported to join hands in the struggle for a free southeast Asia. Gradually they could and would replace the white man in South Vietnam. They could make a victory permanent; this Americans cannot do. We cannot guarantee permanently to seal jungle borders of the Orient. Our Sixth Fleet in Asiatic waters and our Air Force on Okinawa are an effective war deterrent against Red China.

Troop redeployment

Kremlin dictators, with the Red army and air force at their disposal, have no fear of the 22 to 24 NATO divisions and other surface forces available to West Germany. These NATO forces, therefore, are not a war deterrent.

Since the U.S. nuclear strategic striking forces are an effective and tested war deterrent, our six divisions in West Germany and two in Korea could be safely redeployed. Long ago these oversea garrisons should have been replaced by local forces. However, until we withdraw them, they will never be replaced.

This redeployment would make eight U.S. divisions available for an increase in the flexibility and effectiveness of STRAC (U.S. Strike Command). Instead of being immobilized, they would immediately be available for emergencies. This mere availability would increase our small-war deterrent power. Under no circumstances, however, should our battle groups in West Berlin be redeployed, and a token force—possibly a regiment—should remain in Korea. Although token forces, they are a visible symbol of our determination to keep the flag flying on the NATO frontier and in South Korea.

Disarmament

Our own disarmament is strangely inconsistent with the administration's passion to extend foreign military assistance on a global scale. The Kremlin has influenced our senior administration leaders to build no more intercontinental bombers. The United States has banned important nuclear testing; the trend is toward conventional warfare in which the Communists have every advantage. Moreover, Department of State Bulletin No. 7277 offers "The U.S. Program for General and Complete Disarmament in a Peaceful World." The program, published in 1961, contemplates completion in 9 years; it is progressing on schedule.

The Phoenix study, financed by foundations, but smiled upon by some in the Department of State, suggests that the United States join hands with the U.S.S.R. to keep the peace of the world.

Responsible top-level Department of State officials and the Disarmament Commission make concession after concession as they zealously seek understanding with the Kremlin.

While the United States is disarming, it is the height of inconsistency to demand global military assistance for free world countries so that they may resist the growing Communist menace. This demand is accompanied by the fantastic claim that foreign military assistance is essential for our survival.

RECOMMENDATIONS

(1) Since U.S. survival is not dependent upon foreign aid, a reexamination of our military assistance program is an imperative.

(2) It is expensive, futile, and 18th-century thinking to support a policy of physical surface containment of the Communist bloc.

(3) Deterrent power rests principally in the U.S. strategic striking forces and not in the U.S. military assistance program to free world powers.

(4) To win in southeast Asia:

(*a*) The AID request for the Far East should be granted. The AID request today is $958 million.

(*b*) Military assistance to other areas should not be granted.

(*c*) Without the assistance of the Japanese, Chinese Nationalists, and Filipinos, southeast Asia will be lost to the Communists.

(5) Foreign aid for fiscal 1965 should be limited to:

For Far East military assistance	$958, 000, 000
Loan commitments to Latin America	482, 000, 000
Technical assistance to all areas except Europe	268, 000, 000
Total	1, 708, 000, 000

(6) In view of the fact that as of June 30, 1964, AID estimates that there will be an unliquidated balance in AID funds of $6.262 billion, the Congress should appropriate no new aid funds for fiscal 1965.

STATEMENT OF ELGIN GROSECLOSE, PH. D., REPRESENTING THE CITIZENS FOREIGN AID COMMITTEE, MAY 29, 1964

Mr. Chairman and members of the committee, my name is Elgin Groseclose, Ph. D., head of Groseclose, Williams & Associates, financial and investment consultants of Washington, D.C. I have been a student of the foreign aid program since 1951 when I first saw it in operation in the Middle East, and found it defective in its premises and in its performance. Since then I have periodically visited the Middle East. I am founder and president of Welfare of the Blind, Inc., a Christian agency for the sightless of the Middle East.

In 1958 I participated in the symposium on foreign aid held at Emory University, the results of which were published as "Foreign Aid Reexamined" (Washington, 1958). Since 1956 I have regularly testified on the subject before various congressional committees. I am author of "Introduction to Iran" (Oxford University Press, 1947), "Money and Man" (1934 and 1962), and five novels of Middle East setting. In 1961 I observed foreign aid during a trip around the world. At present I am research consultant to the Citizens Foreign Aid Committee. Also I am executive director of the Institute for Monetary Research, Inc.

If there have been reasons in the past for a critical view of the foreign aid program, the reasons are multiplied this year. Despite an unexampled prosperity at home, despite booming exports, despite rising income from foreign private investments abroad, the virile U.S. economy is unable to generate enough foreign exchange to meet the burden of our scattered and uncoordinated foreign commitments—military expenditures in all corners of the world and foreign aid to some five score foreign countries. In our international transactions, the country continues to suffer a deficit which has been met only by the export of gold and the accumulation of foreign gold claims. The point has now been reached at which the dollar has become de facto inconvertible abroad as it has been inconvertible at home for the past 30 years. Officials will publicly deny the inconvertibility of the dollar and point to the trickle of gold that is still allowed to go abroad, but privately they recognize that an unofficial embargo exists on the export of gold.

This is a tragic condition for the richest country in the world and the greatest financial power in the world. The other leading financial powers, members of the so-called Paris Club of 10 countries, have been meeting for nearly a year in an endeavor to find some solution to the dilemma posed by the deterioration of the dollar. The foreign powers are reluctant, of course, to come to grips with the problem, because the drain of dollars fills their coffers and provides the basis of their own currency expansion. The dilemma they face is that the value of their dollars becomes increasingly doubtful as the gold support behind them continually declines.

However, it may be argued, there can be no doubt that the principal cause of the deficit in international transactions, the drain on our gold, and a substantial source of the domestic budgetary deficit has been our oversea commitments, both military and by way of foreign aid. A deficit in our balance of international payments is an anomaly in our experience as is a drain upon our gold supply. The decade past has been the first since gold became the U.S. standard of value in which a net decline in our gold reserves has been registered.

MAGNITUDE OF FOREIGN AID DRAIN

To illustrate the magnitude of this drain I submit for the record a table drawn from the U.S. Department of Commerce tabulations of our international transactions since the end of World War II. (Please see insert which follows this page.) From these figures it will be noted that the total cost of our oversea military expenditures and foreign aid and other assistance to foreigners is some $130 billion since the end of World War II. This cost has been met largely by heavy exports of goods and services and earnings on foreign investments, but even this tremendous revenue has not been sufficient and the difference has been met by exports of gold and an accumulation of quick claims on gold by foreigners, together totaling more than $27½ billion.

Foreign aid and the balance of payments

[In millions of dollars]

Year	Military expenditures (1)	Military goods and services (2)	Other Government grants (3)	Government long-term loans (4)	Foreign currency holdings [1] (5)	Total (6)	Gold sales, net (7)	Increase in U.S. gold claims of foreigners (8)	Total decrease in monetary reserve assets (9)	U.S. exports of goods and services [2] (10)	Foreign aid as percent of total exports (11)
1946	$493	$69	$2,274	$3,343	[3] ($238)	$5,941	[4] ($623)	[3] ($638)	[3] ($1,261)	$14,804	40
1947	455	97	1,897	4,405	113	6,967	[4] (2,850)	[3] (1,694)	[3] (4,567)	19,834	35
1948	799	448	3,894	1,555	[3] (88)	6,608	[4] (1,530)	524	[3] (1,005)	17,237	38
1949	621	211	4,997	684	173	6,686	[4] (164)	[3] (47)	[3] (175)	15,981	42
1950	576	520	3,484	414	37	5,031	1,743	1,837	3,580	14,327	35
1951	1,270	1,439	3,035	458	3	6,205	[4] (53)	358	305	20,183	31
1952	2,054	2,582	1,960	847	2	7,445	[4] (379)	1,425	1,046	20,574	36
1953	2,615	4,176	1,837	716	[3] (11)	9,333	1,161	991	2,152	21,123	44
1954	2,642	3,362	1,647	306	108	8,065	298	1,252	1,550	21,121	38
1955	2,901	2,588	1,901	383	343	8,116	41	1,104	1,145	22,932	36
1956	2,949	2,567	1,733	545	563	8,357	[4] (306)	1,241	935	26,162	32
1957	3,216	2,418	1,616	993	624	8,867	[4] (798)	278	[3] (520)	28,899	31
1958	3,435	2,286	1,616	1,176	339	8,852	2,275	1,254	3,529	25,353	35
1959	3,107	1,974	1,633	1,051	356	8,121	731	3,012	3,743	25,450	32
1960	3,048	1,765	1,664	1,213	528	8,218	1,702	2,223	3,925	28,978	29
1961	2,947	1,465	1,851	1,938	262	8,463	857	1,719	2,461	29,531	29
1962	3,028	1,539	1,903	2,133	245	8,848	890	1,296	2,186	31,329	28
1963	2,880	[5] 1,337	1,907	2,184	441	8,749	461	2,199	2,660	([6])	
Total	39,036	30,843	40,849	24,344	3,800	138,872	3,456	18,334	21,689		

[1] Largely inconvertible currencies received for agricultural commodities.
[2] Total, including transfers under grant and loans and sales for inconvertible exchange.
[3] Decline.
[4] Purchases.
[5] 9 months.
[6] Not available.

Source: U.S. Department of Commerce, Balance of Payments Division, Office of Business Economics.

Rich as our country is—and it is our boast that we are the richest country in the world—no single country is rich enough to support the rest of the world. Our Government has assumed not only the burden of defending militarily the entire free world, but also of supporting that world, including not only the feeble economies of the so-called underdeveloped countries but even the rich countries of Europe.

ASSISTANCE TO EUROPE

I mention Europe because it is generally assumed that with the termination of the Marshall plan we have completed our task of supporting Europe; but the fact is that we have to maintain garrisons on Europeon soil at enormous cost to us while the Europeans themselves fail to build up their own military defenses accordingly. We continue to subsidize Europe in various other ways. Thus, our military expenditures in Western Europe in 1963 cost the U.S. taxpayers $1,483 million, and this does not include the cost of raising, training, and equipping these troops, or the amount of their pay that was spent at home.[1] In addition, during fiscal 1963, some $900 million of aid was extended to European countries, apart from our direct military expenditures. This figure, representing obligations and loan authorizations, included $476.4 million in military assistance, mainly military equipment furnished, and $422.7 million in economic aid.[2]

The ability of European powers to meet the ground force requirements of their defense is hardly arguable. It is generally admitted that the chief value of our garrison in Europe is moral, psychological, and symbolic. But what a price for a symbol. In former days a flag flying in the breeze was sufficient evidence of U.S. interest.

OVEREXTENSION OF COMMITMENTS

We now find ourselves spending upwards of three-quarters of $1 billion a year in southeast Asia and the voice of the American people has not been heard as to whether they wish to become embroiled in jungle warfare which may cost the lives of hundreds of thousands as it cost the French. Nevertheless, so long as the possibility exists of such embroilment, it is imperative that we look to the storm signals, shorten sail, and batten down the hatches.

THE WHY OF FOREIGN AID

The reason for this enormous burden of defending and supporting some 100 countries, upon the United States since 1945, has never been explained and indeed there is no logical explanation. The fact is that no logical, philosophical justification for these worldwide commitments has ever been offered, except the fear of communism. Turkey is an example. Turkey has faced and defied the continual threat from Russia, both czarist and Communist, for at least 200 years, and did so without U.S. assistance. In 1923, the defeated, exhausted Turkish people not only held back Red armies in the Caucasus but drove out the Greeks from Asia Minor and defied the Great Powers then in occupation of their capital, Constantinople. What has happened that now the Turkish Army must be equipped and supported by the United States? The change in the techniques of war is hardly an explanation, for differences in level of techniques existed then as now.

It is said that we owe a duty to these people to help them realize their "revolution of rising expectations," as it is euphemistically called. For a thousand years or more these countries existed, progressed, conquered other peoples, established empires, collected wealth, created arts and crafts, and then sank into apathy, decay, and poverty. What is the ethic or the rationale that says that we are now responsible to support them, to promise capital and techniques, and exhaust our own vitality in the process? Is it a Christian ethic? But our Supreme Court says the Government must have nothing to do with the Christian religion. If it is a Christian ethic, then it is an ethic of ideas and not of economics—of moral reform and not capital formation. Foreign aid techniques are all Marxist in content and philosophy and not Christian. The Christian ethic is a matter of reforming individuals and not institutions, of changing hearts and not garments, of giving the bread of life and not U.S. surplus wheat.

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[1] Survey of Current Business, March 1964.
[2] Congressional Record, Nov. 8, 1963, p. 20458.

We are told that there is no dichotomy between the two, that giving bread—that is to say, in practical terms, making loans for steel mills, port works, airfields, and contracts of millions of dollars for feasibility studies and studies of investment opportunities—is part of the Christian ethic. But what about the other part? Are U.S. AID officials and technicians permitted to talk about the religious and cultural roots of American greatness? Indeed not, for, as the State Department directives warn, that would be offensive to friendly peoples. We must not tell the Indians, for instance, that their economic productivity could be multiplied were caste effectively abolished, that the nutrient intake of the Indian people could be substantially increased were India to reduce its population of some 180 million cattle, which represents one-fourth of the world's bovine population or nearly twice the cattle population of this country, and which wander over the countryside, feeding on the crops, but otherwise neglected, until finally, aged and decrepit, they quietly die.

DISRUPTIVE EFFECTS OF FOREIGN AID

There is a certain political logic in prohibiting the AID officials and technicians from discussing the political, religious, and cultural roots of American vitality. The influx of ideas can be terribly disruptive to age-old cultures. But what the AID theorists overlook is that the impact of Western economic ideas and techniques, along with the injection of capital from abroad, is even more disruptive. It has stimulated a lush and rootless growth of metropolitanism and industrialism in the underdeveloped countries for which their societies are not prepared either psychologically or spiritually, and the result has been to breed tensions that find their outlet in various communistic movements. We have the same problem in this country where 90 percent of the people now live in cities instead of on the farms, and where the rush to the cities has created enormous problems of housing and transport, of social and racial integration, which in turn have led to political unrest and violence. If we have these conditions in this advanced and politically sophisticated culture, it is obvious that the effects in the underdeveloped countries are even more acute. Thus, while we are attempting to combat communism abroad through our foreign aid program, we are actually preparing the ground for communism.

HYPOCRISY OF FOREIGN AID

Space does not permit further discussion of the philosophic heresy which is foreign aid, or the shallowness of its philosophic roots. Nor is it necessary to go into the legal arguments that demonstrate that foreign aid is unconstitutional so long as it proclaims itself to be, as the President has recently done, a philanthropic and basically Christian manifestation to the world at large. (The hypocrisy of this argument is exposed in the statistic that of $7 billion foreign aid in fiscal 1963, $1,849 million consisted of military aid and $764 million supporting assistance—a euphemism for indirect military aid.) [3]

Neither is it necessary to detail the enormous instances of waste and corruption inherent in the foreign aid program since this is periodically developed for the Congress in the reports of the General Accounting Office. Several myths about foreign aid, however, that have been advanced by its proponents need to be demolished.

The myth, sponsored particularly by Dr. Walt Whitman Rostow, that after a few years of foreign aid a country reaches the self-sustaining "takeoff" stage, is blasted by the experience of Turkey, which has been receiving foreign aid longer than any other country, except Greece, with a grand total of over $4 billion. Yet Turkey is less self-sufficient today than before. Turkey formerly was a regular and substantial exporter of wheat, but now relies heavily upon U.S. surplus wheat exports. In 1963 the Turkish trade deficit was the largest in its history—$322 million compared with $241 million in 1962.[4]

The principal myth currently used to persuade the Congress to continue the aid program and to win the support of U.S. industry is that 80 percent of foreign aid costs comes home in the form of purchases of U.S. goods.

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[3] Congressional Record, Nov. 8, 1963, p. 20457.
[4] Middle East Economist.

THE 80-PERCENT MYTH

The sophistry of this argument is apparent by a few facts:

(*a*) Whether aid goes out by way of goods, gold, or dollar credits, it is a drain on the U.S. economy, inflationary in its effects both at home and abroad. It is inflationary at home because it takes out goods without a corresponding reduction of purchasing power or offsetting import of goods. It is inflationary in the recipient country for the reason that it creates dollar resources for the government which they can use as reserve for an inflation of their own currency issues.

(*b*) If 80 percent goes out in goods, the balance goes out in gold and dollar credits, and this is the cause of the deterioration of the U.S. dollar. Since 1949, foreigners have drawn down some $9 billion of gold and have increased their holdings of dollar credits (redeemable in gold) by $18½ billion.

(*c*) Under the factitious system of so-called program loans, which are called economic development loans, funds are made available for balance-of-payments purposes and budgetary deficit financing. The recipient government in effect then sells the aid dollars to importers for the purchase of U.S. commodities which they would normally acquire through exports to the United States. This permits AID to maintain the fiction that foreign aid is 80 percent in the form of goods and services.

This practice has been particularly flagrant in Latin America. Colombia, for instance, as was brought out in recent hearings, has been receiving increasing dollar aid (through AID directly and through the various international institutions), but meantime has been taking a smaller proportion of its total imports from the United States.

BYZANTINE AMERICA

A dispassionate examination of U.S. foreign policy today reveals its parallels with the foreign policies of the Byzantine Empire, instituted by the great Justinian. This Emperor adopted or extended the policy of subsidizing with gold the restless peoples on the frontier in order to keep them quiet, and if not friendly, at least not hostile, a policy which finds its counterpart in the Alliance for Progress. He hired foreign mercenaries—Huns, Herules, and others, to defend the Roman frontiers—a policy which has been adopted here in the frequent complacent statements that it is "cheaper to buy Turkish soldiers at $200 a year." He considered the known world as his responsibility and sent armies to distant Spain and north Africa and spent 20 years in a futile struggle to reunite Italy to the Empire—a policy that this country seems to have adopted in considering every jungle outbreak as a threat to U.S. security.

As a consequence of his policies, the Empire was exhausted by taxation, gold was drained away, industry languished, and within the century the national energies had become so weakened that half the Empire was lost to a handful of tribal Arabs united in a great religious fervor.

Unless we abandon our philosophy that we can control and direct the destiny of the non-Communist world through the power of our military might and our dollars, and return to the traditional diplomacy of principle and morality, we will surely travel the road of Byzantium.

CONCLUSIONS

To save the American economy, the entire foreign aid program should be phased out as rapidly as is possible.

Meantime, even in a tapering off program, it appears that for fiscal 1965:

(1) Prior loan commitments to Latin America should be honored.

(2) Limited technical assistance to areas other than Europe may be indicated.

(3) Military assistance should meet requirements in the Far East.

No new aid funds should be apprpriated for fiscal 1965 as unliquidated AID funds on June 30, 1964, have been estimated at $6.262 billion.

STATEMENT IN SUPPORT OF APPROPRIATIONS FOR FOREIGN ECONOMIC AID SUBMITTED BY MRS. ROBERT J. STUART, PRESIDENT OF THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

League support of economic aid to the developing countries was strongly reaffirmed last month at our 26th biennial convention in Pittsburgh, Pa.—the largest convention ever held by the league, with 1,306 delegates representing the league membership of 135,500 from every State in the Union and the District of Columbia. Also reaffirmed were the criteria which league members have agreed to for evaluating the economic aid proposals. The league's criteria call for development assistance which is long range in scope, adequately financed, effectively coordinated and administered, and which emphasizes cooperative efforts by the developed countries and maximum self-help by the developing countries.

Although the league does not claim that the U.S. economic aid program fully measures up to these criteria, we are convinced that the present program is moving steadily in the direction called for by these goals. We believe that it is essential that an appropriation up to the minimum ceiling established by the authorization legislation should be approved by this committee. More specifically, we urge the members of the House Appropriations Committee to grant funds, up to the full amount of the ceiling imposed by the authorization, for development loans, development grants and technical cooperation in Asia and Africa, and in Latin America through the Alliance for Progress, as well as for annual U.S. voluntary contributions to U.N. agencies, and for surveys of investment opportunities.

While we believe that President Johnson's "barebones" requests for 1964 aid funds are realistic in view of the drastic cuts that the Congress made in the programs last year, we think that the amount requested is not as much as could be effectively utilized to speed the necessary development in Latin America and other parts of the world.

As so many Members of Congress constantly remind us, this country's efforts have been generous; but we feel that as the richest Nation in the world the United States can afford such generosity—and then some. The need for economic growth in the world is so great and the moral obligation of the "haves" to help the "have-nots" is so pressing that we would hope to see in the years to come an enlargement of U.S. efforts along with those of other prosperous countries.

TECHNICAL COOPERATION AND DEVELOPMENT LOANS

The league vigorously supports the requests for technical cooperation and development grants. In the recent reaffirmation of the league's position in support of "a sound and adequate program," we stressed the importance of education as "underlying the whole concept of political, economic, and social programs." This special emphasis is a reflection of renewed enthusiasm in our local leagues across the country in the development of human resources, development in general, and education in particular.

The league believes that the development of the human resources of the world is as vital as the development of its material resources. Technical deficiencies and lack of know-how in the developing countries are universally admitted and deplored as a block to economic and social progress. Cutting back our technical assistance and development grants at this time would be self-defeating and shortsighted and would undercut our whole development effort. In addition, the league has long recognized the need for long-term, low-interest capital investment in the developing countries and we urge your recommendation of the full request for development loans.

ALLIANCE FOR PROGRESS: TECHNICAL COOPERATION AND DEVELOPMENT LOANS

The league strongly supports the full request for technical assistance as well as development loans under the Alliance for Progress.

We believe that technical assistance is a vital part of the Alliance program and urge that it be given sustained and generous support. Our southern neighbors are struggling with the frustration of hopes too long deferred and too often betrayed. And although the promise of the Alliance has not yet reached the hearts and minds of all their poor and hungry millions, nor altogether changed the attitudes of long-entrenched oligarchies, the impact of the program is beginning to be evident. We realize that we cannot expect success everywhere in 3

short years—or in 10—and the traditional political instability of the region dims the picture. But we are encouraged by the many vital, albeit modest, undertakings which have given to thousands substantial hope for the future; the thousands of new homes; the organization of housing and loan companies; the growth of agricultural cooperatives; the experimentation with new land use, machinery, marketing facilities; the improved roads and ports; and the dependable community water systems.

The brightest omen lies in the drive for universal education and in the training in skills and techniques which technical assistance makes possible. In our judgment, the preimses of the Alliance are sound and we are hopeful that it will increasingly find adherents among the professional, industrial, and political elite, and that, through the technical assistance programs, it will benefit the lower strata of Latin American society.

We also hope that the newly organized Inter-American Committee for the Alliance for Progress will involve Latin Americans more deeply in the development effort, create a sense of mutual responsibility, and bring about closer and more fruitful collaboration among the Latin American countries and with the United States.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

The league views with particular interest and sympathy the administration's request for voluntary U.S. contributions to international organizations and programs and urges your recommendation of the full request. Our long-time support of the United Nations and its related agencies has been strengthened and invigorated during the past 2 years as a result of a concentrated review of our U.N. position, including our support of the concept of multilateral assistance to developing countries as a vital supplement to bilateral aid programs. It seems to us that standards for performance and requirements for self-help are often more easily imposed by an international organization. The cooperation of all the members of the United Nations in its development programs encourages a sense of responsibility in the developing countries for their own progress and for that of other nations struggling with similar problems. Technicians from the whole world, developed and developing, are available for United Nations programs—an inestimably valuable asset. Often the simpler techniques worked out under quite primitive conditions can be effectively transferred from one developing country to another while the more sophisticated expertise found in the industrialized countries is essential to the success of complex and highly technical projects. We are convinced that the preinvestment surveys made by the special fund and the U.N. programs for expanded technical assistance are basic building blocks in the endeavor. Other U.N. programs—the Children's Fund and the food program among them—are making important contributions to the development decade.

INVESTMENT GUARANTEES AND SURVEYS OF INVESTMENT OPPORTUNITIES

The league supports the full amount requested for surveys of investment opportunities. This is the first year that the league has been in a position to lend support to the encouragement of private investment in the less developed countries "as an important component of U.S. development assistance programs." The league's support is based on a recent expansion of our development assistance position, which culminated a concentrated study by leaguers across the country of the role of foreign private investment in the less developed countries.

We recognize that, in order to facilitate the flow of private capital to those developing countries which most need it and which can most advantageously use it, appropriate safeguards are necessary against risks for both the outside investor and for the developing countries. More specifically, the league favors protecting U.S. investors against risk by such governmental assistance programs as preinvestment surveys, investment guarantees (including those pertaining to Latin American housing projects), and investment loans.

The league regards special efforts to encourage the flow of private investment to the developing part of the world not as a replacement for government-to-government economic assistance but as an important supplemental means of helping these countries reach self-sustaining economic growth.

In closing we reiterate that the league believes the administration of the aid program is improving. Certainly there have been mistakes and waste in the past and perhaps there will be in the future. Experts in the field of economic development admit that they are just beginning to learn how to give help most

effectively. Congress, of course, should continue careful oversight of the programs. But we urge you to look at the progress made in many areas and to recommend the requested appropriations for the economic aid programs.

STATEMENT OF THE WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM, U.S. SECTION

The Women's International League for Peace and Freedom strongly opposes the military aid program and strongly supports econmic aid. However, when the league has testified to this effect in the past, members of the Committee on Foreign Affairs have made clear to us that military aid is an essential part of the foreign aid bill without which economic aid would not be approved. The league's position has been—and we give it emphasis today—for the gradual elimination of bilateral programs of economic aid in favor of multilateral arrangements. We in the league urge that U.S. economic assistance be channeled increasingly through the United Nations and its lending agencies. We are concerned about the use of foreign economic aid to implement foreign policy where it may serve to interfere in the internal decisions of other countries rather than provide them needed economic help to become more self-sufficient. As the New York Times has also pointed out editorially (Oct. 24, 1963), multilateral aid would "bring to an end the wasteful and unsound practices that have been provoked by political blackmail or the desire to maintain American prestige."

The Women's International League for Peace and Freedom would also like to reassert its opposition to the continuance of military aid. Rarely can it achieve real security either for the United States or the recipient country, and very often it is used to subvert democratic processes. We therefore ask that all military aid be stopped and that bilateral programs of economic aid give way to multilateral efforts.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION, PRESENTED BY GUSTAVE BURMEISTER, ASSISTANT LEGISLATIVE DIRECTOR AND J. B. THAYN, ASSISTANT LEGISLATIVE DIRECTOR

We appreciate the opportunity to present the views of the American Farm Bureau Federation with respect to authorizations for the fiscal 1965 foreign aid program. The new spending authority requested (NOA) in the budget message totals $3.4 billion ($2.4 billion for economic aid and $1 billion for military assistance). This amount compares with $3.6 billion authorized and $3 billion appropriated by the Congress for fiscal 1964.

Farm Bureau is a free, independent, voluntary organization of 1,628,000 farm and ranch families located in over 2,700 counties in 49 States and Puerto Rico. These families are much concerned, as are many other groups of citizens, with respect to Federal budget deficits, the national debt, our balance of payments, and foreign policy decisions because all of these problems have a direct bearing on their well-being and prosperity. Through a program of policy development at county, State, and National levels, they have given thorough consideration to these problems and have concluded in part as follows:

"The United States is an example of the progress possible in a free society. Our assistance to underdeveloped nations should be based on long-range plans carefully prepared and agreed to by the underdeveloped nations with proper consideration of their ability to utilize this aid.

"Requests for foreign aid funds should be justified, nation by nation, and presented to Congress for approval. Congress should authorize appropriations on an annual basis only after careful review and reevaluation of the progress of the plans. Such a program of assistance should be designed to aid those whose allegiance is to the free world and whose governments oppose international communism.

"We believe future commitments should be predicated upon:

"(1) A well-defined program to provide technical assistance at a level which is consistent with each nation's current stage of development.

"(2) Granting loans on the basis of sound commercial standards when there is reasonable expectation of repayment.

"(3) Continued military assistance where this is determined to be essential to nations demonstrating a strong will to resist Communist aggression.

"(4) An overall plan designed to make clear the source of the aid and the economic system that made it possible."

We wish to express our commendation for the action taken by the Congress last year. The substantial reductions made in both the authorizations and appropriations for foreign aid were certainly steps in the right direction. We are pleased that the appropriations for the various segments of the program were so closely in line with our recommendations. We believe that the Congress should continue both its review and its direction of the operation of this program. It appears that there are still excess funds in the pipeline and that a further tightening of requirements and expenditures can be made.

It is evident that AID has had a difficult time in developing sound programs based upon the needs and desires of the recipient countries and the foreign policy objectives of the United States. The following should serve as guidelines for sound programs:

(1) We need to understand that we cannot buy friends and cooperation with money and that we cannot remake people or governments in our own image.

(2) We should continue to try to help those who need and want our help, providing such amounts as they can readily use efficiently.

(3) We should give assistance only on the basis of a soundly conceived plan which shows good possibilities of achievement.

(4) We should insist that private enterprise, both domestic and foreign, has an opportunity to share in the development of programs.

(5) We should continue to insist that our friendly, economically strong allies assume the aid responsibility for the areas where they have a major trading and political interest.

A review of the report on the operations in Panama shows the need for a soundly conceived plan before any U.S. funds are appropriated and spent in a country. According to this report no less than three different groups tried to build low-cost houses, roads, and schools. Each group made separate recommendations to the Government of Panama with respect to changes in regulations, laws, etc. As a consequence of the confusion which ensued, much U.S. money was spent, but little other than a scandalous mess was achieved.

We think this demonstrates clearly that the money should be fitted to the plans, rather than the plans to the money.

MILITARY ASSISTANCE

There is some question with respect to whether military assistance should be included as a part of the foreign aid program or as a part of the appropriation for national defense. The budget has transferred the program details to the Department of Defense appropriation request. We recommend that it be made part of our overall defense program. Summary data and comments follow:

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Fiscal 1965	AFBF recommendation 1965
Authorized	1,700	1,000	1,000	900
Appropriated	1,325	1,000	1,000	900
Unexpended balance	2,785	2,389	1,989	1,989
Total available	4,110	3,389	2,989	2,889
Estimated expenditures	1,721	1,400	1,200	1,200
Carried forward	2,389	1,989	1,789	1,689

It is estimated that about two-thirds of the military assistance is in 11 countries, extending from Greece to South Korea, on the periphery of the Communist bloc. At one time it was believed that the development of strong military establishments in these countries would be of considerable help in preventing the spread of communism into the developing countries. At least, it was hoped that it would be a deterrent to a Communist takeover of border countries. It appears that this goal has been achieved. Now the winds of change are blowing and there appears to be some danger that these very countries will use their arms against each other to settle local differences. Thus, a question is

raised as to the advisability of giving them any further military assistance.

In our view Congress did a wise thing last year when it placed a restriction on aid to any country which supplies assistance and goods of any kind to Cuba or permits its ships to carry goods to Cuba. (Sec. 620(a)(3).) As a consequence, aid has been withdrawn from several countries in Europe which, in our view, should not have been receiving assistance anyway. There are probably others that can get along without further direct financial aid from the United States.

In view of this situation, we recommend that the spending authority requested for fiscal 1965 for military assistance be reduced to $900 million. It is our belief that this amount, together with the unexpended balance, will be ample to cover all requirements. We note that orders for arms and equipment are declining and that the Defense Department is making a serious effort to reduce the level of the program to that recommended by the Clay Committee last year.

DEVELOPMENT LOANS

The Foreign Assistance Act of 1961, as amended, included an authorization for development loans of $1.2 billion for fiscal 1962, $1.5 billion for fiscal 1963, $925 million for fiscal 1964, and $1.5 billion for each of the next 2 fiscal years. There is also a provision that not less than 50 percent of the funds appropriated for fiscal 1965 and 1966 shall be available for loans for economic development through private enterprise.

For fiscal 1965 the administration estimates that $925 million will be needed—the same as was authorized for fiscal 1964, but 38 percent less than was authorized in advance for fiscal 1965. Summary data follow:

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Administration proposal, fiscal 1965	AFBF recommendation, fiscal 1965
Authorized	1,500	925	1,500	500
Appropriated	975	687	925	500
Unexpended balance	912	[1] 1,528	1,745	1,745
Total available	1,887	2,215	2,670	2,245
Estimated expenditures	402	470	550	550
Carried forward	1,485	1,745	2,120	1,695
Unobligated	588	454	400	200

[1] Includes $43 million transferred from the Development Loan Fund liquidation account.

Under this program, repayments of loans and interest earned remain in the fund for future loans. Repayments plus annual increments from new appropriations will eventually total more than $5 billion.

The program was designed to replace the Development Loan Fund which was established in 1958 with total appropriations of $2 billion. The fund was placed in a liquidation account in 1961 with repayments and interest earned to revert to the U.S. Treasury.

It is interesting to note that the United States has six major direct foreign aid loan programs in operation with loans outstanding totaling $8.6 billion as of the end of fiscal 1963. By the end of fiscal 1965, this total is scheduled to rise to $12 billion. The programs are as follows:

Loans outstanding and committed

[In millions of dollars]

	Actual, June 30, 1963	Estimated, June 30, 1964	Proposed, June 30, 1965
Loans from:			
Grant funds	2,580	2,495	2,450
Development Loan Fund	1,805	1,794	1,742
Development loans	1,310	2,178	3,166
Alliance for Progress	418	890	1,363
Public Law 480, title I:			
Country loans	2,338	2,731	3,129
Private enterprise	123	155	191
Total	8,574	10,243	12,041

In addition, there are available funds of the Eximbank and the dollar contributions of the United States as capital to the International Monetary Fund, the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, and the Inter-American Development Bank, which add to a total of $22.3 billion. There are requests pending for additional spending authority for these institutions which would bring the U.S. total to $23 billion.

On the basis of the administration's request and the unobligated balance, new development loan obligations for fiscal 1965 totaling $988 million are planned. This compares with $868 million scheduled for fiscal 1964 and $751 million actually obligated in fiscal 1963. We believe that the development loan program can beheld to the 1963 level and that the unobligated balance can be reduced by one-half. If these suggestions are followed, only $500 million of new authorization will be needed for fiscal 1965.

ALLIANCE FOR PROGRESS

Summary data for the Alliance for Progress follow:

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Administration proposal, fiscal 1965	AFBF, recommendation, fiscal 1965
Authorized	600	525	600	350
Appropriated	515	455	550	350
Unexpended balance	251	554	784	784
Total available	766	1,009	1,334	1,134
Estimated expenditures	211	225	285	285
Balance, end of year	555	785	1,049	849
Unobligated	207	103	100	50

In addition to the authorizations and appropriations for grants and loans given above, a total of $180 million was authorized and $135 million appropriated for the Social Progress Trust Fund in fiscal 1964. This fund was advanced to the Inter-American Development Bank for loans and grants to foster social progress in Latin America. Including the fiscal 1964 appropriation, a total of $529 million has been provided for this purpose.

A third source of funds for the Alliance is the U.S. subscription to the capital stock and the Fund for Special Operations of the Inter-American Bank. A total of $500 million has been provided for these purposes, but a request is pending for an additional subscription of $412 million ($206 million in fiscal 1965) in capital stock.

If all the pending requests are appropriated, a total of about $3.2 billion will have been provided for the Alliance since its inception in 1962.

The administration's request for fiscal 1965 includes $85 million for economic grants although actual spending plans for these purposes total only $65 million. We believe that $50 million will be ample. The unexpended balance is $135 million, and we see no valid reason to increase it further.

For development loans in Latin America, the administration is requesting $465 million. In fiscal 1963 about $300 million was obligated for new loans, and it is planned that the level will be increased to about $472 million in fiscal 1964 and 1965. We believe that conditions do not warrant such a rapid increase, and we recommend that the level be no higher than $350 million. On this basis, the loan program can be financed with new obligational authority of about $300 million and a reduction in the planned unobligated balance of $100 million. We believe that American private enterprise would supply nearly all of the development capital required, if the Latin American governments provided a favorable climate.

ECONOMIC GRANTS

The economic grant program for areas outside Latin America includes funds for economic development, schools and hospitals, investment surveys, supporting assistance, contingency fund, international organizations, and administrative expenses.

Summary data follow:

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Administration proposal, fiscal 1965	AFBF, recommendation, fiscal 1965
Authorized	1,222	972	920	530
Appropriated	1,085	723	920	530
Unexpended balance	1,176	1,236	970	970
Total available	2,261	1,959	1,890	1,500
Estimated expenditures	1,025	989	902	902
Balance, end of year	1,236	970	988	598

The spending authority requested for these categories total $920 million, or $197 million more than was appropriated for fiscal 1964 and $18 million more than estimated expenditures.

It is noted that $225 million is included for development grants, $335 million for supporting assistance, and $150 million for the contingency fund, or a total of $710 million for these three categories. Since these funds are actually used for practically the same purposes, we recommended last year that they be merged into one fund and labeled as "development grants." We so recommend again, and suggest that the authorization request for fiscal 1965 be reduced to $390 million. If the amounts requested for schools and hospitals, totaling $18 million, and for investment surveys, totaling $2.1 million, are included, we would suggest that the total for all these categories not exceed $400 million. It should be noted that this amount, together with a carryover of about $847 million, will be more than adequate to cover the anticipated expenditures in fiscal 1965, totaling about $717 million. It is necessary to reduce new spending authority now in order to bring the program level down in the future.

Development grants are intended primarily for technical assistance, demonstration, and training to provide the developing countries the knowledge with which to increase their standard of living. This program has been in progress in many countries for more than a decade, but it is difficult to measure how much has been achieved.

The Peace Corps has become very popular in the developing countries. We believe that it is serving much the same purposes as the old technical assistance program and that in some cases it is more effective and efficient. Therefore, we suggest that these programs be combined so that similar functions in the same country can be coordinated.

Supporting assistance is another form of development grant made to bolster the economy and political stability of countries receiving military assistance.

The President's message indicated that four-fifths of these funds are spent in four countries—South Korea, Vietnam, Laos, and Jordan. This means that these four received about $330 million from this source in fiscal 1964 which, together with a large input of military aid, make these countries heavily dependent on the United States. Now it appears that, with the exception of Vietnam, conditions have improved sufficiently that our contributions can be sharply reduced in this area in fiscal 1965.

We strongly recommend that the programing of grant aid be made on the basis of a sound plan for each country where there is a real need and that funds be provided only to fit the plan. If this were done, there would be little need for a large contingency fund. The President said in his message that if a critical need arose, he would not hesitate to come back to Congress with a supplemental request. Thus, the contingency fund can be reduced to a minimum.

The request includes $134 million to be contributed by the United States to international organizations for various and sundry purposes. For fiscal 1965 it is proposed that the U.S. contribution to the United Nations expanded program of technical assistance and the Special Fund, and to the Indus Basin Development Fund be increased. Other programs included here are the United Nations Relief and Works Agency, United Nations Children's Fund, and the world food program. It should be noted that nearly all of these programs duplicate our own bilateral aid programs. Also, it should be noted that the carryover for these purposes totals $108 million and that estimated expenditures for fiscal 1965 total $125 million. We believe that the carryover and $80 million of new spending authority will be ample for fiscal 1965. Recent experience indicates that a large number of small countries, contributing only a small proportion of the funds, can and do vote to extend and enlarge these programs over the objections of those contributing the major share.

For administrative expenses and the services of the State Department directly connected with foreign assistance, the request is for $55.4 million. The President's message indicated that a reduction of at least 1,200 employees of AID could be made in fiscal 1965. This would mean a saving of at least $12 million on an annual basis. Therefore, we suggest that $50 million be provided for these expenses. The amount would be only $2.7 million less than was appropriated for fiscal 1964.

TRANSFER OF TITLE II (PUBLIC LAW 480) DONATIONS

The authorization of $300 million per year for title II (Public Law 480) donations of agricultural products to foreign countries to alleviate crop failure, floods famine, etc., and to provide food as part payment on work projects expires December 31, 1964. We have recommended to the House Agriculture Committee and to the House Subcommittee on Appropriations for Agriculture that this authorization be transferred to the AID budget. The program is strictly foreign aid and is now administered by AID. We believe that the real emergency needs should be determined and supplied by the United States, rather than the United States producing surpluses and then trying to find donation outlets for them.

For fiscal 1965 the new spending authority request for this purpose is $264 million, of which $20.5 million is for the purpose of repayment to the CCC for expenditures advanced in fiscal 1964. Thus, the budget provides for $243.5 million for fiscal 1965 title II donations and for transportation costs of title III donations through international relief organizations:

Title II (Public Law 480) donations

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Administration proposal, fiscal 1965
Value of CCC stocks donated	153.7	164.6	168.0
Cost of transportation, title II	23.9	31.2	30.9
Total, title II	177.6	195.8	198.9
Cost of transportation, title III	38.0	50.0	44.6
Total expenditures	215.6	245.8	243.5

CONCLUSION

In conclusion, we recommend that the requested amount for the foreign assistance program for fiscal 1965 be reduced from $3.4 to $2.3 billion. (See Attachment I.) We believe that a country-by-country analysis of the military and economic programs will show that the United States can further curtail its activities and contributions. Our recommendations are for reduced spending authority; but, because of the availability of large carryover funds, actual spending in fiscal 1965 probably will be reduced only slightly. It will take several more years to bring annual expenditures into line with the program level which we have proposed. We firmly believe that the Congress moved in the right direction last year, and we strongly recommend that steps be taken this year to further reduce the program level.

ATTACHMENT I

Foreign aid, fiscal 1965, with comparisons

[In millions of dollars]

	Fiscal 1963	Fiscal 1964	Fiscal 1965	AFBF 1965
Unexpended balances:				
Military assistance	2,785	2,389	1,989	1,989
Development loans	912	[1] 1,528	1,745	1,745
Alliance for Progress	251	554	784	784
Other grants	1,176	1,236	970	970
Total	5,124	[1] 5,757	5,488	5,488
Spending authority requested:				
Military assistance	1,325	1,000	1,000	900
Development loans	975	687	925	500
Alliance for Progress	515	[2] 455	550	350
Other grants	1,085	734	920	530
Total	3,900	[2] 2,865	3,395	2,280
Total available:				
Military assistance	4,110	3,389	2,989	2,889
Development loans	1,887	2,215	2,670	2,245
Alliance for Progress	766	1,009	1,334	1,134
Other grants	2,261	1,959	1,890	1,500
Total	9,024	8,572	8,883	7,768
Expenditures:				
Military assistance	1,721	1,400	1,200	1,200
Development loans	402	470	550	550
Alliance for Progress	211	225	285	285
Other grants	1,025	989	902	902
Total	3,359	3,084	2,937	2,937
Balance, end of year:				
Military assistance	2,389	1,989	1,789	1,689
Development loans	1,485	1,745	2,120	1,695
Alliance for Progress	555	784	1,049	849
Other grants	1,236	970	988	598
Total	5,665	5,488	5,946	4,831

[1] Includes $43,000,000 transferred from the Development Loan Fund.
[2] Not including $135,000,000 for Social Progress Trust Fund.

TESTIMONY OF J. ELLIOTT CORBETT, REPRESENTING THE DIVISION OF PEACE AND WORLD ORDER, GENERAL BOARD OF CHRISTIAN SOCIAL CONCERNS OF THE METHODIST CHURCH, TESTIFYING ON H.R. 10502 (FOREIGN ASSISTANCE ACT OF 1964), MAY 28, 1964

Chairman Passman and distinguished members of the subcommittee, I am Jack Corbett, staff member of the Division of Peace and World Order, General Board of Christian Social Concerns of the Methodist Church, submitting this testimony on behalf of the division, in support of the foreign aid legislation now under consideration.

The 1960 General Conference of the Methodist Church, held in Denver, Colo., and composed of both lay and ministerial delegates from all over the United States, approved the following statement which I would like to quote to you at this time:

"The desperate unmet needs of people in this world are of grave concern to Christians. The economic gap between the rich nations and the poor nations is widening as time elapses. The population explosion further jeopardizes the stability and progress of many lands.

"We believe that economic assistance, which seeks to make the benefits of scientific advance and industrial progress available for the improvement of underdeveloped areas is an example of both Christian love and practical international brotherhood.

"* * * (All programs of technical assistance and economic aid should be designed to benefit the peoples of underdeveloped countries and their economies rather than to serve political or military purposes. For maximum effectiveness, it is important that these programs be on a long-range basis."

In addition to this statement which, though 4 years old, is still pertinent, I would like to quote from the resolution adopted by the General Board of Christian Social Concerns at its annual meeting held in Tampa, Fla., on February 21, 1964. In part, the board declared:

"The provision of development assistance should be conditioned on the undertaking of land reform, equitable taxation, sound fiscal policies, and careful economic planning by the recipient countries. Strong encouragement should be given to the formation and growth of self-help institutions.

"We endorse the principle of multilateral assistance, especially through the U.N., and urge upon the nations wholehearted and generous participation in U.N. development programs. The Bible and the history of mankind contain ample warning to affluent peoples who will not share their abundance."

The above statement is a portion of a more extensive resolution which the board recommended for action by the General Conference of the Methodist Church, which met earlier this month in Pittsburgh, Pa. The general conference, the lawmaking body of our denomination, has adopted this resolution.

There are several elements in this year's foreign aid program which we particularly favor. We are happy to note the concentration of development loans in those seven countries where there is the greatest prospect of substantial progress. Also commendable is the increased emphasis upon long-term development rather than upon current budget support. As you are aware, much of the just criticism of our aid program has been directed toward the shoring up of national budgets where local officials were not giving evidence of exercising sufficient responsibility themselves.

Emphasis upon self-help and reform as well as the transition to self-support is surely to be encouraged. The establishing of an Executive Service Corps as a nongovernmental institution working in close cooperation with AID is a worthy venture which can do much to strengthen the private sector in the developing countries. Further, Mr. David Bell, the able Administrator of the Agency for International Development, is to be praised for his efforts on behalf of tighter program estimates, reduction in the number of AID employees, improving the quality of staff, and cutting administrative overhead.

We note with approval the inclusion of a modest amount in the fiscal 1965 budget request for the new International Peace Corps Secretariat. Since the United States took the lead in initiating this kind of program, now also adopted by 14 other nations, it would seem advisable to encourage expansion and coordination of such productive endeavors.

There are certain pertinent questions which we are inclined to raise concerning the foreign aid program in the light of our board's statement and our own Christian concern:

(1) Would not the economic assistance program be more effective if separated from military assistance? In recent years that portion of the program involving military aid, especially that which has seemed to encourage military coups in Latin America, has come under the sharpest congressional and public censure. This has tended to reflect adversely upon the entire development assistance effort, which constitutes the major focus of the program.

(2) Are we channeling a sufficient proportion of our technical assistance and development aid through United Nations agencies? In view of the nonpolitical approach which can be taken by U.N. agencies and the matching systems which the United States has used to increase U.N. development resources contributed by other nations, we might well constantly reexamine the feasibility of a larger dependence upon multilateral means.

(3) Should not a larger proportion of aid be designated for Africa, where there is tremendous political flux, openness to change, and great opportunity for catalytic effect? We are pleased to note that the proposed amount for

development loans for Africa has been increased this year. We are also aware that nations of Western Europe are carrying primary responsibility in this region as we are in Latin America. Yet prudence demands that every opportunity should be taken to influence these new nations beneficially during their period of rapid transition.

(4) As the world's wealthiest nation and with a tradition of generosity, constantly we need to ask ourselves the troubling question: Are we doing enough to implement an effective worldwide development program? We are inclined to inquire as to wether or not other developed nations are carrying their fair share. But this does not relieve the United States of the responsibility of doing everything it can in response to urgent need. Domestically we are about to embark on a "war on poverty." Assumption of this long-neglected task should not leave us myopic with respect to the even greater sickness, malnourishment, and economic degradation afflicting multitudes of the world's peoples.

(5) Is there any way that the image of the foreign aid program could be enhanced among U.S. citizens? For instance, would it be possible to use technical cooperation personnel more effectively for appearing before local groups in the way that church missionaries have been itinerated during a portion of their furlough time? Also, would not the American people be more receptive to the program if more emphasis were shifted to the moral obligation of the "haves" to the "have-nots," in addition to the grounds that it is "good for American business," and "a bulwark against communism," both of which are true?

In the main, we like the "new look" of the current AID program and believe that its major thrust is in the right direction. We urge strong congressional support, therefore, for a substantial development program along the general lines indicated in the fiscal 1965 AID budget request.

STATEMENT OF LIBERTY LOBBY, W. B. HICKS, JR., EXECUTIVE DIRECTOR, ON THE FOREIGN ASSISTANCE ACT OF 1964, MAY 29, 1964

Liberty Lobby is the Washington representative of more than 45,000 individual subscribers to its legislative reports. We believe that our point of view represents that of a majority of the American people, particularly on the subject of foreign aid.

We have but one point to make for the consideration of this committee that is concerned with the appropriation of funds belonging to the American taxpayer for use in foreign aid.

It is our understanding that, according to AID's own calculations, there will be some $6,262 million on hand as of June 30 of 1964 in unexpended funds previously appropriated by this committee. This amount is nearly two times as large as the expenditures requested in the proposed act. Since, in a very real sense, all of the moneys involved are borrowed, on which the taxpayer must also pay the interest, it is our recommendation that the unused funds from past appropriations be reobligated at this time to cover the expenditures proposed under the 1964 act and that no new money be borrowed for that purpose. When the national budget is once again balanced, and money need not be borrowed to cover such expenditures, then will be time enough for the committee to consider the appropriation of new funds for foreign aid.

STATEMENT IN SUPPORT OF THE APPROPRIATION FOR THE FOREIGN ASSISTANCE ACT OF 1964, MAY 27, 1964, ON BEHALF OF DR. ALONA E. EVANS, AREA REPRESENTATIVE, WORLD PROBLEMS, AND MRS. GEORGE C. HAHN, CHAIRMAN, LEGISLATIVE PROGRAM COMMITTEE, OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Mr. Chairman and members of the subcommittee, for purposes of the record we provide the following information. The AAUW is an organization of over 158,000 college women, organized into approximately 1,520 branches in the 50 States, Guam, and the District of Columbia. For the past 83 years the AAUW has followed a study-action program in public affairs. The introduction of study programs in international relations into the association's study-action program came about at the time of World War I. Interest in international problems and in this country's foreign policy has increased greatly since that period.

From the period when the Marshall plan was first under discussion the AAUW has accepted the philosophy of this Nation's assistance programs. We have spoken in years past of the acceptance in our membership of these technical assistance and development programs as a constructive instrument of U.S. foreign policy which—

(1) Acts not merely to combat communism, but to create a world situation in which ideals of freedom and democracy can flourish.

(2) Serves to promote the economic growth of the newly developing countries of the free world—countries we wish to remain a part of the free world—a condition that in the long run will serve to preserve our own basic economy through stabilization of markets for our own production while securing to us needed sources of raw materials.

(3) Serves as an integral part of our present concept of creative international relationships, a concept stated forcefully in 1957 by President Eisenhower when he said: "We recognize and accept our own deep involvement in the destiny of men everywhere." President Johnson stated his belief in the program succinctly in his message to Congress on March 19 as a means to: "enlarge the strength of the free world, aid in frustrating the ambitions of Communist imperialism, reduce the hazards of widespread conflict, and support the moral commitment of free men everywhere to work for a just and peaceful world."

We in AAUW find ourselves in agreement with Secretary Rusk in his statement on March 23 to the House Foreign Affairs Committee that this program and its predecessors in the 1940's and 1950's serve the vital interests of the United States and that it is a prime instrument of foreign policy. We also agree with the Secretary that without the aid program both U.S. foreign policy and security would be in jeopardy. For these reasons and because we recognize the moral responsibility of this, the world's richest nation, when two-thirds of the world's people suffer from poverty, disease, hunger, and illiteracy, we are disturbed by the submission to the Congress of "barebones" authorization legislation. We are grateful that the House Foreign Affairs Committee has made no cuts in the program proposed by the administration. We believe cuts, particularly in the technical assistance and development sections of the legislation, would surely delay if not mitigate the substantial gains made over the years through our assistance efforts.

We regret the impulse to make comparisons but it is sometimes difficult to understand why defense budgets of the size we have witnessed in recent years suffer little or no criticism while these foreign assistance programs which also contribute greatly to national security are constantly under fire. Particularly when 80 percent of the AID funds are spent in this country and are in large part in the form of loans.

Throughout the years since the Marshall plan was conceived, different types of assistance programs have been started and for different reasons. Many Americans continue to try to parallel or compare accomplishments under the Marshall plan and our current programs. The goal of the Marshall plan was reconstruction, not construction—construction which must come from the ground up and in almost every instance against formidable obstacles.

Today we are attempting nothing less than to promote massive social change on a scale hitherto unknown to history. There are no guideposts to this worldwide process. Therefore, we must beware of assuming there is an easy or short way to accomplish economic and social development. In other words, it is our unrealistic expectations which have led in the last several years to disillusionment on the part of some Americans.

But we in AAUW believe very substantial gains have been made when the obstacles of political instability, lack of education and of raw materials and capital are weighed against the progress made. The present seems to us to be the wrong time to listen to talk of giving up or even of retrenchment in programing. We would like to remind this subcommittee that we are reaching our goal of an increased sharing of responsibility by other industrialized countries for these enlightened self-interest programs. Some of these countries are now devoting a higher percentage of the GNP to aid programs than we do with the average among the countries of the Development Assistance Committee (DAC) of the OECD being approximately the same percentage as that of the United States. We should also like to remind this subcommittee that the cost of the Marshall plan represented at the time 2½ percent of our GNP while the program now before this subcommittee is said to represent 0.6 percent of the GNP at present.

It is certainly true that foreign aid programs cannot be expected to solve all

our problems. On the other hand, the alternatives to the continuation of vigorous development programs seems to us to be to leave the field open to the spread of communism; to the continued existence of illiteracy, disease, poverty, and to growing unrest in the underdeveloped areas of the world, which can only terminate in violence which could involve us all.

UNICEF

CITIZENS COMMITTEE FOR UNICEF,
Washington, D.C., May 29, 1964.

Hon. OTTO E. PASSMAN,
House Office Building,
Washington, D.C.

DEAR MR. PASSMAN: Enclosed is the statement of the Citizens Committee for UNICEF in support of this year's appropriation for the U.N. Children's Fund.

Remembering with deep gratitude your personal concern for UNICEF and your splendid speech on the floor of the House last December, and knowing how tight your schedule is this year, I had been on the point of writing to suggest that perhaps a statement for the record would suffice when Mr. Merrill's letter arrived announcing that there would be no time for witnesses to appear before the committee to present their statements in person. I am delighted, therefore, to leave in your hands our request for continued support by your committee of the Department's request, now authorized by the Foreign Affairs Committee, of $12 million for UNICEF for fiscal 1965.

If, however, any questions should arise regarding any aspect of the UNICEF program during the careful study you make of the appropriation requests, I do hope that you will give us the opportunity to supply any information that might become needed.

With very best wishes.

Cordially yours,

MRS. VIRGINIA M. GRAY.

STATEMENT OF MRS. VIRGINIA M. GRAY, EXECUTIVE SECRETARY OF THE CITIZENS COMMITTEE FOR UNICEF, ON BEHALF OF THE APPROPRIATION FOR THE UNITED NATIONS CHILDREN'S FUND

The Citizens Committee for UNICEF is an informal clearinghouse of legislative information serving a number of national organizations which support continued participation by the United States in the U.N. Children's Fund. This statement has been authorized by the following national organizations:

American Association of University Women.
American Parents Committee.
American Veterans Committee.
Association for Childhood Education International.
Child Study Association of America.
Child Welfare League of America.
Cooperative League of the U.S.A.
Friends Committee on National Legislation.
Jewish War Veterans of the U.S.A.
Methodist Church—Woman's Division of Christian Service of the Board of Missions.
National Association of Colored Women's Clubs, Inc.
National Association of Social Workers, Inc.
National Council of Jewish Women.
National Jewish Welfare Board.
Rural Education, Department of: of the National Education Association.
Unitarian Universalist Women's Federation.
United Church Women.
Women's International League for Peace and Freedom.
YWCA, National Board.

For the first time since UNICEF was established, its Executive Board met away from United Nations Headquarters, in January of this year. The meeting, held in Bangkok, gave many of the delegates the rare opportunity to visit the scenes of UNICEF activities in neighboring areas of southeast Asia and

to evaluate at firsthand the effectiveness of some of the programs that had been approved by them at previous meetings of the Board. These personal observations also revealed the magnitude of the problems affecting children in both urban and rural communities. Such insights will contribute greatly to the wisdom and value of UNICEF Executive Board decisions in the years immediately ahead.

SUPPORT FOR U.S. CONTRIBUTION OF $12 MILLION

Again this year our organizations support the recommendation of the executive branch for a contribution of $12 million to the Children's Fund during fiscal 1965. We support this amount wholeheartedly but also with a certain sense of disappointment. The year 1965 will mark the sixth year that the United States has contributed this same sum to UNICEF, while at the same time urging other governments to increase their own contributions. When our statement was presented last year, our organizations expressed the hope that the U.S. Government would recommend a higher figure for this fiscal year. Since such an increase has not been proposed, however, we can only urge that every penny of this amount be made available to UNICEF without qualifications.

Support for UNICEF represents a voluntary contribution on the part of governments. The money which the American taxpayer gives to UNICEF annually through the U.S. contribution is not an assessment, nor a painful duty which must be met only after haggling over the total amount. Rather, the gift to the Children's Fund represents an eager and generous response to the desire of the American people to participate in the greatest challenge facing this decade—the opportunity to build a better world for all people. Realistically the American people recognize that aid for children forms the foundation for economic and social development of all kinds.

In this connection the Citizens Committee for UNICEF is pleased to note the views of the Department of State this year in regard to maintaining the U.S. contribution at 40 percent of total governmental contributions. While we regard as unnecessary any application of percentage ratios to UNICEF, we are reassured by the proposal to maintain U.S. giving at the 40-percent level established for the 1964 contribution. The purpose of this matching concept, we have been told, has been to inspire other governments to increase their contributions to the Children's Fund. Whether or not this matching incentive is the true reason for the increases, nevertheless other governments have, indeed, been raising their own contributions in an impressive manner while the U.S. contribution of $12 million has remained the same amount although the U.S. proportion of the total has declined rapidly over the past 10 years.

A total of 118 governments contributed to UNICEF in 1963, compared with 105 in 1962. This number includes 20 which are not members of the United Nations. The figure suggests, however, that the possibilities for further increase in numbers of contributions are decidedly limited. Further increase must inevitably come from increased donations from governments already contributing, and from private contributions. More interesting than the mere number of contributors, however, and the nominal amount of their gifts is the fact that 46 governments including the United States contributed proportionately as much or more in relation in total government contributions to UNICEF's central account in 1963 than they were assessed by the United Nations for the regular U.N. budget. Among these are not only 9 of the developed countries but the others are developing countries which thus give to UNICEF's General Account and at the same time must raise additional funds to be able to match any international funds from UNICEF for programs so urgently needed within their own borders. Countries contributing to UNICEF at a rate appreciably higher than their rate of assessment to the United Nations budget include, in addition to the United States: Australia, Germany, India, Iraq, Iran, Norway, Sweden, Switzerland, United Arab Republic, Burma, Colombia, Thailand, Turkey, Mexico, and New Zealand, among others.

VASTNESS OF THE NEEDS OF CHILDREN

The recent UNICEF Board meeting held in Asia, where half of the world's children are located, focuses attention on the almost overwhelming magnitude of children's needs in the underdeveloped regions of the world. Children and mothers constitute 60 percent of the region's population while 40 percent of the population is estimated to be under 15 years of age. Malnutrition, so directly correlated with infectious disease, is a basic factor in the health problems of the

continent. Not only is the consumption of protective foods the lowest in the world, but also, within families, the distribution of the available food generally favors the adult.

In the face of these tremendous needs, not only for food to prevent starvation, but also food to build good health, for education to teach the people the value of eating protein-rich food when it can be made available, for teaching understanding of the importance of environmental hygiene, and for the development of pure water supplies, UNICEF can, at most, provide only a limited assistance. The end result of such assistance, however, is multiplied many times by the fact that each country helped is obligated under the terms of its agreement with UNICEF to continue on its own the services started with UNICEF's help. UNICEF, in all of its programs, places special emphasis on training local people to meet their own needs; thus, this kind of aid stimulates permanent improvement. In mankind's continuing struggle to overcome the hazards of ignorance, environment, and disease, UNICEF plays a unique role as the agency which focuses attention on the needs of children and offers to groping and poverty-ridden peoples the hope for a better future and a way to achieve such dreams.

The organizations comprising our group are particularly grateful to the chairman and members of the committee for your consistent support of the work of the Children's Fund. We have confidence that you will continue to share our interest and concern for this vital work.

BETHESDA, MD., *May 27, 1964.*

Hon. OTTO E. PASSMAN,
Chairman, House Foreign Operations Subcommittee on Appropriations, House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The National Congress of Parents and Teachers appreciates your invitation to reaffirm our established policy of support for the UNICEF program. It is our particular hope that the full amount of $12 million, as recommended by the executive branch of our Government, and included in the authorization by the Foreign Affairs Committee, will be appropriated as the U.S. Government's contribution to UNICEF, the United Nations Children's Fund, for fiscal 1965.

The National Congress of Parents and Teachers (PTA), now comprising more than 12 million memberships in 50 States, the District of Columbia, and our European branch, has consistently supported UNICEF since its inception in December 1946, as an emergency program to provide postwar relief for children. Our own organization, since 1897 dedicated to the health, education, and welfare of American children, has encouraged the development of UNICEF into a permanent organization concerned with the welfare of children throughout the world.

Just as our own children are considered our greatest national resource, we must also consider children in other countries as the future force on which depends international peace, in the light of the classic concept of healthy minds in healthy bodies. It is not enough to indulge in pious platitudes when we reflect that so often the instigations of international conflict are historically related to hunger, despair, and disease within a country. The work of UNICEF is vital in this respect, and is indeed spectacular within the limitations of its budget. For this year's program, outlined at the recent meeting in Bangkok of the Executive Board of UNICEF, the budget is directed to 127 projects providing health services, assistance in nutrition, welfare, education programs, vocational training, planning for children and youth, and emergency aid. This program gives special consideration to UNICEF-aided projects in various countries of Asia, the vast continent which contains half the world's children.

For the last 5 years, despite the acknowledged worldwide population explosion, the executive branch of our Government has recommended the same figure for our yearly contribution to UNICEF—a figure which represents roughly half the amount specified for this year's costs for street cleaning and sanitation for the city of Washington, D.C., alone.

The UNICEF program, with its own requirement for matching funds from recipient countries, is now, more than ever, achieving notable success among participating countries, in the best tradition of self-help. In recent years, the average contribution by each country aided was $2.70 for every dollar of UNICEF money spent. In 1963, a total of 118 governments contributed to UNICEF, including 20 countries not even members of the United Nations. With the goals and achievements of UNICEF thus accorded increased international participa-

tion, this program surely merits reappraisal as to the possibility of increasing the U.S. contribution.

The National PTA extends its most sincere appreciation to the chairman and the committee for your past support of the UNICEF program, as a proven illustration that responsibility to the needs of children is a matter of continuing concern not only to organizations such as ours, but also to the Congress of the United States. With the awareness of our country's leadership in building a future world where all children may grow and live in peace, we are especially grateful for this committee's consideration.

Mrs. Barbara D. McGarry,
Chairman, Washington Committee on Legislation, NCPT
(For the National Chairman on Legislation, NCPT).

Cuban Refugee Program

Statement of Representative Dante B. Fascell of Florida

House of Representatives,
Washington, D.C., March 27, 1964.

Re United Cerebral Palsy of Miami; services to Cuban refugee patients.

Hon. Otto Passman,
Chairman, Subcommittee on Foreign Operations,
Committee on Appropriations, House of Representatives.

Dear Mr. Chairman: A most urgent and pressing matter has arisen in Dade County, Fla., which compels me to request your consideration and, hopefully, your assistance.

Since the Castro regime came to power in Cuba, and the influx of Cuban refugees began in Miami, an ever-increasing number of severely handicapped children and cerebral palsied children have been directly referred by the Cuban Refugee Emergency Relief Group, an agency of the Department of Health, Education, and Welfare, to the United Cerebral Palsy Rehabilitation Center in Miami for diagnostic and treatment services.

Rather than turn these unfortunate youngsters away without help, it has been the procedure of United Cerebral Palsy in Miami to render services of a diagnostic and/or therapeutic nature to all persons who come to them with cerebral palsy, which, as you know, is a disability resulting from brain damage, regardless of their residence status or their ability to pay.

In March 1963 I was informed by Howard A. Engle, M.D., who is chairman of the Advisory Board of United Cerebral Palsy of Miami and chairman of the Committee for the Handicapped of the Florida Pediatric Society, that "approximately 50 to 60 percent of all new patients seen in the past year are of this category (Cuban refugees) and we have rendered considerable service to these unfortunate children."

In October 1963 United Cerebral Palsy of Miami estimated that the cost of services to cerebral palsied Cuban refugees amounted to approximately $25,000. They have sought and been refused reimbursement since the first Cuban refugee patient was referred to the clinic—but in spite of this, their services and treatment have continued.

Payment for services to other facilities for the care of Cuban refugees, such as Jackson Memorial Hospital, Mount Sinai Hospital which are public facilities and Variety Children's Hospital which is a private voluntary agency, has been made; however, United Cerebral Palsy, a voluntary health agency offering equal services has received no funds to reimburse them for their services. I cannot help but feel that this is a very inequitable situation.

United Cerebral Palsy, having exhausted every other means to obtain reimbursement (see attached memorandum dated April 18 1963), I wrote to Secretary Celebrezze on November 20, 1963. The Secretary's answer is attached. Also enclosed is a statement for services rendered to Cuban refugees by United Cerebral Palsy as of January 15, 1964, in the amount of $28,966.

United Cerebral Palsy has amply demonstrated their willingness to continue assistance and treatment to these handicapped children and the community has taken up and borne this burden, financially and otherwise. It appears to me that the Federal Government, which has acknowledged that this is a national problem and one to be borne by all taxpayers, can no longer allow the citizenry of Dade County, who support this institution by voluntary contributions, to

continue supporting alone the medical and diagnostic services needed for cerebral palsied children.

Mr. Chairman, I respectfully urge that you give this critical situation your earnest consideration in the hearings before your Subcommittee on Appropriations for the operation of the Cuban refugee program. The residents of Dade County will be deeply grateful for any assistance you may be able to render.

Sincerely,

DANTE B. FASCELL,
Member of Congress.

UNITED CEREBRAL PALSY ASSOCIATION OF MIAMI, INC., MIAMI, FLA.

Services rendered to Cuban refugees, based on $6 per unit—Clinical diagnosis and complete evaluation, $90

Year	Dental	Medical	Physical therapy	Occupational therapy	Speech	Clinical diagnosis	Psychiatric	Amount
1961								
December		1	7	1	1			$60
1962								
January		2	10	6		1		198
February	1	4	5	16	2	3	5	468
March		2	17	18	7	1		354
April		3	13	13	1	6		675
May		1	33	24	3	8		1,086
June		3	33	24	12			432
July		5	37	45	5	6+SS	3	1,185
August		1	44	42	13		3	618
September		1	40	60	15	3+SS	3	1,009
October		7	84	55	18	7+SS	6	1,675
November		4	111	78	16	6+SS		1,819
December		3	115	73	14	4	1	1,596
1963								
January		4	132	82	16	7		2,034
February		1	76	50	26			918
March		21	188	120	32	6		2,706
April		16	81	49	23	1	3	1,122
May	3	5	75	34	19	5	1	1,272
June	3	5	73	40	17	1		918
July	2	3	41	32	8			516
August	2		235	82	72	4	13	2,784
September	7		62	17	18		3	642
October	6	16	153	62	40	1	1	1,758
November	4	1	152	48	40	1		1,560
December	3		112	40	10			990
1964								
Jan. 1 to 15	5	2	63	22	2		1	570
Total amount of services								28,966

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, January 11, 1964.

Hon. DANTE B. FASCELL,
House of Representatives,
Washington, D.C.

DEAR MR. FASCELL: This is in reply to your letter of November 20 in which you request that we consider giving funds, appropriated for assistance to Cuban refugees, to the United Cerebral Palsy Rehabilitation Center in Miami. Mr. Lyons has had extensive correspondence with the Department regarding this matter.

As you indicate in your letter, payment for health services to Cuban refugees has been made from public funds to certain hospitals under contract to the Dade County Department of Public Health for reimbursement of emergency services of an acute nature. We do not reimburse for the care of the chronically ill, and reimbursement is limited to those persons who are receiving public as-

sistance and who are referred by our clinic for services to the hospitals under contract.

We very much appreciate your deep understanding of and support for the refugee program.

Sincerely,

ANTHONY J. CELEBREZZE, *Secretary.*

DADE COUNTY DEPARTMENT OF PUBLIC HEALTH,
Miami, Fla., April 18, 1963.

MEMORANDUM

To: United Cerebral Palsy Association of Miami, Inc.
Hearing and Speech Center of Florida, Inc.
Crippled Children's Society.
N. M. Levin Speech Training Clinic.

From: E. L. Matta, Jr., M.D., Public Health Medical Coordinator, Cuban Refugee Medical Program.

Subject: Payment for outpatient services.

On this date we must regretfully inform you that previous authorization for payment of outpatient services as outlined on memorandum dated April 8, 1963, has been canceled by order of Mr. Roy Wynkoop, administrative officer, Social Security Administration, Department of Health, Education, and Welfare.

Please do not bill this program for services rendered to Cuban refugee children.

For further clarification in this matter, please contact Mr. J. Arthur Lazell, Deputy Director of Resettlement, Cuban Refugee Emergency Center.

INTERREGIONAL EXPENSES

Mr. PASSMAN. Mr. Tennant, I have only one question for you—it is on regional expense. Would you furnish for the record the program estimate and the actual program allocation for the interregional expense for the past 5 fiscal years?

Mr. TENNANT. I will be glad to do that.

(The information supplied follows:)

Interregional programs: Amounts contained in budget presentations and actual costs of programs, by fiscal years 1960 through 1965

[Amounts in thousands of dollars]

Fiscal year	Original request	Comparative transfers	Adjusted request	Obligations
1960	24,800	[1] 1,872	26,672	23,322
1961	23,500	[1] 577	24,077	23,005
1962	24,400	[2] 4,500	28,900	25,889
1963	30,000	[2] 4,500	34,500	[3] 35,253
1964	37,242	[2] 4,500	41,742	[3] 42,163
1965	44,475	----------	[3] 44,475	----------

[1] Actual use of funds under authorizations for housing and schools for employees and dependents as provided in section 537(c) of the then effective authorizing legislation.

[2] Request for use of funds under sections 636 (c) and (d), Public Law 87-565, which were reflected in country programs in budget presentation for 1962, 1963, and 1964, which but are included in interregional programs in the 1965 presentation.

[3] Shown in fiscal year 1965 presentation to the Congress in "Summary Tables," p. 46.

NOTE.—Amounts shown are not entirely comparable from year to year because changing circumstances directed shifts in responsibilities from field to central administration and the reverse. The amounts involved in such changes for the most part cannot be measured exactly. A major identifiable factor of change between 1962 and1963 was the reorganization of AID and the addition of the development loan function which involved approximately $2.5 to $3 million for funding of related personnel from program moneys. A second identifiable factor in the 1963, 1964, and 1965 years is the combined effort of pay raise actions by Congress which increased personnel costs by approximately 11 percent on an annual basis.

Mr. PASSMAN. Gentlemen, we will recess the committee subject to the call of the Chair.

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