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FOREIGN OPERATIONS APPROPRIATIONS FOR 1964

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

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

[1] Temporarily assigned.

PART 2

STATEMENT OF THE SECRETARY OF STATE
MILITARY ASSISTANCE PROGRAM

Printed for the use of the Committee on Appropriations

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
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Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
99-177 WASHINGTON : 1963

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FOREIGN OPERATIONS APPROPRIATIONS FOR 1964

TUESDAY, MAY 14, 1963.

STATEMENT OF THE SECRETARY OF STATE

WITNESSES

HON. DEAN RUSK, SECRETARY OF STATE
BEN HILL BROWN, SPECIAL ASSISTANT, STATE
HAROLD HOVEY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
HOWARD R. SHARLACH, LEGISLATIVE AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE
EDWARD F. TENNANT, CONTROLLER, AID
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID
WILLIAM T. DENTZER, SPECIAL ASSISTANT TO THE ADMINISTRATOR, AID
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS STAFF, AID
WILLIAM C. GIBBONS, DEPUTY DIRECTOR, CONGRESSIONAL LIAISON STAFF, AID

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon the Honorable Dean Rusk, Secretary of State, accompanied by many other distinguished Americans, whose names and titles appear in the list of witnesses

Mr. Secretary, we are very happy to have you before this subcommittee. If you have a statement to make we shall be pleased to hear you at this time, sir.

Secretary RUSK. Thank you very much, Mr. Chairman and members of the committee.

I appreciate having this opportunity to meet with you again to discuss the appropriations requested for the foreign assistance program. These appropriations constitute a vital contribution to the security and well being of the United States and the free world.

The Congress and the Executive are, in the action taken each year on this program, engaged in the process of determining whether peoples of newly emerging nations seeking stability and growth will be able to attain such goals within the community of free nations or whether the promises of totalitarianism will lure them toward Communist domination and loss of freedom.

A year ago we were deeply concerned with crises in the Congo, Berlin, Cuba, Laos, and Vietnam. None of these has been fully resolved.

In the Congo, much remains to be done to consolidate political unity and to move forward socially and economically. But the Congo is no longer torn by secessionist movements; and the outlook there has measurably improved. U.S. assistance during the past year,

through the United Nations, has not only given the Congo its first real opportunity for independent life, but has been instrumental in preventing a great power confrontation.

West Berlin stands free and prosperous; and we think that everyone understands that we and our allies will do whatever may be necessary to keep it that way.

The Communist thrust into the Western Hemisphere by way of Cuba last autumn took a new and highly dangerous turn; those events are now well known. The underlying crisis represented by the presence in this hemisphere of international communism is still with us. But I think it may be said that one of the results of the crisis last October has been a sharp decline in Castro's prestige both in Cuba and elsewhere in the Western Hemisphere. The economy of Cuba continues to disintegrate.

Agreements were finally reached on the neutralization of Laos and a new government was installed. The situation there remains highly precarious; the Viet Minh controlled by Hanoi have not been completely withdrawn and there has been fighting between the neutralist and Communist elements. But our efforts have assisted in maintaining the uneasy coalition. Certainly one element which has contributed heavily to such progress as has been made in Laos has been the U.S. foreign assistance program. Without our aid, the supporters of Laotian neutrality and freedom would undoubtedly have lost. Our assistance program continues to provide a vital margin to those who would keep Laos independent.

Next door, the Communist guerrilla aggression directed from Hanoi against the Republic of Vietnam remains dangerous. But the Vietcong has not been able to gain ground. Generally, it may be said that the threat to southeast Asia is coming under control. Our military and economic assistance programs are crucial in meeting this test of strength.

Since appearing before the Foreign Affairs Committee 6 weeks ago, I have visited some of the borderlands of the Communist bloc: the vast and populous lands stretching eastward from the Adriatic to the Bay of Bengal. Six weeks ago I stated that the free world had fared better than the Communist world during the last 12 months. My observations in the five countries I visited tend to confirm this estimate.

In Turkey, Iran, Pakistan, and India we are concentrating more than 25 percent of our foreign assistance. Our investments have been large; our gains have been great; we will need, however, to continue a program of investment if we wish to assure the growth of independent and self-sufficient states in that area.

Turkish leaders told me of their determination to continue a course of firmness and patience in order to meet the external challenge of communism and the internal challenge of underdevelopment. Without fanfare, they are making a systematic attack on their problems. They expressed their deep appreciation for the help already given and renewed pledges of cooperation. At the same time, it was clear that assistance from the West will still be necessary if forward movement is to be maintained.

In Iran my conversations with the Shah and his ministers conveyed to me something of the vision and hope that surround the dynamic reform program. The Government and the people of Iran have a

new sense of direction. In the shadow of communism, sympathetic to the West, but subservient to no one, they proudly chose the path of peaceful revolution. Our assistance has contributed to this spirit; our continued help will be a significant ingredient of a successful outcome.

In the Indian subcontinent there are also notable changes of spirit. The attack on her northern border has instilled in India an intense awareness of the menace of Chinese communism and has created a new sense of unity and purpose. In both Pakistan and India great efforts are being made to accelerate economic development, and these nations are devoting large resources to their development plans.

In New Delhi and Karachi I heard differing views, intensely expressed, as to the Chinese threat, western arms aid for India, and the Kashmir dispute. Deeply rooted national and religious antagonisms which give rise to these differences are deeply felt, and are not to be removed quickly by any simple formula introduced from outside. But both parties remain willing to talk and to seek peaceful solutions. Most important, both countries are moving resolutely toward the two goals which we all agree are of prime importance—sound economic development and defensive security capacity against communism.

We, on our part, seek to avoid involvement in disputes to which we are not a party. We cannot, however, be indifferent to disputes which endanger the general peace or absorb our resources. If they cannot be settled, we must decide, in each case and under circumstances then prevailing how this affects progress toward the overriding objective of independent societies able and willing to resist Communist advance.

While recognizing diversity and conflict within the border areas which I visited, I was impressed with the similarities. These countries, whose independence is becoming more nearly assured month by month, are growing and changing societies. They have new economic vitality; political organization is gradually broadening and becoming more responsible and responsive; and awareness of the threat of Communist imperialism to their own freedom and independence is increasing.

Communists cannot tolerate the kind of independence, diversity, and growth typified in Turkey, Iran, Pakistan, and India. The growing strength of these societies contrasts favorably with the current failures within the Communist world. The very success of these societies, working out their destiny in cooperation with the West, evokes Communist countermeasures, ranging from subtle propaganda to the physical assault of Red China on India. The Communist Chinese military attack appears to confirm—in a broad sense—that the Peking regime is worried by this competition and that our assistance combined with the forthright actions of the recipients is meeting with success.

My experience on this trip reaffirms the view I expressed 6 weeks ago: we cannot afford to relax our efforts to assist and cooperate with those nations which wish to remain independent, are struggling to rise above poverty, and desire to work cooperatively with us. Our assistance and encouragement in providing a protective shield, in sharing our technical know-how, and in furnishing capital, are essential. Our help can determine whether this significant part of the world remains free or slides under Communist tyranny.

Within the Communist world, trends toward diversity and fragmentation are evident. Nationalism remains a vigorous force in Eastern Europe—a force which we need to take into full account in our own attitudes and policies.

Communist China remains in the grip of a severe economic crisis. It suffers from shortages in domestic food production; its industrial development has lagged seriously.

The Soviet Union needs heavy investment in agriculture—while its military and space programs have become more expensive. At the same time, the Soviet people continue to press for better living standards. The Soviet authorities face serious dilemmas in allocating their resources.

Failures in production, especially food production, have cost the Communist world considerable prestige, especially among the underdeveloped areas and especially in contrast with our agricultural abundance.

All in all, I think it may be said that the free world has fared better than the Communist world during the last 12 months. This gives us no cause for complacency, however. The Soviet Union controls enormous resources, including military resources. Our Communist adversaries remain dedicated to the Communist world revolution. Despite their differences, Moscow and Peiping remain allies. There is not necessarily any comfort for us in competition between two centers of Communist power, each trying to prove that its method of "burying" us is the more effective.

We cannot afford to let down.

The record gives us ground for quiet confidence that we are on the right track, that we have a sound strategy and in the main are doing the right things to protect the security and increase the free world's strength—economically, socially, and politically, as well as military. In this great and complicated task, foreign aid plays an indispensable role. Nearly all of the visible improvements in the position and condition of the free world have been due in part to our foreign assistance programs.

There is little need to review for the members of this committee the forms and variety of purposes of our foreign assistance program or its historic achievements.

In the wake of the Second World War, most of it went into relief, rehabilitation, and repair of war damage.

Aid to Greece and Turkey was extended to stop the Stalinist drive toward the Mediterranean.

The Marshall plan assisted Western Europe recover economic and political health.

Military assistance has been significant in countering or inhibiting Communist aggression.

But in recent years we have given increasing attention to helping the peoples of the underdeveloped areas to move forward economically, socially, and politically. The foreign assistance program is the main tool of the United States to assist in the struggle against poverty, disease, and social injustice. The wellspring of these de-

velopment programs was the fourth point of President Truman's inaugural address in 1949, when he announced:

> * * * a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

Many forget that the Point IV concept was announced during the dark days of the Berlin blockade and Communist Chinese expansion on the Asian mainland—when aggressive bloc threats were directly confronting us. Then, as now, the relationship between economic and political progress and the security of the United States was apparent. Then, as now, it was clear that our aid program must provide hope for progress through freedom as a vital instrument of our foreign policy.

As each new or newly awakened independent nation emerges into the modern world—as it moves forward economically and socially and achieves political stability—it adds to the strength of the community of free nations. The less-developed nations' great thirst for progress provides, as well, the most useful focus for the restless energies of new or reborn nations. While the development process is neither easily understood nor easily undertaken, it serves as a natural scope of activity for the underprivileged who are concerned with improving their lot and eager to make their mark upon the world.

It is in the U.S. interest, and in its proud humanitarian tradition, to foster the modernization process. Not to do so would simply assure that the growth of the less-developed countries will be patterned by others.

Here lies the surest defense of freedom. For—let us be quite clear—the Communists believe the safest method of expansion open to them is to exploit the inevitable confusion and turbulence of the underdeveloped areas as they reach out to modernize their societies. Everywhere they seek to take over from within as they did in Cuba. This is a method we must forestall; and foreign aid is one of our instruments for assisting in the preservation of national independence.

There are additional reasons for extending assistance. The Clay Committee, which studied foreign assistance in the context of national and free world security, stated that the need for development assistance would continue "even if the cold war and all our outstanding political differences with the Communists were to be resolved tomorrow." For it is "part of the American tradition to be concerned with the plight of those less fortunate than ourselves." And it is the hope of the American people to see "a world which is prosperous and at peace."

The President has requested an appropriation of $4,525 million to carry out our programs of economic and military assistance in fiscal year 1964.

This request, which is some $400 million less than the budget estimates published in January, reflects:

The review of our assistance program conducted by Mr. David Bell, new Administrator of the Agency for International Development;

Recommendations of the Committee To Strengthen the Security of the Free World, chaired by General Clay; and

Savings resulting from withholding of funds programed for use in fiscal year 1963, but not committed to some nations because of inadequate development efforts and self-help measures.

I have included in an annex to this statement a detailed discussion of the fiscal year 1964 appropriation request.

The basic goal of our foreign assistance program may be simply stated: To help other countries to maintain their independence and become self-supporting. Independence and self-sustaining growth are interlocking objectives. Some countries we have aided have already achieved them. In Western Europe and Japan our postwar aid provided the margin by which these countries were able to reach, in a relatively short period, self-sustaining growth and political independence. Greece, Lebanon, Israel, Thailand, Taiwan, Colombia, and the Philippines, as well as other countries, are nearing the point of self-sustaining growth. In the very near future their requirements for special international assistance should end and they should be able to acquire external capital through private and public hard loans. Others will join this growing list in the next few years.

In the present world, independence and political stability go hand in hand with reasonable economic progress. A sound growing economy provides the forward momentum and hope which will lessen the temptations of quick routes to progress which often lead to external domination. Our foreign aid program plays an essential role in providing development hope and advice as well as capital.

From the experience of prior years we had pinpointed some basic guidelines for development assistance:

Self-help is the most important single factor in the development process. At best, the United States can provide only a small margin of the capital and skills necessary to launch sound development. Our contribution can be the catalyst but if countries are to progress—economically, politically, and socially—there must be a real commitment by the people themselves to the development struggle—the difficult struggle against poverty, disease, inertia, illiteracy, and despair. U.S. assistance can play a crucial role in the development process only when nations take the difficult and sometimes politically risky decisions to adopt necessary reforms and fiscal and social measures. Self-help by aid recipients is equally important from the standpoint of the United States, because an unending foreign assistance program without termination as a goal would be an intolerable burden on our taxpayers. Our objective—as well as the objective of the aid-receiving nations—must be self-sustaining growth and the termination of types of assistance which burden the American public.

Selectivity, therefore, is a factor which must be applied. We must select those countries willing to make such a major self-help effort. We must focus upon those countries in which our assistance will provide the necessary margin for growth. We must give sufficient assistance to those selected countries to enable them to make headway toward self-sustaining growth. Eighty percent of all economic assistance funds are concentrated in 20 countries. Our military assistance programs are concentrated even more heavily.

On the other hand, technical assistance plays a dominant role in almost one-half of the aid-recipient countries, for trained human resources are a requisite base for any development effort. In many of these countries, particularly in Africa, there is no U.S. aid except

technical assistance. In such cases, our advisers are carefully selected to help the country address one or more critical development problems such as education or governmental administration. Approximately 18 percent of the funds proposed for both development grant and Alliance for Progress grants in fiscal year 1964 are earmarked for 19 countries where there are no other U.S. aid activities and 16 countries where possible Development Loan activity does not exceed $4 million. In many of these countries, U.S. aid missions are not required; our technical assistance programs and personnel are supervised by one or two people assigned to the Embassy.

Contributions from others is another important criteria we follow in determining the allocation of funds to individual countries. The United States is continuing efforts to assure increasing participation by other free nations in providing both bilateral and multilateral assistance. Many of the countries of Western Europe—originally recipients of foreign aid—are now donors. Certainly one of the most encouraging signs of the effectiveness of our aid program is that countries we have helped in the past are now helping others. Such free world assistance to underdeveloped countries doubled between 1956 to 1961, and the United States hopes that these nations will bear an increasing burden in the years ahead. It is important also that other free nations liberalize the terms of their assistance.

In addition I wish to emphasize my strong belief that the administration of our foreign assistance requires preserverance in a long-term task, a dedication to achieving an increasing high level of performance and a flexibility which will permit the meeting of varied and changing conditions throughout the coming year.

ALLIANCE FOR PROGRESS

As you gentlemen know, the Alliance for Progress, a 10-year program of economic and social progress to which we are committed with other free American nations, is not yet 2 years old. The President has reported that—

> viewed against the background of decades of neglect—or, at most, intermittent bursts of attention to basic problems—the start that has been made is encouraging. Perhaps most significant of all is a change in the hearts and minds of the people—a growing will to develop their countries. We can only help Latin Americans to save themselves. It is for this reason that the increasing determination of the peoples of the region to build modern societies is heartening. And it is for this reason that responsible leadership in Latin America must respond to this popular will with a greater sense of urgency and purpose, lest aspirations turn into frustrations and hope turn into despair. Pending reform legislation must be enacted, statutes already on the books must be enforced, and mechanisms for carrying out programs must be organized and invigorated. These steps are not easy, as we know from our own experience, but they must be taken.
>
> There is no denying that the beginning that has been made in the first 2 years of the Alliance is soberingly modest, and that the job that is still ahead must be tackled with continuing urgency. Many of the ingredients for a successful decade are at hand, and the fundamental course for the future is clear. It remains for all parties to the Alliance to provide the continuous will and effort needed to move steadily along that course.

I would also like to set forth a few observations growing out of the events of the past year:

1. The difficulties in regard to Cuba are a continual reminder that prevention is easier than cure—that, having failed in years past to

take the steps which might have prevented the establishment of a Marxist-Leninist regime in Cuba, we must try to prevent such developments in the future.

Throughout the hemisphere I have seen evidence that this lesson of the Cuban experience is even more widely appreciated.

2. In the last 6 months, Castro's stature in the hemisphere has shrunk further. The democratic left has shifted rapidly away from him. In country after country his support tends to be concentrated in a hard-core Communist apparatus.

3. Although in most countries the liberal democratic elements have tended to be the most enthusiastic supporters of the Alliance for Progress, moderates and conservatives throughout the hemisphere have been manifesting an increasingly active interest. In many countries the Alliance has broad political support.

4. Finally, I would recall that in the showdown last October, the hemisphere stood united. In the hour of crisis, every member of the Organization of American States supported what had to be done.

So, despite all the difficulties, I, too, feel encouraged about the future of the Alliance for Progress and hemispheric cooperation in general.

ASSETS FOR FOSTERING OF ECONOMIC DEVELOPMENT

In the complex business of fostering economic development, the United States has, I believe, some special assets.

First, we know from experience in our own country how to achieve rapid economic development. I emphasize the word "rapid." The rural Georgia I knew when I was growing up was underdeveloped: It enjoyed few of the benefits of modern science, technology, medicine, public health, or education. Forty years ago, hookworm and malaria were still among our serious problems in the South. Forty years ago, only two American farms in a hundred had electricity. Now 98 percent have it—and not just for electric lights but for all sorts of services to the farmer and his family.

Anyone who examines objectively the development of our recently underdeveloped areas, and compares it with what has happened in the Communist nations, must conclude, I believe, that it is we who have demonstrated the capacity for rapid development, we who have found the shortcuts to the future. And we have done it without the brutality, without the degradation of the individual human being, which are characteristic of the Communist and every totalitarian system.

Second, we have the facilities—and perhaps a special talent—for disseminating new knowledge and applying it in practical ways. The high quality of our technology is generally recognized. At one point or another, other nations may equal or surpass it but across the board our technological eminence is well established. And we are known as a people who like to find new and better methods of doing things.

Third, we have unparalleled educational facilities, especially in fields which are essential to economic and social development such as public health and medicine. I think also of that remarkable instrument—the system of land-grant colleges. Through their farm research and extension education, these institutions have wrought agricultural miracles. The land-grant system provides lessons which are widely applicable in other developing areas of the world.

It is also true that some of our special problems such as the soil conservation and water development of our Western States are similar to those of other developing countries.

Fourth, we have unrivaled experience in operating a foreign aid program. We have made mistakes. We have learned from others' as well as from our own experience. We have been the chief inventors, the leading developers, of these life-preserving and body-building transfusions of economic, military, and technical strength.

Fifth, over the last 15 years we have built up a corps of public servants who know at firsthand and increasingly understand the problems and requirements of economic development. With the passage of time, with experience, with the weeding out of unsuitable personnel, and with the training of others, we have developed public servants—diplomats, military men, information specialists, educators, agricultural specialists, and others—who represent a vast accumulation of expertness.

In learning more about other peoples and giving them a helping hand, we have a fine new instrument in the Peace Corps. I hope that some of the younger graduates of the Peace Corps will wish to make a career in our foreign services.

Sixth, we have an important asset in the wide American associations with other peoples through voluntary, nongovernmental contacts. These range through scores of organizations to promote better relations with particular countries or areas, to our civic clubs which have spread to other lands. They include the oversea programs of our private philanthropic foundations, our churches, and the personal friendships with people in other lands formed by so many Americans who have gone abroad as teachers, or students, as businessmen, or just as tourists.

Seventh are the scores of thousands of persons from the less developed countries who have come to the United States for education or special training or perhaps just to learn more about us; and many more thousands who have studied under American teachers in universities, vocational schools, and other training centers in their own countries. Not all of them react favorably to such exposures to us. But experience indicates that an overwhelming majority of the persons from the less developed countries who have studied or visited in the United States or studied extensively under American teachers abroad take away a predominantly favorable impression.

Finally, probably the most valuable asset we have is the confidence of others in our purposes. Despite Communist propaganda, despite the criticisms to which we are often subjected, and despite occasional differences and misunderstandings between certain other free nations and ourselves, most of the leaders and peoples of the less developed nations realize that our real purpose is what we say it is—to help these nations maintain their independence and improve the lot of their peoples.

This confidence in the purpose of our assistance is interlocked with a broad confidence in our deepest commitments as a nation. I strongly disagree with those who assert that we are widely distrusted or hated. My experience both as a private citizen and as a public official leads me to assert otherwise. Men and women throughout the free world—and behind the Iron and Bamboo Curtains—know something about our national history. They know that we have fought for freedom in the

past and that we are dedicated to defending and spreading it today. They want for themselves what we want and, in large part, have achieved for ourselves—not only material well-being but also freedom and dignity for the individual. These ideas and ideals have brought us allies, avowed and unavowed, throughout the world.

There is nothing that the Communists want more than for us to withdraw our support from other independent countries. The No. 1 objective of Communist policy in regard to Europe, Asia, the Far East, Africa, and Latin America can be summed up in three words: "Yanks, go home." I don't believe that the American people will knowingly subscribe to a policy of retreat—for a policy of retreat is a prescription for defeat. I believe that the American people are determined to win this world struggle between coercion and freedom.

The price of freedom has never been cheap. Building—and defending—freedom has always required courage and tenacity. Often it has cost heavily in treasure—and blood. I would prefer to see freedom defended and built without bloodshed if possible. The dollar cost of defending and strengthening freedom through our foreign assistance program is a small fraction of what we spend on military defense and an infinitesimal fraction of the potential cost of a third world war.

Thank you very much, Mr. Chairman.

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

SUMMARY OF 1964 PROGRAM

We know you are an extremely busy man, and we shall not detain you any longer than necessary. You may include the annex which is attached to your statement at this point in the record.

(The annex follows:)

FISCAL YEAR 1964 FOREIGN ASSISTANCE PROGRAM

The President has requested the appropriation of $4,525 million to carry out our programs of economic and military assistance in fiscal year 1964.

The $4,525 million requested is some $420 million less than the budget estimate published in January of this year. These downward adjustments have been made as a result of a reassessment of the program by AID under its new Administrator and in accordance with the Clay Committee's general recommendations. In addition, prior year funds were withheld because the performance of some nations did not fully meet our expectations and criteria.

For the various funding categories of economic assistance, the executive branch requests a total appropriation of $3,120 million. More than 60 percent of this amount is planned as development loans including the Alliance for Progress.

Development loans.—$1,060 million has been requested for development loans outside Latin America. Development loans have become the central tool of U.S. development assistance efforts. More than half of these funds are allocated for use in the Near East and South Asia in fiscal year 1964. The great proportion of this amount is expected to be used to help meet capital and commodity requirements in India and Pakistan. The appropriation requested will also enable us to meet existing commitments to such nations as Nigeria and Tunisia, and to assist in the serious development efforts of other friendly nations.

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 this fiscal year because such requirements 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.

Development grants and technical cooperation.—$257 million in appropriations is requested for fiscal year 1964 for development grants and technical cooperation outside Latin America. These programs comprise the Point IV element of today's foreign assistance effort, and are the principal source of direct contact with the people of the emerging nations. Basically, development grants finance needed technical assistance to development in developing countries.

Technical assistance, either used by itself, or in careful coordination with development loans, can provide a greater ultimate return, dollar for dollar, than any other element of the foreign aid program.

The Agency for International Development is making increasing use of the resources of other Government agencies, and of America's universities, in providing the high quality talents needed for successful performance of these programs.

The Alliance for Progress.—$850 million is requested for the Alliance for Progress in fiscal year 1964: $550 million in AID administered development loans; $100 million in AID administered development grants; $200 million for the Inter-American Program for Social Progress.

AID administered loans will help support the increasing momentum of the Alliance for Progress. As Latin American nations take more and more of the hard decisions called for by the Charter of Punta del Este, the United States will stand ready to provide the critical margin of capital.

Alliance for Progress grants will be used particularly to strengthen educational institutions, rural cooperatives and other local organizations as well as to help governments develop the sound administrative practices and reforms necessary for progress.

Almost $200 million is requested for the Social Progress Trust Fund of the inter-American program for social progress. These funds permit social advance to move forward with economic development throughout Latin America. The Social Progress Trust Fund's sound programs of land settlement, housing, sanitation, water supply, and higher education provide meaningful impact at the grassroots level. This year's requested appropriation would permit the trust fund to operate at the levels of the last 2 years. Almost $5 million will be contributed for the grant program of the Organization of American States.

Supporting assistance.—$435 million has been requested for supporting assistance in fiscal year 1964. The increase over budget estimates and over last year's appropriation reflects the shift of funding for the major part of assistance to the Congo to the supporting assistance category instead of as a contribution to international organizations.

Supporting assistance is mainly used to strengthen the economic position of countries mounting major defense efforts along the periphery of the Sino-Soviet bloc. Other supporting assistance programs maintain economic stability in situations of importance to the United States; provide alternatives to excessive dependence on bloc aid; and permit access to important U.S. military bases or facilities.

The contingency fund.—The $300 million requested for the contingency fund in fiscal year 1964 would provide the United States with the flexibility to meet quickly unanticipated or unascertained political and security needs. It is hoped that substantially less than the $300 million appropriation request for this fiscal year will be actually used. In fact, it is anticipated that the present contingency fund of $250 million will not be fully used, and any remaining funds from fiscal year 1963 will be returned. However, sufficient funds must be available for the forthcoming year to meet unanticipated emergencies or only dimly foreseen situations. This year's evidence of a responsible use of the contingency fund is a strong argument for providing the funds necessary for flexibility.

Voluntary contributions to international organizations.—$136 million is requested for funding U.S. voluntary contributions to eight international programs. The shift of the assistance program for the Congo from this category to supporting assistance has lowered this request considerably below the level indicated in the President's budget.

Other requests.—$20 million is requested for an expanded program for American-sponsored schools and hospitals abroad, as well as $2 million in local currency for a children's hospital in Poland being constructed under private American auspices. Finally, $60 million is requested for administrative expenses.

Military assistance is the other major arm of U.S. foreign assistance efforts. This program, which is less than 3 percent of the amount required to support our own military establishment, plays a key role in protecting the security of the

entire free world. The President has requested the appropriation of $1,405 million for military assistance in fiscal year 1964.

More than 75 percent of this military assistance is used to maintain the defensive capabilities and internal security of free nations along the Sino-Soviet periphery. Other uses of military assistance include smaller internal security and civic action programs in Africa and Latin America, and to meet existing NATO commitments in Europe.

Other.—Apart from assistance requested for the children's hospital in Poland, no funds are being requested under this act for Poland or Yugoslavia. Normal trade, together with the careful use of Public Law 480, therefore, assumes major importance in support of our policy toward these countries. For this reason, it is requested that these be restored to the President's discretionary authority to continue equal tariff treatment to Poland and Yugoslavia.

U.S. REVENUES AND EXPENDITURES

Mr. PASSMAN. I wonder if you agree, Mr. Secretary, that there is a limit to how far we can go with respect to our spending and the dissipation, or liquidation, of our assets?

Secretary RUSK. Yes, I think there are necessarily upper limits in prudence. I think there are also lower limits in prudence.

Mr. PASSMAN. Those of us on this subcommittee of the Committee on Appropriations spend many long hours, days, weeks and months trying to understand this complex program and the budget request and we do not mark up these bills by a meat-ax method. We try to evaluate this thing properly and we always give the executive the benefit of the doubt.

According to statistics which are now being verified, in the 174 years of the existence of our Government since the adoption of the Constitution we have collected $1.312 trillion in revenues, but for each $1 collected we have created an obligation of $1.81. Today we have obligations amounting to $1.051 trillion for services which have already been rendered, not projected. That is not a very good record, and especially so when we take into account that much of it has been created during peacetime, and so far as the 108 statutes that call for a payout of money for services previously rendered are concerned, a good part of that has happened in the last 30 years.

U.S. GOLD HOLDINGS

Taking a look at the gold holdings of the United States, I think we all recognize that the yellow metal is generally regarded around the world as the ultimate in security, and when a nation cannot support its currency with gold it has a weak, or soft, currency in the world markets.

Within the brief span of the past 10 years U.S. gold reserves have been reduced from $23,252 million to $16,057 million as of last December 31. During the same period our "free-world" friends abroad have increased their gold holdings by $11.6 billion, to $24.6 billion and their short-term dollar assets from $10.5 billion to $24,984 million.

Then, from 1950 through 1962, inclusive, we have had a net balance of payments deficit of $24,290 million. There was only one credit in 13 years and that was in the relatively small amount of $500 million.

Furthermore, our borrowed-money public debt of $305 billion exceeds by $102 billion the combined public debts of all the other free nations of the world, and it exceeds by $24 billion the combined public debts of all nations of the world.

We just have to take those things into account in considering the Executive's request for money for foreign aid, to be sure that we provide adequate funds but get out as much of the excess as we can.

CONGRESSIONAL REDUCTION IN PRIOR FOREIGN AID BUDGETS

So that this committee's record may be before you, Mr. Secretary, I think it would be appropriate for me to say that during the past 8 years, without exception, when this committee had worked its will and finally the Congress had worked its will, we were condemned as having done great damage to the program.

In fiscal year 1956, Mr. Secretary, the Congress, in its wisdom, reduced the Executive requests by $563,300,000; 1957, $1,093,405,000; 1958, $618,100,000; 1959, $652 million; 1960, $1,204,182,000; 1961, $558,650,000; 1962, $860,900,000; 1963, $1,032,400,000. So the total reduction below the aggregate sum requested by the Executive during that 8 years amounted to $6,582,937,000.

Now, it has been admitted subsequently, each year, that we had helped make a better program out of it by our actions. In effect, this is about what has been said: "Yes, it worked out all right this time but if you do it again you will wreck the program." That has been almost a stock statement every year. But, of course, it is not in accord with the facts. In that connection, a member of the Clay Committee said to me only recently that had it not been for this particular committee of the Congress there would have been no foreign aid program today because the requests were so "ridiculous"—I believe that is the word which was used—they would have fallen of their own weight.

CHINESE COMMUNIST INVASION OF INDIA

Mr. Secretary, I read here from part 2 of the 1964 Defense hearings, with regard to India:

Mr. SIKES. Let me talk about Red China and the Indian operation. Did the Indians actually start this military operation?

General TAYLOR. They were edging forward in the disputed area; yes, sir.

I mention this only because you refer to India in your statement. Are you familiar with that situation?

Secretary RUSK. I am familiar with that.

(The following clarifying information was supplied later:)

STATEMENT BY THE DEPARTMENT OF DEFENSE ON SINO-INDIAN CONFLICT

[From press release No. 556-63, Apr. 19, 1963]

Gen. Maxwell D. Taylor, chairman of the Joint Chiefs of Staff, testified on February 14, concerning the Sino-Indian conflict before the House Appropriations Committee. Published excerpts from this testimony may have created impressions that require clarification.

General Taylor's full testimony did not imply in any way that the Indians started, or might have been responsible for starting the hostilities. Unfortunately, General Taylor's full statement to the committee could not be released for security reasons. This statement made clear that the Sino-Indian conflict arose from a long pattern of Chinese Communist actions both in earlier years, going back to 1959 at least, and in 1962. Moreover the small-scale Indian patrols described by General Taylor were operating on their own territory in the Northeast Frontier Agency, and were no justification whatever for the ensuing large-scale Chinese Communist attacks. There is no question that the Chinese Communists were the aggressors.

EFFECT OF FOREIGN AID IN THE CONGO

Mr. PASSMAN. You also mentioned something about the Congo. I shall read now from an item in the U.S. News & World Report:

> Meanwhile, in the harassed Congo, a significant new note. Portugese shopkeepers and tradesmen in Léopoldville report excellent sales in recent months despite widespread unemployment and economic stress.
>
> Big spenders are showing up among the Congolese. The Portugese note that perhaps a thousand Congolese are doing most of the big spending. These are the people benefiting from the various foreign aid and military outlays in the Congo.

I am wondering if you have had an opportunity to see this U.S. News & World Report article and whether it is significant enough to comment on?

Secretary RUSK. I have seen that report, sir. I don't have the detailed figures as to what scale of spending in these shops they were talking about, but this problem of financial integrity is one that has to be worked out all the time. There was a period in the Congo when the normal administrative machinery had broken down. I am sure there were some abuses, but I think we can say there has been, with the drop off of violence and the increase in law and order and regular procedures, a very substantial improvement. In any event, in our own AID programs we are trying to watch that particular factor very much because we are as aware as you, Mr. Chairman, that things of this sort are damaging not only to the AID program but to the country to which the aid is being allotted.

SITUATION IN SOUTH VIETNAM

Mr. PASSMAN. Thank you, Mr. Secretary.

Here is an article dated May 14, and we would like to have your reaction to it. It is entitled "U.S. and South Vietnam." I quote from it:

> At the request of South Vietnam, some 12,000 Americans are helping that besieged land to fight a war; dozens of Americans have been killed while the Government holds its troops in check. And now, on the morrow of a Saigon-Washington agreement to keep American advisers in their present stations and numbers, President Diem's brother declares that half of the Americans should go home and the other half should not "expose themselves too readily" to enemy fire. Ngo Dinh Nhu further states, after nearly a decade of hostilities, that the time to take the offensive "has not come yet."

Secretary RUSK. I saw that interview. There has been no request from the South Vietnamese Government that we reduce the number of Americans there, nor have there been any reductions in the initiatives taken by the South Vietnamese forces against the Vietcong. I understand that our Ambassador is now working out with the Government of Vietnam a joint communique to be released in the next few days. It will reaffirm that the present level of our advisory and support efforts is related directly to security requirements and is still necessary.

I think what happens in a situation which is mean and bitter and frustrating, that once in a while some political figure will give an interview where he gets off some of his frustrations because it is a very difficult situation for everybody concerned. Not only is the scale of American help generally appreciated in this country but the amount

of effort being put out by the Vietnamese themselves has been rising rapidly and the initiative does lie with the Government forces and with the forces that are being assisted by Americans through advice, transportation, communications, improved intelligence, and all the other means that have been brought to bear there in recent months. Obviously, if the South Vietnamese did not want to make that fight themselves, it could not succeed. If they did not want us there, it could not succeed but we have no reason to believe either one of those things is true.

(The joint communique referred to follows:)

JOINT COMMUNIQUE APPROVED BY AMBASSADOR NOLTING AND PRESIDENT DIEM FOR JOINT RELEASE MAY 17, 1963

The Government of Vietnam and the American Embassy announced today that agreement has been reached regarding funding for counterinsurgency and other economic development projects, particularly those supporting the strategic hamlet program, during 1963. The agreement provides inter alia for the continuation of counterinsurgency projects supported under the Piastre-Purchase Agreement announced in August 1962. As explained at that time, the latter was an extraordinary arrangement necessitated by the fact that full provision for the counterinsurgency operations in question was not made either in the Vietnamese budget for 1962 or in the U.S. AID program. It was planned that the continuation of these operations would be budgeted and programed in a manner calculated to be responsive to the requirements of the present situation.

Under the agreement just announced, the Government of Vietnam has undertaken to supplement U.S.-owned funds and counterpart so as to make available up to 2.3 billion piastres during calendar year 1963. The United States is also providing some $55 million in the form of agricultural products, barbed wire, weapons for hamlet militia, cement, fertilizer, and other commodities for the program.

Counterinsurgency projects will continue to be initiated and developed by the Vietnamese authorities, and all of them will be fully coordinated between the Vietnamese and American Central Committees, as in the past. The execution of projects will also continue to be closely coordinated between the Vietnamese authorities and American experts in the provinces.

During the course of the discussions, it was also reaffirmed that the scale of the U.S. advisory and support effort in Vietnam is directly related to security requirements and to the need to bring about throughout the country the economic and social improvements envisaged in the strategic hamlet program. Although at this time the present level of the advisory and support effort is still necessary, as the security situation improves and as the strategic hamlet program progresses, it is expected that the need for foreign assistance, both in terms of material and personnel, will be progressively lightened.

Mr. PASSMAN. Some of our leading military people there indicated earlier—I think around the end of last year—that the Vietnamese did not want to advance and it led to a lot of trouble. You are familiar with that statement, are you not?

Secretary RUSK. I am, sir; but I am also familiar with the rest of the story. In a battle of this sort where the enemy is a disappearing enemy, where he fades away into the bush, it is possible to get any story that one would like to find in interviewing people up and down the line. That is almost inherent in any military operation. It occurs in our own Armed Forces during a war. If you talk to the sergeant and you talk to the colonel you will get two quite different stories. I don't think we should be discouraged about what is happening down there.

Mr. PASSMAN. Mr. Secretary, quoting again from an editorial:

How long must the United States help President Diem to lose his war and waste its money, to delay the reforms that alone might gather his regime the popular support that victory requires? Despite the occasionally hopeful reports on the war which leak out from time to time, Senator Mansfield's judgment—that little progress has been made in 7 years—seems, from this distance, to be justified

Now if we may read from page 8 of the Mansfield report on Vietnam and southeast Asia:

It is most disturbing to find that after 7 years of the Republic, South Vietnam appears less, not more, stable than it was at the outset, that it appears more removed from, rather than closer to, the achievement of popularly responsible and responsive government.

Should the committee not take serious cognizance of these statements?

Secretary RUSK. Of course the committee will want to think seriously about anything Senator Mansfield says, as we do. But in 1959 the Communists, the Viet Minh, the Viet Cong, made a major new decision to launch an allout subversive attack on South Vietnam. I think that the span of 7 years there reaches back to before the Communists attacked.

Now, the question of the attitude of the villagers in a situation of that sort is not something to be measured in ordinary modern sophisticated Western terms. For the most part villagers out there want to be left alone. They do not feel a direct contact with the agencies of government any more than did we when we were children in our own part of the world living in villages and on farms. But I think what is encouraging about it, Mr. Chairman, is that the villagers themselves are throwing themselves more and more into this fight. They are coming forward now in larger and larger numbers to provide critical information about the Viet Cong, where they are and what they are up to. They are organizing their own strategic hamlets; they are providing their own defense. The rice production is going up because they are showing confidence: they are getting into the fields and getting their rice to market.

I think there is a steady, growing improvement in the situation, but it is not miraculous. It is not overnight. It is going to take time.

I would put the other question in connection with the comments of Senator Mansfield and that is: What is the alternative? Do we get out and let that place go to the Communists? Do we forget it? And then add several billion dollars more to our national defense because of deterioration of the situation in the Pacific? I don't think we can abandon this country.

Mr. PASSMAN. I do not discount the findings and conclusions of Senator Mansfield and his colleagues. Their report was issued February 25, 1963.

Mr. RUSK. This report doesn't recommend we abandon our efforts there.

Mr. PASSMAN. If it is getting worse and not better, that is certainly suggesting that we do something about it. When you connect that with the recent statements—it says:

Seeks the reduction of grant aid in all countries where such programs operate.

That is exactly what we have in mind. You would not want us just writing a blank check and granting a request.

Secretary RUSK. Mr. Chairman, I was referring to the statement in the report in summing up:

It would appear to us that in present circumstances the interests of the United States in southeast Asia are best served by a policy which * * *

6. Helps to bring about internal peace in Vietnam but maintains, scrupulously, our advisory capacity, recognizing that the primary responsibility in all areas is Vietnamese

The enemy launched an attack in 1959. The first year of the 7-year period was before this renewed Communist attack of 1959 was decided upon and put into effect.

REDUCTION OF FOREIGN ASSISTANCE APPROPRIATION REQUEST, 1963 AND 1964

Mr. PASSMAN. Mr. Secretary, last year the committee reported out its bill for the foreign-aid program on September 18, 1962. The committee's recommendations for the mutual security program amounted to $3,630,400,000, a reduction of $1,124,400,000 below the estimate. The following day the State Department addressed a letter to the Speaker of the House, and I quote now from the first paragraph of that letter:

I am gravely concerned by the drastic cut of over $1,100 million which the Appropriations Committee has recommended in the appropriation requested by the President to conduct the foreign aid program for fiscal year 1963.

The second paragraph of the letter states:

That program has a central and major role in our foreign policy whose objectives are to protect the security and promote the welfare of our country. I know that you and your colleagues of both parties in the House are as deeply devoted to the achievement of these high objectives as I am. I feel impelled, therefore, to bring to your attention my deep conviction that those objectives will be greatly endangered if this cut is allowed to stand.

The Congress, in its wisdom, subsequently appropriated $3,928,900,000, which was a reduction below the budget of $1,032,400,000.

Then the President's message to the Congress on April 2, of this year, on page 10, said:

Upward of $200 million of economic assistance funds are expected to be saved and not used in the present fiscal year. Upward of $100 million of these funds will be available for lending in the future.

Recently, if I recall correctly, Mr. Bell, the Administrator of the AID program, indicated—and I think I had better quote him directly:

We are going to save $200 million or $300 million and some of that carries over into next year and it is part of the reason why the President was able to reduce his request when he sent his formal message up last week.

This would indicate that had the House bill remained, and in conference we had not given up the $298 million, then the original recommendation hit it right on the head, whether it was a carefully considered markup or a meat ax cut. We recommended what was needed by administration standards, even with all the waste that is in the program.

Now, for the first time, Mr. Secretary, since I have had the privilege of serving as chairman of this subcommittee, there has been an indication from the executive branch that they may have requested too

much funds. In prior years they have defended dogmatically their first request.

This year, however, the President himself has offered a recommendation that his budget request be reduced by $400 million and at a subsequent date the Chairman of the President's Committee To Strengthen the Security of the Free World, General Clay, recommended an additional reduction. That is encouraging.

Secretary RUSK. It is true that the President reduced his original figure as a result of additional studies, including those by Mr. Bell and by the Clay Committee. But it is also true when we came up last year to make our presentation and received an appropriation that in program after program we had to cut the cloth to fit. There were things which we might have wanted to do at a faster pace than we planned to do but it also was true that within that planning, after all the intergovernmental discussions had been worked out, there were some funds that we did not think we could properly use, particularly where there was lack of performance on the other side. As it turned out I think it was possible not to use all the contingency money we had asked for.

I think this is an illustration of the importance of the contingency fund. If we have the freedom of action to use it and if we are not forced by circumstances to use it, then we won't use it. But I also feel that since you have been kind enough to express your interest in the sharper look that you feel has been given to this program this year, that this will recommend more strongly to you the figures that we are actually putting before you.

Mr. PASSMAN. This may need clarification, at least for me—talking about cutting the cloth to fit. Would it actually hold that they cut the cloth to fit the garment, that they are going to wind up with $300 million, or is it an admission they had too much cloth after they cut it?

Secretary RUSK. When we talk to other governments about aid programs and plans and military requirements for a period of a year or a year and a half in advance, we naturally have to plan within the funds that are available. So we did cut back on some of our planning with respect to military assistance and with respect to economic development.

Now, as it turned out after making these aid arrangements with many countries we did find there were many funds not used, first because of the contingency and secondly because some of the conditions were not met. But that does not mean that we could not have well used some additional funds had they been available.

Mr. PASSMAN. A lot of the $300 million is going to lapse unless it is reappropriated.

Secretary RUSK. We have already worked out with governments what might be attempted within a year. The rate at which they might attempt a military modernization program, for example. We have to go over it at the end of the year. Just because we think we might have money left over is not a good way to proceed with other governments.

Mr. PASSMAN. Did you not say this was brought about to some extent because other countries have not implemented their agreements?

Secretary RUSK. That is why some of those funds could not be properly used.

Mr. PASSMAN. Had the Congress just gone along with the administration, appropriated the whole amount of funds——

Secretary RUSK. I think there may have been larger programs in other countries in order to get along with the program faster.

Mr. PASSMAN. Do you see any harm that has been done by the Congress working its will and taking out some of the excesses?

Secretary RUSK. Mr. Congressman, I think this is a point where it is hard to say what history would have been had you written it another way.

CONGRESSIONAL REDUCTIONS IN THE FOREIGN ASSISTANCE PROGRAM

Mr. PASSMAN. Suppose we go back over the past 8 years, during which we have taken out $6.6 billion, and each year, shall we say, by omission and admission and sometimes by direct statements, they have found we have helped the program by our actions, have helped make it a better program as a result of scrutiny by the Congress.

Secretary RUSK. No doubt, sir, the kind of scrutiny this committee gives the program every year makes it a better program. There is no question about it. But I wouldn't want to apply that necessarily to the amount of money involved.

Mr. PASSMAN. I think over too many years we have neglected thinking enough of that important part. I am bound to think in terms of dollars.

Mr. Secretary, I was somewhat impressed by statements you made before the House Committee on Foreign Affairs on April 5, 1963. In your general statement to the committee you said:

> There is nothing that the Communists want more than to see the Yanks go home. Not only from Western Europe but from the Mediterranean, South Asia, the Far East, Latin America, Africa, everywhere. If we Yanks come home, the Communists will begin to take over.

I have no quarrel with that, but this part:

> Why any American would want to cooperate with the global Communist strategy is beyond my understanding, but that is what sharp cuts in our foreign aid programs would mean.

The Congress has cut this program by $800 million a year for 8 years—3 years in excess of $1 billion—and the evidence is that we have helped the program, rather than doing any damage to it.

Secretary RUSK. Mr. Chairman; I was not talking about motives when I made that statement, I was talking about results. To illustrate the point, there are a few people in this country we hear from from time to time who would like to bring every American uniform outside the United States back to this country. These particular individuals might be very strongly anti-Communist but the effect of their program if it were carried out would be to give the Communists exactly what they want.

Now, there are people who want to eliminate the foreign aid program entirely or in other ways seriously cripple it. I would say there is not a question of motive or intention, it is a question of the practical result. We are engaged in a struggle that is utterly fundamental to the life of the Nation.

Mr. PASSMAN. We recognize that fact, Mr. Secretary, but when the statement is made it is, to say the least, puzzling:

> Why any American would want to cooperate with the global Communist strategy is beyond my understanding but that is what sharp cuts in our foreign aid program would mean.

It has been proven that cuts made by this committee and supported by the House have, without exception, been well founded and it has been so stated repeatedly by witnesses testifying subsequent to the time the reductions were made.

You have a perfect right, sir, to express yourself in any terms you see fit, but I want the record to show that I do not agree that those of us who insist on taking the fat out of these bills are giving any aid and comfort to the Communist cause. There is no record that indicates this is true, but, on the contrary, that it is not true.

Now, on subsequent days, when witnesses come in, I think we shall be able to pinpoint that the Russians themselves are making tremendous profits out of our foreign aid program. One of their methods is that they are selling to India and getting rupees from India and in turn changing the rupees into dollars and the dollars into gold. I think we are going to document that practice.

EXPENDITURE OF FOREIGN ASSISTANCE FUNDS IN THE UNITED STATES

You are not unmindful, of course, of our gold situation. And we are now borrowing money from foreign nations.

Secretary RUSK. We are working very, very hard on that and the AID program is being moved very rapidly toward the basic notion that our AID capabilities are limited to the provision of goods and services generated in the United States; that we don't have free-flowing dollars in any considerable quantities as we did after the war.

Mr. PASSMAN. Mr. Secretary, you have indicated that our AID program should be tied to the "Buy American" program.

Secretary RUSK. To goods and services generated in this country.

Mr. PASSMAN. Is that what we usually think of as "Buy American"?

Secretary RUSK. That moves over into the trade field as well. I think it would not be appropriate to——

Mr. PASSMAN. Goods and services would still be in the trade field, would they not?

Secretary RUSK. Goods and services provided under aid programs I think are different and persistent effort to get Americans in normal private trade to buy American rather than buying abroad—I think there is a distinction.

Mr. PASSMAN. That is relatively minor, what American tourists buy abroad, as compared to the overall cost.

Secretary RUSK. We buy $16 billion in imports.

Mr. PASSMAN. I am speaking of the tourists.

Secretary RUSK. The tourists spend about $2 billion a year. We spend about $2 billion for defense purposes abroad and some $2 billion to $3 billion goes out as private investment abroad. In 1962 offshore expenditures under the AID program were roughly $1 billion.

Mr. PASSMAN. If we sell in foreign markets we have to do some buying in foreign markets, do we not?

Secretary RUSK. That is right.

Mr. PASSMAN. It is my understanding that, past and present, all nations, large or small, rich or poor, earn dollars or convertible currencies from their exports.

Secretary RUSK. Exports in the broad sense.

Mr. PASSMAN. Even the new nations.

Secretary RUSK. They have some returns from abroad or something of that sort.

Mr. PASSMAN. Under normal conditions those earnings, more or less, enter into the channels of commerce.

Secretary RUSK. In general, yes, although intergovernmental transactions have played more and more of a role since the war.

Mr. PASSMAN. Yes, but also in the field of commodities.

Secretary RUSK. That is correct.

Mr. PASSMAN. It is, of course, a statement of fact that when we credit dollars to foreign governments, they can then requisition their needs against those dollar credits.

Secretary RUSK. That is right, sir. When they are tied to American goods and services they can requisition them in this country.

Mr. PASSMAN. And we are going more in that direction?

Secretary RUSK. That is right.

Mr. PASSMAN. It is also a statement of fact that when nations can fill their needs by credits given to them that this would then release to them their earnings from their exports to use in any field they want to, whether it is to buy gold or securities or to speculate. We have no control over their earnings?

Secretary RUSK. That depends upon whether they have earnings——

Mr. PASSMAN. It is understood that they do have earnings.

Under "Buy American," if our goods are going out and the dollars for the goods are not coming back in, it is bound to have an effect on the balance-of-payments situation; is that not so?

Secretary RUSK. I don't quite see how, if we extend a credit to a foreign country on a development loan, tied to the purchase of American machinery, equipment, supplies, and services that would affect the gold flow directly, except insofar as it might build up a customer for us overseas who then turns around, as Western Europe has done and many Latin American countries have done, and buys from us as their own economy grows, buys on the open market.

Mr. PASSMAN. When these ships pull out from the ports of this country loaded with our goods destined for foreign countries, shipped out against AID credits downtown, where do the manufacturers receive payment for those invoices?

Secretary RUSK. The funds remain here to be paid by either AID, depending on the nature of the contract, or on the order of the other government for those goods and services.

Mr. PASSMAN. If it is against the AID credits the invoices would be forwarded for payment by our Government, either directly or indirectly?

Secretary RUSK. In the usual case I think that is so.

Mr. PASSMAN. I think that makes the case, sir, that is what is happening. So many times the American people have been told that this creates prosperity for America in that it creates jobs and we sell goods. We are not selling them, we are giving them away. If you ship them out against these dollar credits and you get nothing back in return and you forward the invoices to the Treasury to be paid for from the taxpayers' till, then I think the American people are not going to be deluded by any such misrepresentation, whether it is unintentional or intentional.

Secretary RUSK. No one has denied that when you send goods or services out under long-term loans, until those loans are repaid, there is a temporary loss of those goods or services to the American people, if there was a need for them or a demand for them on the American market. Now, the——

Mr. PASSMAN. We actually would not be manufacturing something too far in excess of demand, in our system?

Secretary RUSK. I think that is generally correct.

Mr. PASSMAN. Thank you, Mr. Secretary.

Secretary RUSK. But remember, Mr. Chairman, under these AID programs these are orders placed and these themselves stimulate manufacturers to produce.

Mr. PASSMAN. But still the more they are stimulated and the more they produce, if it is shipped out against AID, everything is going out and nothing coming back. It is a one-way street. Some day we hope to get a little of this back but if we do, again that goes back into the AID program and not back into the U.S. Treasury. Is that not the authorization, that any repayment of this money goes back to the AID program and not to the Treasury?

Secretary RUSK. Yes, but I suppose that would also be taken into account by the Appropriations Committees when the time comes to appropriate.

Mr. PASSMAN. We certainly are going to take it into account. But we agree that that is the legislation?

Secretary RUSK. Yes.

CEYLON-EXPROPRIATION OF AMERICAN PROPERTY AND FISCAL YEAR 1964 AID PROGRAM

Mr. PASSMAN. Last year the Congress included in the Authorization Act section 620(a), which requires suspension of aid to foreign governments who expropriate American property. Under that provision I believe AID suspended its aid to Ceylon on February 7, 1963?

Secretary RUSK. That is right.

Mr. PASSMAN. Do you have a program proposed for Ceylon in fiscal year 1964?

Secretary RUSK. There is a small program because we hope very much to get this problem worked out with the Government of Ceylon. The object of the action was not to confirm the expropriation and to cut off aid, but to use the aid mechanism as an additional leverage to get justice for the companies. So in the prospect and hope and reasonable confidence this will be worked out during the coming year we have a small AID program for Ceylon for the next year.

Mr. PASSMAN. Could we accomplish our objectives better by not indicating that we are programing money for Ceylon but rather wait until the time comes and fund whatever relatively small program you may have out of the contingency fund? This indicates a plan for $800,000.

Secretary RUSK. I would like to speak to that off the record, if I may.

(Discussion off the record.)

Mr. PASSMAN. Do you believe this should apply to all types of aid to Ceylon until this matter can be adjusted satisfactorily?

Secretary RUSK. I think the leverage here is sufficiently severe so I think that we have just about as much leverage as we can use.

I would not, for example, necessarily apply this to Food for Peace, but under the AID program I have no objection to the action taken by the Congress last year.

Mr. PASSMAN. The Peace Corps is now planning to send some of its youngsters into Ceylon. I am wondering why they could not be kept out until this problem could be resolved.

Secretary RUSK. Mr. Chairman, this question of cutting off aid has resulted as one can imagine, in some degree of controversy in Ceylon and the enemies of the United States there have made maximum use of this action to try to frustrate any prospect of good relations between us and Ceylon over the long run.

I think it is important for us to show to the Ceylonese people in appropriate ways—and I would think Food for Peace and Peace Corps would be two ways of doing it—that we are nevertheless interested in their long-range well-being.

(Discussion off the record.)

TERMS OF U.S. AID COMPARED WITH AID GIVEN BY OTHER COUNTRIES

Mr. PASSMAN. I never have bought that philosophy and I wonder how many other people are actually buying it. I am still waiting for some witness before this committee, Mr. Secretary, to furnish proof that the Russians have actually ever given away so much as a rooster or 1 ruble.

What we find are some short-term loans with a high rate of interest or barter deals which are profitable for the Soviets.

We talk also about what some of the other free world nations are doing. We went into this last year and we found—well, let us look at India: With the tremendous amount of aid going into India, we find that the other nations who are members of the consortium are in for reasonably short loans, some as low as 4 years, with a high rate of interest, whereas Uncle Sam is in for 40 years, no interest, three-quarters of 1 percent service charge, a 10-year grace period, and so forth. Some of their loans have begun to fall due now and they will be collecting right out of the AID money we are pouring in now unless we are very careful.

Secretary RUSK. Mr. Chairman, that is a real point which we have been, as you know, very much concerned about. We had a special meeting of the Development Assistance Committee of the OECD a month and a half ago, the principal purpose of which was to obtain further liberalization and greater comparability of the terms and conditions of aid. There is, I think, gratifying movement on the part of the European furnishers of aid in the direction of longer terms, lower interest rates, periods of relief from repayment so that we are not in the position described by you of providing the long-term easy credit while they provide the short-term hard credits, because this, among other things, affects the gold flow problem. We are very much alive to that. We can report and we will be happy to submit a paper in considerable detail on that, that comparability of terms is moving forward.

We are making some real headway on that.

Mr. PASSMAN. We certainly hope so, Mr. Secretary.

What I am worried about, and I am sure other members of the committee and the Congress are worried about, is the fact that ours is going out, nothing coming back, in the immediate future, if ever, whereas the other nations are enjoying a tremendous trade with the same countries we are giving ours to and collecting a very high rate of interest on some realistic loans. If the other nations are doing these things, and we still refer to them as "hard-boiled bank loans at a high rate of interest," why could we not enter into the same type of agreements with them and recoup the interest?

Secretary RUSK. We have to move, I think, Mr. Chairman, in both directions. On the one side, I think, as nations being helped are in position to take it that we should harden up our own terms, both as to length of loan, interest rate, and other forms of conditions. Secondly, we ought to get these European countries to take into account the special needs of a developing country for long-term, low-interest financing and modify their own terms.

I think that in terms of the length of loans this is perhaps not as crucial as it appears because a great deal of rollover takes place in these short-term loans in the European countries. They are involved in the case of two or three countries with rolling over loans rather than having made them for a longer period in the beginning.

Interest rates are important. We feel we should harden up ours as we can, and the other donor countries ought to extend the terms of credit and lower the interest rate as rapidly as we can persuade them to do so.

Mr. PASSMAN. What would you say to the foreign governments if they would tell you, "You can break America if you want to, but you are not going to break us along with breaking yourselves"?

Secretary RUSK. They can afford to say better than that to us.

Mr. PASSMAN. In actuality that is what they are saying?

Secretary RUSK. They have not been used to being major providers of capital to developing countries in the postwar period. They have come out in the fairly recent past from their own desperate needs for the rebuilding of Western Europe. I think they are learning as they go along the limitations on the types of aid that underdeveloped countries can in fact bear or sustain and repay. I think they are moving in the direction of our own program and in turn we are moving somewhat in their direction, in terms of more or larger interest rates and shorter term credits.

Mr. PASSMAN. Every year we get assurance of these things. They never materialize.

U.S. DOLLAR SITUATION

I quote from an article:

> **The dollar and its possible troubles remain a major concern despite surface appearances of strength. The dollar is becoming more and more subject to the whims of foreign owners. If foreigners should run from the dollar whether for political or other reasons serious problems could arise quickly.**

If they should decide it is to their advantage, even though they may be mistaken, to collect what they could before we might go busted, they could get us in serious trouble, could they not?

Secretary RUSK. They might on a purely technical basis but these other governments we are talking about are close allies and in themselves have a very considerable stake in the kind of burdens that we

and they together are bearing abroad. We have in Western Europe some 400,000 troops in the NATO area. They are not forgetting that when we get into problems involving the serious gold problem questions.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I personally do not know of any European nation that is following in our footsteps to where we are operating not just this year and last year, but I think for the last 32 years, 27 of them with a deficit.

SUBMISSION OF JUSTIFICATIONS OF ESTIMATES TO THE CONGRESS

Last year the committee commented rather extensively on the long timelag between the time the President submitted his budget and the detailed justifications of the program were submitted to the committee. This year the timelag is even greater. Would you indicate the dates on which the various volumes of the detailed justifications were presented to the committee and would you inform the committee as to the reasons why this long delay was necessary?

Secretary RUSK. Mr. Chairman, I will submit a statement for the record on the matter of the schedule of the materials that came to the Hill. This year it was related very much to the Clay Committee's work but I will get a statement in the record on that.

(The information supplied follows:)

The President sent his budget message with the proposed fiscal year 1964 Federal budget to the Congress on January 17, 1963. This proposed budget included budget estimates for the foreign aid program. However, traditionally President Eisenhower and President Kennedy have sent special messages to the Congress in the spring of each year; varying usually from March to May. The legislation and the detail justification are submitted at the time of the message or shortly thereafter. This year, President Kennedy sent his foreign aid message on April 2, 1963.

Two factors played an important part in the timing of the President's message. First, David E. Bell took office as Administrator of the Agency for International Development on December 21, 1962. Prior to the submission of the fiscal year 1964 aid program to the Congress, the new Administrator reviewed aid policy, objectives, and proposals on a country-by-country basis. This intensive review by the Administrator lasted from the middle of January to the first part of March 1963.

Second, the President appointed a committee of distinguished private citizens to review the aid program and make recommendations on the scope and distribution of foreign assistance. This group, the Committee to Strengthen the Security of the Free World chaired by Gen. Lucius D. Clay, submitted its report on March 20, 1963. This report and discussion between AID officials and the committee, as well as the Administrator's review and comments of various congressional committees and members, caused the President to review his earlier foreign aid estimates. Ultimately, this review resulted in a reduction of $420 million in the request to meet the new and tightened criteria established by the AID Administrator.

The first volume of justifications for the AID program was submitted to all committees at the time of the President's foreign aid message, on April 2. The second and third volumes, which are classified and contain a detailed, country-by-country analysis of each aid-recipient country's political and economic situation, the AID program objectives, the individual justifications for the country programs, and extensive economic and historical data, were submitted on April 22, 1963. Ordinarily, these books take 6 weeks to prepare, but this year they were completed in one-third less time on a "crash basis." The remaining three volumes containing further details of each existing economic project and cost and delivery of each item of military equipment for the military assistance program were available shortly thereafter.

Mr. MONTOYA. Mr. Chairman, would you yield on a point that you covered a few minutes ago?

Mr. PASSMAN. Yes, Governor.

Mr. MONTOYA. With respect to Ceylon, Mr. Secretary, in view of the fact that aid has been suspended because of its attitude on expropriated property, and in view of the intention on the part of your agency or department to resume aid, if this issue of expropriation is resolved, to the tune of $800,000 for this next fiscal year in development grants, isn't it more or less inconsistent or should I say ironical that the fact that you would extend grant aid to Ceylon would in effect be affording them the funds with which to settle any expropriation controversy out of our own taxpayers' money?

Secretary RUSK. I think there would be a problem if that were in fact the way it would work out, but I think that what we are talking about here is again the provision of American goods and services which are not transferred over to the company in connection with any settlement that might be reached. The problem in Ceylon has to do with distribution facilities, the price being charged for ceilings on the price of imported oil and a great many other things that do not involve simply a repayment of cash to the company.

In other words, the total situation there, is such that I do not think this $800,000 would have any chance of simply being a financing of the payment of the company's claims.

Mr. MONTOYA. In addition to the $800,000 let's take this year's figure for Food for Peace, which amounted to, and which is still continuing, in the total amount of $4,200,000. Chances are that you will continue this food for peace program for this next fiscal year, although there is no allowance in the justification for it. In addition to that, this year, 1962, the U.N. Special Fund was tapped by Ceylon for a total amount of $900,000, out of which approximately—our country contributes approximately 43 percent.

Secretary RUSK. I suppose that it is a matter that could be ascertained through careful examination of the settlement and the actual financial arrangements of the company. I believe it is possible to insure that anything that we do is not something that is used to reimburse a company on a settlement of a claim with respect to expropriation.

Mr. MONTOYA. The point I want to make, Mr. Secretary, is this: I think it was the intention of Congress to discontinue aid to any country which permitted or executed the expropriation of property and I think the intention of Congress was to discontinue all aid. I did not know that the food for peace program was continued in spite of that prohibition, although I am sure that your counselors have advised you that this is one of the escapes within that provision.

Secretary RUSK. Well, this was a provision in the aid legislation which did not apply directly to the Food for Peace but I would suppose that the purpose of the Congress was twofold: One, to make it clear to all other governments receiving aid that it is the policy of the United States to support American companies in these expropriation situations and that therefore it was preventive as much as anything else, but secondly that the purpose of the legislation was

to assist companies in obtaining justice because in the legislation it indicated that such action would have to be taken if procedures were not instituted to satisfy in a reasonable fashion the claims of the company being expropriated.

Mr. MONTOYA. I just wanted to make sure that the Department is not putting out its hand and saying, "We will give you so much grant aid without you having to pay it back if you will settle this expropriation dispute."

Secretary RUSK. No. That is not the language of the dialog. I mean the sums involved are quite disproportionate here. The companies' position here is far more important than the amount of aid being discussed in the first place and I am quite sure that we are not bargaining the money involved in aid against the money that will be required to do justice to the companies. In this particular case, because it is not just money that is involved; it is physical properties, it is business rights involved in Ceylon as well as the actual physical value of the property.

Mr. MONTOYA. That is all I have to say on that.

Mr. PASSMAN. Thank you very much.

FOREIGN ASSISTANCE AS A FACET OF FOREIGN POLICY

Mr. Secretary, as we think of our foreign aid as such, it is really a new concept in foreign policy, is it not? I am not speaking about new this year, but in recent years, over the past 15 or 16 years.

Secretary RUSK. I suppose in the terms in which it is developed during and since World War II it has been for us because we have not had large oversea responsibilities before, but countries that have had such responsibilities, such as Britain, France, have been faced with the problem of development of oversea areas for a century or more.

Mr. PASSMAN. I never knew of any foreign nation to actually give away its wealth to other countries. It is a new concept since World War II in foreign affairs as it relates to America.

Secretary RUSK. I think our entire position in the world has changed since World War II.

Mr. PASSMAN. I am talking about our foreign aid.

Secretary RUSK. This has been a part of the growing responsibility of the United States and the burden that has fallen upon us if we want to see this world turn out anything like the way we would like to see it.

Mr. PASSMAN. I know you are correct in your feelings.

I believe that you did in effect agree with me?

Secretary RUSK. We have not entered into this field through direct Government action before World War II in a serious or significant way although there have been a few instances but the American people have been in this for a long time. It is a great tradition of the American people to help in the development of other countries.

Mr. PASSMAN. Through free enterprise, more or less?

Secretary RUSK. Private effort has been the main one.

Mr. PASSMAN. Which has always been successful, and we did not get into this balance-of-payments position until we as a Government got into foreign aid. I wonder if that would be accepted as a statement of fact? I am thinking now of 13 years, 1950 through 1962, in-

clusive, as for the first 3 or 4 years of foreign aid, it was some time before it had this adverse effect and we moved into the deficit position in 1950, I believe.

Secretary RUSK. I would be happy to submit for the record a review of, say, the total impact upon our gold position since World War II because I think aid was only one of the factors.

Mr. PASSMAN. It is certainly one of the major factors. We did not get into this situation until we started giving away our wealth.

CONCENTRATION OF FOREIGN ASSISTANCE

According to the statistics I have, there are a total of 113 nations, and they are claiming some mighty small ones. According to statistics that have been given to me, and I think the AID Comptroller gave them to us last year, we are in 101 of the 113 nations with an aid program starting or stopping, since World War II. Would that fact not indicate we are spreading it too thin?

Secretary RUSK. There has been a considerable amount of concentration. May I comment briefly on the reason why so many countries appear on the list?

Mr. PASSMAN. Could I respectfully not have you take offense if I ask you to answer my question either before or after you comment, that we are spreading it too thin?

Secretary RUSK. Yes, sir.

Mr. PASSMAN. Thank you.

Secretary RUSK. In my opening statement I commented on the numbers of countries in which we have only technical assistance programs. I would strongly urge the point, Mr. Chairman, that as far as technical assistance is concerned we ought to be openhanded about providing the special resources that we have in this country and the special contributions that we can make into a great many countries. We have experience in development, we have institutions that can train people for development, we have a great national tradition in establishing contacts with other people on that basis and I think this is the minimum that we can do.

In 1964, in 19 countries where we will have had aid programs, activities will be concentrated in technical assistance, and in 16 additional countries development loan activity is not expected to exceed $4 million. So there are some 35 countries where our investment in aid is small in financial terms but is directly related to the technical assistance feature which I think we have a tremendous interest in making as widespread as possible.

Mr. PASSMAN. You are speaking of fiscal year 1964, are you not?

Secretary RUSK. Yes.

Mr. PASSMAN. I am thinking of the period since the inception of the foreign aid program and I am including, of course, the military assistance program, which even General Clay says should be cut off in a lot of countries.

Secretary RUSK. When I talked to committees in the Congress about which countries they are prepared to forget, which countries they are prepared to see get into deep trouble, lost to the free world, you do not get very much of a list.

Mr. PASSMAN. No one wants to see us get in deep trouble.

Secretary RUSK. In other words, we have a stake to a degree in the independence and the well-being of every independent country. That does not mean that we should have a big aid program in each of those countries. We have concentrated our aid very substantially. In fiscal year 1964, eight countries are expected to receive about 50 percent of all country and regional economic assistance, for example. In the case of military assistance, 10 countries will receive about 80 percent of the military assistance.

Mr. PASSMAN. Would you provide a list for the record?

Secretary RUSK. Yes. I would be very happy to furnish this. In all of the continent of Africa combined, the military assistance program (primarily for internal security purposes) runs only about 2 percent of the total military assistance budget.

(NOTE.—Classified information was submitted to the committee.)

Mr. PASSMAN. I have been told that you could drain the largest water tank in America with a little hole in the bottom, a drop at a time, if you let it drain out long enough.

There are eight other statutes from which foreign aid is drawn and when we include the interest on what we have borrowed to give away, I contend that the foreign aid program is costing us in excess of $10 billion annually. We are today considering mutual security. Other categories include Public Law 480 (surplus agricultural commodities), overseas military construction, the Export-Import Bank, International Development Association, and others.

Secretary RUSK. In answer to the question you raised earlier, I do believe that we have a high degree of concentration in the funds that we are asking for foreign aid. I do believe that an American "presence" through technical assistance in a large number of countries is very much in our interest. So I would think that we are not spread too thin.

Mr. PASSMAN. In the past you think we have not spread it too thin?

Secretary RUSK. I would not want to say that we should have written off particular countries in the past and not attempted to do what we did in those countries.

AID TO COUNTRIES UNFRIENDLY TO UNITED STATES

Mr. PASSMAN. That is a statement of a Christian, a statement of a very generous man. But the fact is, some of the countries that we are in are positively anti-American.

(Discussion off the record.)

Secretary RUSK. I think these people ought to understand some of the problems we have in this country.

It is involved in this, Mr. Chairman: In every city and county in the United States, one out of every seven or eight persons is a veteran and most of them have served outside of the United States during and since World War II. We have got a million men in uniform outside of the continental United States today somewhere in the world in this big struggle for freedom. Now it would be, I think, emotionally satisfying to say———(off the record).

This is a constant struggle to try to bring about a situation that is more in line with our interest and the interests of the free world than

it would otherwise be. We are up against tough opponents. They are bringing large resources to bear. They are determined to do us in. We have got to fight this struggle. It ranges all the way from great alliances to right around to some of the back alley fighting that never stops. It goes on all the time; in the meanest and dirtiest way possible. I think we have got to come up with the effort and the resources we need to win this without the war if possible, to win it in such a way as to leave this country in peace and prosperity to the extent possible.

(Statement off the record.)

Secretary RUSK. I think the great question there with reference to Indonesia, is whether Sukarno and the people around him are going to turn their attention to the problems of Indonesia.

Mr. PASSMAN. You are right, sir.

Would measles not be as painful in Louisiana as in Wyoming?

Secretary RUSK. I think so, sir.

Mr. PASSMAN. I am thinking now about Tito's brand of communism as against Russia's brand of communism. If they are anti-American in their philosophy in the end, how could even the great minds draw on their imagination to think that people like that are friendly to our philosophy or people when the chips are down? I am only asking for information.

Secretary RUSK. When Tito broke away from Moscow in 1949 that was the key thing that settled the Greek guerrilla war and his independence is a matter of very considerable importance to us and to NATO. If Tito should go into the Warsaw Pact, for example, and extend the geography of the Warsaw Pact to the borders of Italy and Greece, then we would have received I think a very serious setback. We cannot guarantee that this won't happen. We do not think it will happen. If it does happen I would hope we were not the ones responsible for it.

Mr. PASSMAN. I join you in that hope.

Secretary RUSK. Yugoslavia at the present time shows a very strong interest in its relations with the Western countries; about 40 to 50 percent of its exports go to Western Europe for example.

They want to keep their trade relations with us on a reasonably normal basis.

Mr. PASSMAN. Buying our stuff with our money? Is that not about the way it is working?

Secretary RUSK. They want to sell to us. They want to sell us some of their goods. We have had a treaty with them since 1881, on a most favored nations basis. We do not want to get into the aid business with them through the aid program but we want to be in a position to trade normally with them.

Mr. PASSMAN. We have given them some $2.4 billion postwar, have we not?

Secretary RUSK. Let me supply the total figure on that, sir; I do not have it with me.

Mr. PASSMAN. Certainly. However, I think it is $2,396,700,000.

Secretary RUSK. That is correct, sir, through fiscal year 1962.

Mr. PASSMAN. You have different types of purchase agreements. do you not?

Secretary RUSK. That is correct, sir.

Mr. PASSMAN. I believe ——— one time said, paraphrasing, "We want to save face so we are going to purchase our military equipment from you folks," but they also said, "We want to issue a joint statement. We want to price it." I think this first agreement was $40 million and they said, in effect, "We think it is worth about ——— of that amount so we will give you ———." We said, "That is a deal. Let's go." Is that the kind of purchase agreement we had with Tito on this military aid, the ——— type of sales agreement?

Secretary RUSK. That was not my understanding. The material most recently sold to Yugoslavia 2 years ago was declared surplus and it was not——

Mr. PASSMAN. I asked whether or not we are entering into the same type sales agreement with other nations at this time or whether our policy has been changed. That is a subterfuge.

Secretary RUSK. Was that a military transaction?

Mr. PASSMAN. Yes, a military transaction.

GOVERNMENTS OVERTHROWN IN COUNTRIES RECEIVING FOREIGN ASSISTANCE

Mr. Secretary, we claim an awful lot for the hundred billion plus we have given away, but, how many Governments have been overthrown or put out of office for one reason or another since you were before us last year?

Secretary RUSK. I think there have been five unscheduled changes of government in this calendar year. I would have to check back to see what happened the last 6 months of last year.

Mr. PASSMAN. That is diplomatic language. I could say there have been five governments, so-called friendly governments, overthrown. Would that be just as accurate?

Secretary RUSK. No, sir. I was including Kassem's government in Iraq for example.

Mr. PASSMAN. I am saying governments we were friendly to were overthrown and a new regime came in. I think the one you just mentioned, we were giving them aid also.

Secretary RUSK. They were on the aid list but I would not have called them a government particularly friendly to the United States.

Mr. PASSMAN. We were giving them aid nevertheless.

Secretary RUSK. Right.

Mr. PASSMAN. Thank you, Mr. Secretary.

So far I am on solid ground.

Secretary RUSK. This question is not a question of friendship. This is a struggle to the death of the meanest conspiracy aimed at the safety and well-being of the United States we have ever run across in the history of the Government.

Mr. PASSMAN. We are in Communist nations with aid, we are in so-called neutralist nations, and we are in friendly nations. They can slap us on one side of the cheek, and we turn the other. That is about the way I view it.

Secretary RUSK. I would not.

Mr. PASSMAN. There have probably been more assassinations of heads of government and more governments toppled since we have had the aid program than in any comparable period of years during

peacetime. Does this condition indicate our foreign aid has been very successful?

Secretary RUSK. I could not accept that without looking into it, Mr. Chairman.

Mr. PASSMAN. I do not ask you to accept it. But would it indicate the aid program is very successful?

Secretary RUSK. It would not indicate to me the aid program has assassinated heads of government.

Mr. PASSMAN. I did not say that. The people I talk to point to the accomplishments we are making; yet you see these leaders of other countries being knocked off overnight. Some of them are friends. They are all getting aid. It does not indicate that we are saving governments or saving people or saving the heads of state, either.

Secretary RUSK. This is not a problem of the aid program itself. The number of States has doubled here in the last 15 years. For as long as we can see in the future there will be 25 changes of government somewhere in the world every year. Some of those are turbulent because they do not have stable governments transferring power from one government to another. That has little to do with the aid program. I would think it would not in any way imply discredit on the aid effort.

Mr. PASSMAN. That, too, is a matter of opinion, is is not?

Secretary RUSK. Of course it is.

U.S. PUBLIC DEBT

Mr. PASSMAN. In order to continue these outlays of expense we are having to borrow the money to do it, and there is no assurance we can ever repay it. I am thinking in terms of how the next generation will look at the history this generation is making with respect to dissipating our wealth, building up a public debt that they must either service or repudiate, directly or indirectly.

Secretary RUSK. With full respect I would suggest the public debt of the United States is primarily a debt that has arisen out of war, and if we do not win this struggle without another war, there is not going to be any public debt or anything else to worry about because the next war is not going to give you a chance.

Mr. PASSMAN. Mr. Secretary, I believe Mr. Truman went out of office in 1952. The public debt was $266 billion. We pushed the public debt up during 10 of the most prosperous years in the history of America by $40 billion. That set a record, too. I think the average annual deficit has been $9 billion for the past 30 years, and if we consider the immediate past 10 years, during which we have had the greatest intake of tax revenue in the history of this country, we built up $40 billion more public debt and——

Secretary RUSK. And during the same period we spent $600 billion on military defense.

Mr. PASSMAN. That is right, and much of it wastefully. However, that is one of the reasons why we must drastically curtail needless spending otherwise.

BILATERAL VERSUS MULTILATERAL AID PROGRAMS

Mr. PASSMAN. Last year Mr. Eugene R. Black, then the President of the World Bank, in a speech stated:

> But I do believe that the emphasis should and can be changed away from bilateral toward multilateral aid. * * * I would still asset that multilateral aid, when it is professionally equipped and independent of political pressures, offers advantages that bilateral assistance cannot equal.

Do we have any clear-cut policy presently as to which way it may be to our best advantage, according to the thinking of people who must handle our foreign affairs?

Secretary RUSK. I do not believe it is possible to choose clearly one technique at the expense of the other. There are some very important advantages in a substantial multilateral effort in this field. In the first place, it helps mobilize the resources of other countries.

In the Special Fund of the U.N., for example, we have put in around 40 percent. We have in mind 40 percent for 1964. It is also a means by which the terms of aid among the donor countries may be put on comparable bases. When the Western European countries, for example, put money into IDA and IDA makes loans, those loans are made on the same basis as the U.S. input into the international agencies. Then there is an important shortage in the aid business of personnel to provide technical assistance, or administrators. The international machinery makes it possible to recruit people from a greater variety of countries so we are not faced with the critical shortages of highly qualified professional people that we have in our own country. On the other hand, we cannot, I think, find through international organizations the amount of aid that is required for special jobs. In those countries for example, in which we are heavily concentrating, we have to have the bilateral aid programs to carry the main load. It would be, I think, unhealthy and unwholesome for us to put in too high a percentage of funds in these multilateral programs, for the other countries would not be able to or willing to match those sums.

I think it imposes a real limitation on the multilateral machinery in providing assistance since this machinery is not likely to come up with the scale of funds that we may feel are required in our own national interest. Then also the bilateral programs do give us a chance to support U.S. interests that may or may not be shared by everybody. For example, in a country like Korea, or in countries like Nationalist China or Israel, we have a stronger national interest than would be generally recognized internationally; we have American trading interests to think about. Thus, there is a solid basis for both multilateral and bilateral assistance.

AID TO CUBA THROUGH UNITED NATIONS AGENCIES

Mr. PASSMAN. I do not know whether or not the executive department receives the type of mail that I have received.

The people in general are quite familiar with this Special Fund in the U.N., to which we contribute a minimum of 40 percent. They are equally as familiar with the fact if a grant is made out of that special fund to a Communist nation, it follows that 40 percent of that comes out of the American taxpayer's pocket. Our Government is

carrying dollars into Cuba now through about three different U.N. organizations. Recently, I believe, a substantial shipment of jeeps went into Cuba and we are putting up—is it 60 percent of the total cost? If that is the formula it simply means that 60 percent of the cost of those Russian jeeps are coming out of the pockets of the American taxpayers.

If we contribute those percentages to these organizations and they, in turn, make contributions, or make an allocation, to an outright Communist country, whether Cuba or otherwise, cannot we assume that 40 percent of it in one instance would be the American taxpayers' dollars and 60 percent in the other instance?

Secretary RUSK. The Communist countries themselves contribute to the same programs.

Mr. PASSMAN. I am speaking of our percentage of the total.

Secretary RUSK. In terms of the total books of the organization I would not debate your point, Mr. Chairman, because it comes out of the total for these organizations, whether or not U.S. dollars, or U.S. personnel are involved in these particular programs. Let me comment very briefly if I may, sir, on the two instances you mentioned.

The FAO Special Fund project in Cuba is a project which the United States has opposed consistently but without being able to get the blocking third of the votes in the Special Fund that would prevent that project from going forward. That is because the Special Fund was established during the last administration clearly on the basis that it would make its decisions on projects on other than political grounds. Now this has worked in the long run in general to the advantage of the United States because the Special Fund has been able to operate in countries like South Korea, Nationalist China, South Vietnam, Israel, or in other places where from a political standpoint there might have been mobilized a blocking third against them in the voting of the Special Fund.

The Communists have put in about 3.4 percent, and the Communist countries have gotten about 2.2 percent out of the Special Fund. Most of the 288 projects of the Special Fund have been concentrated or put into countries in which we ourselves have aid programs. We do not like this particular project in Cuba, but we have not been able to stop it under the rules under which the Special Fund operates. I still think the Special Fund itself is very much in our interests.

The United States has a fundamental and continuing interest in the health of the people of Cuba regardless of the kind of regime that is in that island.

Furthermore, it is too close, there are too many malarial mosquitoes and other germ carriers cause too much danger of infecting this and neighboring countries for us to be indifferent to the public health of Cuba. Therefore, although we have thrown Cuba out of every other inter-American organization, we have not been willing to try to force them out of the Pan American Health Organization because we cannot afford in our own defense to let the public health of Cuba go sour. On the question of the public health of this hemisphere—a field in which I have had a decade of experience—I can assure you that we cannot afford to let yellow fever, malaria and the other killers get loose. We are greatly concerned with the health and well-being of the people of the Western Hemisphere, including that of the people of Cuba, and we should not neglect any means or opportunity to promote this.

Mr. PASSMAN. I am not saying we should.

Let me repeat, if we are contributing 40 percent of a special U.N. fund, and allocations are made from the fund to a Communist nation, and then those in the top echelon should say that no American dollars are going into the aid, would it follow that if there should be a fund to which we are contributing 80 percent of the cost, and it makes an allocation to a Communist nation—would it be accurate to say no American dollars are going into the Communist country?

Secretary RUSK. This is a question of the nature of the resources contributed, the nature of the currency used, and the source of the equipment.

Mr. PASSMAN. U.S. dollars to the special fund, I am talking about.

Secretary RUSK. It is my understanding that U.S. dollars are not being used to support the agricultural project in Cuba, but I am not going to argue that that proportion of the total Special Fund budget cannot be fairly described as involving a participation. It is indirect, but not direct.

Mr. PASSMAN. I could say I owe Secretary Rusk a hundred dollars and if I gave you a check I could say I did not give the Secretary dollars and if I had stopped there I made a statement of fact, but in effect I have given you a hundred-dollar check which later was drawn out of my account.

Secretary RUSK. I would think if I gave you dollars and somebody else gave you yen and you spent the yen I would say you had not spent my dollars.

Mr. PASSMAN. We had a discussion earlier about the Peace Corps. One section of the law said they are not employees of the Government. At the bottom of the page of the printed law it said they are employees of the Government. We both agreed and disagreed as to how it works. I think that it is the equivalent of the U.S. dollars because it is coming out of a fund where we put up 40 percent. You are depleting that fund by the amount that you give them.

Mr. MONTOYA. Would the gentleman yield at that point?

Mr. PASSMAN. Yes, sir.

Mr. MONTOYA. Mr. Secretary, does our Government have any control over the signing of any agreement to expend any money out of a special fund?

Secretary RUSK. There is a governing board of 18 members and I think it requires a two-thirds vote to make the final decisions so that a one-third plus one can block a decision that is to be made. But I want to point out that through the insistence of the U.S. during the last administration that the charter of the Special Fund itself excludes decisions made on a political basis and this has been one of the elements that has come into the business of this Cuban project. Countries which have nothing to do with Cuba, which want no truck with Cuba, nevertheless think that it is very important to maintain the idea that the Special Fund will make its decisions on an economic development basis and not on a political basis and up to this point, we feel this has worked to our advantage.

Mr. MONTOYA. Did we offer any objection to this project in Cuba?

Secretary RUSK. Yes; we did at the very first meeting in the spring of 1961 and at every stage since.

Off the record.

(Discussion off the record.)

Mr. MONTOYA. The agreement has already been signed, is that correct?

Secretary RUSK. That is correct, sir.

Mr. MONTOYA. It was signed 2 weeks ago.

Secretary RUSK. But it involves a 6-month further testing period before it goes ahead fully.

Mr. GARY. Mr. Chairman.

Mr. PASSMAN. I yield to the gentleman.

Mr. GARY. Mr. Secretary, I saw in the paper I think it was yesterday in big headlines that Castro was very anxious to have a conference between the President and Mr. Khrushchev and himself. I trust neither the State Department nor the President is giving any consideration to that at all. I do not imagine they are.

Secretary RUSK. None whatever.

Mr. GARY. I did not think they would.

GOLD PURCHASES BY AID RECIPIENT COUNTRIES

Mr. PASSMAN. Mr. Secretary, do you know of any way of tightening up the policy of selling gold to some of these small Far Eastern countries, such as Laos and Cambodia? In the fourth quarter of 1961 Cambodia purchased $3,100,000 of our gold. We come on down to the second quarter and we see Laos somehow purchased $1,900,000 of our gold. I see no offsetting sale at any subsequent date. If we go to the statement of 1962, again we find that Cambodia again made a substantial purchase of our gold.

I wonder if we should not somewhere along the way make up our minds that we are not going to sell these small nations gold when there is every reason to believe that they are purchasing it out of the dollars that we gave them?

Secretary RUSK. Mr. Chairman, may I submit a statement on the specific countries you mentioned?

Mr. PASSMAN. Right.

(The information supplied follows:)

GOLD PURCHASE BY LAOS AND CAMBODIA

In the long-term interest of economic stability and growth in Laos and to provide improved RLG access to the technical advice and financial assistance offered by the International Monetary Fund and the International Bank for Reconstruction and Development it was considered desirable for Laos to join these organizations. As a requirement for membership Laos had to deposit 25 percent of their $7.5 million IMF subscription quota in gold. For this purpose the RLG purchased $1,875,055.49 in gold from the United States in June 1961 and immediately deposited the entire gold purchase in the IMF. This fact was referred to by Mr. Coffin in last fall's appropriation hearings (pt. 3, p. 775). In June 1961, Laos also deposited $100,000 in U.S. dollars in the IBRD toward meeting the Lao subscription quota required for membership. No U.S. gold was purchased by Laos in fiscal years 1962 or 1963.

According to the record, Cambodia did purchase $3,100,000 of gold from the United States in the fourth quarter of 1961 and another $1.7 million of gold in the third quarter of 1962. These purchases cannot be ascribed to an increasing trend in Cambodian foreign exchange reserves. During the past five years Cambodia's foreign exchange reserves (including gold holdings) have averaged $100 million, fluctuating from $96.2 million at the end of 1958 to $107.4 million at the end of 1961. Total reserves were reported to be $95.9 million as of March 31, 1963. A breakdown of these reserves in terms of gold and foreign exchange is not available. Nor are we privy to Cambodia's specific requirements for gold purchases. The presumption is the Cambodian central bank has made recent

purchases, as a function of managing the country's fiscal reserves, for legitimate monetary purposes, including requirements for the settlement of its international obligations.

It is important to keep in mind, moreover, that U.S. economic aid to Cambodia is not now, and has never been, determined by that country's balance-of-payments deficits. Rather, our economic aid has been based on requirements to support internal activities in Cambodia which are deemed essential to achieve policy objectives. Furthermore, since 1955, no U.S. aid has gone to Cambodia in the form of cash grants. All local currency requirements for aid program purposes are generated by sale in Cambodia of dollar-financed commercial imports. Cambodia has its own dollar export earnings with which to finance any necessary gold purchases.

Secretary RUSK. My information is that the gold outflow from the United States to recipients of economic assistance amount to $63.5 million and the gold inflow to the United States from recipients of economic assistance, $187 million.

(The information supplied follows:)

U.S. gold transactions, Jan. 1, 1962–Dec. 31, 1962

[Dollars in millions]

Recipients of AID economic assistance [1]	Gold outflow from United States	Gold inflow to United States
Argentina		85.0
Brazil		57.1
Burma	20.9	
Cambodia	1.7	
Colombia		37.9
Congo		4.6
Costa Rica	.5	
Ecuador	3.2	
Egypt	1.2	
Greece	19.1	
Israel	10.0	
Peru	.6	
Somalia	1.9	
Surinam		2.5
Syria	1.3	
Tunisia	.5	
Turkey	1.1	
Yugoslavia	1.5	
Total	63.5	187.1
Net inflow from countries receiving economic assistance		123.6
Other countries	1,263.0	306.6
Net outflow from other countries	956.4	
Total of all countries	1,326.5	493.6
Total net loss of gold, 1962	832.9	

[1] As of Dec. 31, 1962.

Source: U. S. Treasury Department.

Mr. PASSMAN. I mentioned only the two small countries. There are many of them. I am thinking particularly of Cambodia and Laos. There are others I could name with reference to countries such as Laos, it is almost a shakedown.

I yield to the gentleman.

MEMBERSHIP IN U.N. SPECIAL FUND

Mr. RHODES. Is it true that it is mandatory for all members of the U.N. to belong to the U.N. Special Funds?

Secretary RUSK. No, sir; it is not mandatory.

Mr. RHODES. Purely voluntary?

Secretary RUSK. Yes, sir.

Mr. RHODES. How many countries belong?

Secretary RUSK. We do not have that with us. May I supply that information?

Mr. RHODES. Certainly.

(The information supplied follows:)

NUMBER OF COUNTRIES SUPPORTING THE UNITED NATIONS SPECIAL FUND

In 1962, 92 countries made pledges to support the activities of the U.N. Special Fund and in 1963 the number of countries making pledges for voluntary contributions increased to 102.

Secretary RUSK. A very large majority of U.N. members, overwhelming majority of them belong to it.

Mr. RHODES. Do we contribute a larger percentage in support of the Special Fund than we do to the general support of the U.N.?

Secretary RUSK. Yes, sir. The U.S. contribution to the Special Fund is 40 percent and our assessment rate for the U.N. budget is 32.02 percent. I think it should be pointed out that the countries receiving assistance from the Special Fund contribute 57 percent of the total cost of Special Fund projects and the Special Fund itself puts up 43 percent on the average, so this is a case where there is a joint action by the Special Fund on the one side and the receiving country on the other.

Mr. RHODES. However, the receiving countries do not always make their contribution in a convertible currency, do they?

Secretary RUSK. No. The recipient countries contribute local currency or facilities for use on projects carried out in their own countries. I wish their proportion of these local costs were higher, but at least they are joining in and demonstrating they at least think enough of these projects to come up with more than half of the cost, which is some indication of their interest in the program.

Mr. PASSMAN. Mr. Secretary, I want to go off the record briefly.

(Discussion off the record.)

CLAY COMMITTEE REPORT RECOMMENDATIONS

Mr. PASSMAN. I have, of course, read the Clay report. General Clay said, I think, that the Agency said that if it were employing the criteria advocated the program could be cut $500 million below the present level. There are about five levels. You have the request level, you have the appropriation level, you have the obligation level, you have the actual expenditure level. If he is referring to the expenditure level it means that you have all the money you need at $2.7 billion. If he is referring to the present obligation level, he would mean $3 billion. If he is referring to the appropriation level, he would mean $3.6 billion. Would you get us a statement as to what level was being indicated?

Secretary RUSK. I would be happy to do that.

General Clay himself has clarified his own view of these matters before the House Foreign Affairs Committee. I think it is worth pointing out, however, that the Clay committee report specified this reduction would be possible "if our criteria were now in effect." This included some very sweeping changes in policy and position with respect to a good many countries. If those criteria were used, the

money figure might have resulted; but the criteria cannot be applied suddenly or overnight.

(The information supplied follows:)

General Clay testified that his Committee's reduction was taken from AID's fiscal year 1963 program figures (fiscal year 1963 appropriations plus recoveries and carryover) of $4.5 billion.

Mr. PASSMAN. That report can be read to convey a variety of different meanings, according to the reader's point of view.

Thank you very much, Mr. Secretary.

Secretary RUSK. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Gary?

SITUATION IN CUBA

Mr. GARY. Mr. Secretary, what is the situation now in Cuba?

Secretary RUSK. The policy of the United States at the present time is based upon action being taken in three directions.

First, there is the commitment of American armed forces to a number of tasks, one of which is to prevent the reintroduction of offensive weapons into that country. It is quite clear that if that should be attempted or should be done we would have a crisis that would make the crisis of last October look mild. Secondly, to maintain a constant surveillance of that island. This is a highly dangerous action in the sense that an incident could occur at any time which would make it necessary to enforce the overflights of that island. Third, to maintain a close patrol of international air and sea spaces in the Caribbean area to be sure that our and the free world's shipping have free use of those waters without interference from Cuba. Fourth, to interfere with any shipment of arms or any kind of forays going from Cuba into other countries. This involves surveillance of ships, searching of ships at destination, and questions of that sort.

Further, we have made it utterly clear to the Soviet Union that if any of those Soviet forces now in Cuba should attempt to shoot Cubans to impose a particular political solution in Cuba, à la Hungary, that we would not accept that and could not accept that in this Hemisphere. So those are samples of the commitments of the armed forces at the present time, which means that the Cuban situation is and remains a highly dangerous situation and could change almost without notice.

A second category of action has to do with making it impossible for——

Mr. GARY. Before we go to that, are you reasonably certain that there are no offensive weapons in Cuba today that jeopardize the interests of the United States?

Secretary RUSK. Yes, sir. We are reasonably certain. I myself am quite confident that there are not offensive missiles in Cuba at the present time capable of reaching the United States with nuclear weapons or things of that sort. As you know, there are other categories of missiles there; ground-to-air defenses, and things of that sort.

The second category of action has to do with insuring that this Castro experiment does not succeed on the island and that they will recognize increasingly that there is no future in their present course of action as far as Cuba is concerned. This has to do with a drastic

cut in trade ties with the free world, such as the almost complete severance of fiscal relationships, and sharp reduction in shipping. There has been in the last month or two some increases in free world ships chartered to the bloc for the most part, as they have shifted their ships to take out the sugar harvest which is just becoming available. But the shipping to Cuba from free world countries has dropped to less than 10 percent of a year ago.

The trade between Cuba and the rest of Latin America is almost, but not quite, zero. The principal country that was engaging in any trade at all was Chile, who was bartering some garlic and onions for sugar and they have now cut off those barter arrangements. I am confident that it would be less than a million dollars total in 1963.

The third series of actions is aimed at isolating Cuba from the Western Hemisphere and breaking into the flow of funds or personnel, students in training, agents between Cuba and other countries. In this respect, in the most recent months particularly since the Costa Rican meeting of the Presidents of the Western Hemisphere countries, we have made significant headway and if I could put this off the record——

(Discussion off the record.)

Secretary RUSK. The situation in Cuba seems to be one of growing economic dislocation, shortages of important commodities, shortages of spare parts, sugar production down from about 7 million tons to three and a half million tons, strains in the top echelon. Our information is, and this ought to be off the record——

(Statement off the record.)

Secretary RUSK. Cuba is expensive to the Soviet Union although not expensive enough. I think that the bill continues to go up. They have had some relief recently because of the sugar shortage and the increase in sugar prices, which has been from our point of view rather a disappointing bonanza to Cuba at a time when we expected it to be under even more severe distress than it is. That has helped them temporarily.

I would think that Cuba is not getting on with its job; that the hemisphere is being isolated. About the only line of action which is available to us that we are not undertaking is an actual armed attack on the island or an actual invasion of the island or measures which are so close to that in terms of war, such as an enforced blockade, as to raise the same issues.

We may have to come to that if the threat from Cuba once again gets to be a threat that is of major significance to the hemisphere, but we do not believe that the risks that are involved there and the costs in Cuban casualties and American casualties, and escalation in other parts of the world, are justified by the nature of the threat that Cuba now poses.

We would like to gnaw at it and work at it along present lines to see what we can produce in that direction.

CURRENT STATUS OF ALLIANCE FOR PROGRESS

Mr. GARY. One thing that I have been concerned about, and I think I voiced the fears to you once before with reference to the Alliance for Progress is, in the first place that it is really an alliance and the other Latin American countries do their part. I do not believe that we

should insist on pouring the money of the taxpayers of the United States into Latin America to bring about reforms or to cure conditions which the Latin Americans themselves have done nothing to help improve.

What is being done to date toward improving the conditions in the Latin American countries by the Latin Americans themselves in this Alliance for Progress program?

Secretary RUSK. First let me say we fully agree that we cannot bring these changes about or economic and social development about simply by pumping in money from the United States. The total external funds involved in the Alliance for Progress represent only 2 percent of the gross national product of the Latin American countries. Therefore, what is done with the 98 percent makes all the difference in the world. What the 2 percent can do is to stimulate a better performance for the 98 percent and provide some of the margins of help that are needed to get external resources and special equipment, technical assistance, and so forth. It might give some impetus and lift to what is otherwise going on.

Now, self-help measures have been going somewhat more slowly than one would hope, but this is partly because in most of these countries they are having to put them through a democratic process. They, too, have to go to their congresses for tax legislation, which is difficult and politically complicated.

They have to go to their congresses for land reform which is really quite disturbing to the established institutions of the country. They need far-reaching administrative reforms which require legislation and adjustment of even the politics of a particular country and I will come to an example of that in a moment. But tax reform programs are underway in 11 countries at the present time: Argentina, Bolivia, Brazil, Colombia, Chile, Costa Rica, Dominican Republic, El Salvador, Mexico, Panama, and Venezuela.

Land reform is being moved ahead in the Dominican Republic, Venezuela, Brazil, with more limited programs in Chile, Colombia, and Panama; development plans have now come into the OAS panel of experts from I think 6 countries: Colombia, Chile, Bolivia, Mexico, Venezuela, and Honduras.

Meanwhile, programs of potable water supply, of housing, and of schools are going ahead under the Social Progress Fund. I think momentum is gathering but it is going to still take a lot of work and a good deal of attention.

Now, if I could go off the record for just 1 second I will illustrate.

(Discussion off the record.)

Secretary RUSK. I think where some of the best headway is being made is where the disciplines can be imposed by a group that includes Latin Americans themselves—such as the Inter-American Bank. When they go in and say, "If we do this, you have got to do X, Y, and Z," this is something I think that is easy to face politically from the other end. And these Latin Americans who have fully learned what to look for in these systems, what evasions to look for, are themselves very expert in putting their fingers on the points that need attention. I think we are making some headway, but the self-help part of it is utterly fundamental. Among other things, we have the 98 percent and

the 2 percent. Unless the 98 percent functions, the 2 percent cannot do it.

Mr. GARY. I agree it is absolutely impossible for us to accomplish results unless they do cooperate and unless they do work with us on these problems, and in the second place I don't think we ought to try it. We have a situation in some of the Latin American countries where the abject poverty is due to the fact that they would not enact proper tax laws and when they do have adequate laws, the administration is such that they do not collect proper taxes from the rich people and consequently the rich have avoided taxes and the money that they should have been contributing through taxes to alleviate that poverty is not being contributed.

Secretary RUSK. That has been a traditional problem but it is being gotten at in three or four of the important countries that I know personally about. They are collecting taxes better in Brazil; they are collecting taxes in Colombia. They are beginning to collect taxes more effectively in the Argentine. They are doing a far better job in Chile in collecting actual taxes levied than they were doing for a while. So I think there is some improvement but, as you know, in some of these countries there was never any question of collecting the taxes on the books. The tax settlement was based upon the private negotiation with the tax collector at the end of the year and this is the kind of thing that just has to be eliminated.

Mr. GARY. That is just the point I am making and I am not willing to send our tax dollars down there to relieve conditions that are brought about by government of that kind.

Secretary RUSK. We made the point to them repeatedly that they cannot expect us to go to our taxpayers and ask for funds to provide public capital if they themselves are not willing to collect the taxes that are unpaid and take a decent tax bite out of their own people. Nor can we provide capital if their own local investors are not willing to invest or intend to send their money off to external banks for safekeeping. We insist upon these points because otherwise this whole business won't work.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Mr. GARY. We had some question the other day as to the deposits abroad. I think someone agreed to furnish us the information.

Secretary RUSK. We have a judgment on that and we try to analyze that situation. We are inclined to doubt that there has been much flight of capital except in two cases. Venezuela allowed some of our companies to repatriate considerable capital from Venezuela. That is not a normal flight, but it shows on the books as an export of capital. And the Dominican Republic in the closing days of the Trujillo regime sent a good deal of capital outside the country. But other than those two I am inclined to think there has not been a flight of capital.

EXTERNAL CAPITAL INVESTMENT IN LATIN AMERICA

Now, one other thing that is happening, we are making some headway with the atmosphere of private investment. In two directions. One is that we have been very insistent that countries like Brazil do in fact settle with the claimant companies they have moved in

on, whether it is the public power companies or the I.T. & T. Or in Honduras where the land reform legislation might have hit very heavily the private landholders who were contemplating substantial investment in the country. And we have been making good headway with that. Mr. Clarence Randall heads the committee in the State Department to help us support the American businessmen overseas in these highly contentious situations.

Then secondly, by pressing for stabilization programs through agreements with the IMF, we feel we are beginning to unlock now the situation so that foreign capital now is interested in going back in.

I think you will find, for example, that although foreign investment was suspended for a while because the foreign investment was not interested, there will be substantial foreign investment in the Argentine in the next 2 years.

CONTROLS ON U.S. ASSISTANCE TO LATIN AMERICA

Mr. GARY. Now, one other thing that I have been very greatly concerned about is whether or not some of this money we are putting into this program is getting into the hands of these rich people, who have more or less brought about this situation, in the nature of profits. You are building a lot of houses in Latin America. Now, who is overseeing the job to see that these rich people are not getting rakeoffs or excessive profits on the houses that are being built?

Secretary RUSK. This is a matter of careful scrutiny and administration with an alertness to this particular problem. It is not only something that the AID administration locally has as a very high priority, but I have my own inspector general who visits these situations regularly and this is one of the points he, of course, must look into just as critically as he possibly can.

I think as our AID programs are tied to U.S. purchases, more and more of the money doesn't leave the country. As we send the machinery or we send the steel or we send people, then it becomes much less possible to divert these funds into the wrong hands. But this is a constant battle and we are doing everything we think we can to insure that not only U.S. AID funds are not being diverted but that good administration begins to take hold more and more in the countries receiving aid.

Mr. GARY. I have heard rumors that they couldn't get this money unless they paid the people who were lending it out. They are pure rumors, though. I have no real information on it.

Secretary RUSK. Do you mean on such things as housing loans and things of that type?

Mr. GARY. Yes. Housing loans. Loans to contractors who are building these housing projects, that they have to pay tribute to get the contract in the first place.

Secretary RUSK. I wouldn't be able or willing to give you a general certification on that point. I have not been doing business in Latin America for 10 years, but I can say we work at this one all the time. We recognize it is not only a waste of resources but a discredit to the whole effort, particularly in the countries concerned where the thing would get about and was subject to disrepute, but it would quite rightly cripple it here.

Mr. GARY. I think that is certainly one phase of it that ought to be very carefully scrutinized and I hope you are doing that.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Mr. PASSMAN. It is speculative, is it not, as to the amount of capital going out of Latin American countries?

Secretary RUSK. There are some indicators that are not absolutely certain.

Mr. PASSMAN. But it could be more or less than your judgment would indicate or the other man's judgment? We have no way of actually knowing, do we?

Secretary RUSK. I wouldn't myself attempt a guess but I think there are experts in the banking business who can make reasonable judgment based upon the indicators that they know about.

Mr. PASSMAN. Some of your own AID witnesses last year indicated the figure could be very high and I did not want any conflict. That is why I said "speculative."

Secretary RUSK. All we can do, Mr. Chairman, is to give you our very best judgment.

Mr. PASSMAN. I appreciate that fact and I want to accept your judgment as far as I can.

Secretary RUSK. I just recently looked into this myself and the report that came to me indicated that except for these two countries they did not believe there was any significant flight of capital in the last year.

Mr. PASSMAN. We do not know of any leader from Latin America who ever went into exile poorer, though, do we?

Secretary RUSK. I think there are some poorer exiles.

Mr. PASSMAN. I am talking about heads of government now.

Secretary RUSK. If you press me, Mr. Chairman, I couldn't at the moment name one who turned out to be a poor man.

Mr. PASSMAN. I am not going to press you because they get rich mighty quickly before they go into exile.

MILITARY SALES AGREEMENTS

There is more than one nation to which we have given military equipment with grant aid under this subterfuge of ————. There are several nations to whom we are giving military aid—really, it is in the form of a grant because we accept ———— and we do not insist on collecting that—now, in making this statement am I getting overboard?

Secretary RUSK. I think the committee is entitled to a frank and complete answer on that point. One of our witnesses from the Defense Department can lay this out for you.

POPULATION CONTROL AND DEMOGRAPHIC INFORMATION

Mr. ROONEY. Are there any funds included in this budget for birth control activities or the dissemination of birth control information?

Secretary RUSK. This program supports demographic studies and information on a wide scale. It supports the United Nations Population Council. It does not itself provide birth control means to other

countries. I think our people stationed abroad, if they were asked where they could get information about birth control means, would refer the inquirer to private agencies or other sources.

Mr. ROONEY. With whom do I get into on this when the various units come up here?

Secretary RUSK. In the first instance Mr. Bell, because we have just put out a statement of U.S. policy. I don't know whether you have seen that. It is on that subject. It is stated in about six paragraphs there, beginning in the middle of the left-hand page, sir.

U.S. POLICY ON POPULATION TRENDS

Mr. ROONEY. Mr. Chairman, I suggest that we include this statement with regard to the U.S. policy at this point in the record.

Mr. PASSMAN. Without objection, it will be inserted.

(The information follows:)

SUMMARY OF U.S. POLICY

These are facts which the members of the United Nations must take into account in considering the subject now before us. Let me turn now from these facts to define the policies of my Government on this important question. I can summarize these policies as follows:

1. The United States is concerned about the social consequences of its own population trends and is devoting attention to them.

2. The United States wants to know more, and help others to know more, about population trends in less developed countries where present levels of population growth may constitute a major obstacle to the realization of goals of human economic and social development.

3. The United States would oppose any effort to dictate to any country the means to be employed in dealing with its population problem. The population policy of any country must be determined by that country and that country alone.

4. While the United States will not suggest to any other government what its attitudes or policies should be as they relate to population or the adoption of specific measures in its implementation, the United States believes that obstacles should not be placed in the way of other governments which, in the light of their own economic needs and cultural and religious values, seek solutions to their population problems. While we will not advocate any specific policy regarding population growth to another country, we can help other countries, upon request, to find potential sources of information and assistance on ways and means of dealing with population problems.

5. The United States believes that there is a great need for additional knowledge on population matters. There is a need for more information about the actual size and composition of existing populations and about future population trends—and both private organizations and governments as well as international organizations can help to provide it. There is a need for more facts about alternative methods of family planning that are consistent with different economic, social, cultural, and religious circumstances. There is a need for more facts about the impact of economic and social development on population trends and of population trends on economic and social development.

6. The United States believes that the United Nations and its affiliated agencies can have a significant role to play in the population field. My Government has actively supported the demographic work of the United Nations from the very early days of the organization and wishes to commend particularly the Population Commission, the Population Branch of the Bureau of Social Affairs, the Economic Commission for Asia and the Far East, the Economic Commission for Latin America, the Economic Commission for Africa, and the Regional Demographic Research and Training Centers for their excellent work. It is the hope of the United States that these valuable efforts will be substantially expanded.

ROLE OF THE UNITED NATIONS

Let me close with more specific observations about the role of the United Nations. The United States believes that member countries should be able to obtain from the United Nations and its agencies such assistance as they may need and request in connection with their efforts to deal with their population problems. We believe that the United Nations should focus its efforts on three areas: first, the encouraging and assisting of member governments to obtain factual information on the demographic aspects of their economic and social development; second, the training of nationals of members for demographic work; and third, the promotion of full and responsible discussion of population problems.

In the area of demographic *information* there is much that remains to be done. The demographic section of the Secretariat was downgraded from a division to a branch in the Secretary-General's 1955 reorganization and its staff substantially reduced. It is time to consider whether the resources being devoted to this subject in the Secretariat are adequate to the needs. We should also consider ways to strengthen the demographic staffs of the regional economic commissions. The commissions are in a particularly good position to extend effective assistance to member governments in the context of the problems of particular regions.

In the field of demographic *training* much more should be done to train nationals of member governments so that they may acquire the demographic information on which to base sound economic plans. This would include the training of people in census taking, in the making of population projections, and in analyzing the economic and social consequences of demographic statistics. We welcome the establishment by the United Nations of Regional Demographic Research and Training Centers in Bombay, Santiago, and Cairo and would support the establishment of further centers if they were desired by the countries concerned.

In the field of *discussion* the United States will continue to play an active role in the work of the Population Commission and the regional commissions of the United Nations. Moreover we look forward with great interest to the Asian population conference scheduled for 1963 and the world population conference later on.

With experience in these forms of collaboration, the needs of individual countries and the present and potential resources of the United Nations would become better known and future collaboration more fruitful.

These, in sum, are the views of the United States on population growth and economic development. We consider the resolution now before the committee to be broadly consistent with these views. We are, accordingly, prepared to give it our support.

AMERICAN SPONSORED SCHOOLS AND HOSPITALS ABROAD

Mr. ROONEY. One further question. Mr. Secretary, last fall you requested that I visit the American Children's Research Hospital in Krakow, Poland. I did so in December and was very favorably impressed with the project. Upon my return and upon a number of occasions since then you and I have discussed the matter of further financing of this children's hospital. Is there any new development since the last time you and I had a conversation?

Secretary RUSK. The present appropriations request includes in the funds for American-sponsored schools and hospitals abroad, $2 million in dollars that we would use toward the foreign exchange costs of completion of the hospital.

Mr. ROONEY. That is because of the fact that while we originally intended to expend only foreign currency, surplus zlotys, we found it would not be an American hospital without American elevators and without expensive American medical equipment, and so forth; is that correct?

Secretary RUSK. That is correct, sir.

I should say also that I know from outside sources that this $2 million, if it could be appropriated under this category, will also be accompanied by some private gifts of a substantial sort from private foundations that are interested in this hospital but can't as a matter of general policy pick up the whole bill themselves.

There is also in the AID budget a request for an appropriation to make available some additional zlotys because we do feel it is very important for this hospital in Krakow to be completed. It is desperately needed and I think it would be a brilliant demonstration of the interest of the American people in the Polish people in a way that touches them directly and in a way they fully understand.

Mr. ROONEY. I agree with you. This project is directed to the Poles as human beings, as fellow members of the human race rather than as an assistance to the Godless Communist regime of Poland.

Mr. PASSMAN. I want to associate my views with the gentleman from New York. I am certainly going to support the proposal to fund this children's hospital.

In addition to that matter, I think our President is interested in building a teaching hospital out in Lebanon. I was, in fact, surprised to learn that the President had made a $5-million allocation and is requesting $10 million. He even addressed himself to the King of Saudi Arabia, in asking for his cooperation. Are you familiar with that matter?

Secretary RUSK. That is right, sir. That teaching hospital could be a great landmark in the Near East.

Mr. ROONEY. Mr. Chairman, I should like to thank you for your remarks with regard to the Children's Hospital in Krakow. They back up what you have said previously a number of times with regard to this hospital. If every Member of Congress had opportunity to visit the present children's hospital and facilities at Krakow, Poland, inspect the present building which is 80 years old, and with practically no research equipment but the barest, they would immediately see what a great advantage the new hosiptal is to get in on the ground floor, not with the Polish Communist regime but with the decent Polish people.

Mr. PASSMAN. I am glad to associate myself with the views on this matter of the distinguished gentleman from New York. And I want to reiterate the President's interest in this teaching hosiptal in Lebanon. I think I have made a statement of fact in that regard, have I not?

Secretary RUSK. You have, indeed, sir.

Mr. PASSMAN. I yield to Mr. Rhodes of Arizona.

ACTIVITIES OF CUBAN REFUGEES

Mr. RHODES. Mr. Secretary, if you want any of this off the record, just say so and it will be taken off.

Secretary RUSK. Thank you.

Mr. RHODES. Why has this Government decided to limit the activity of the Cuban emigres? It just strikes me that this limitation could very well stifle the spirit of resistance within the island of Cuba. In other words, the emigres themselves and their work may not be

important. I am not qualified to say. It seems to me the most important result of this limitation might well be to cause the Cuban to accept his plight and realize there is nothing he can do against the Castro armed forces internally and if aid from outside is to be denied him he has nothing to do but succumb to Cuban communism.

Secretary RUSK. I would appreciate the opportunity to deal with this off the record.

(Discussion off the record.)

ADMINISTRATION AND ECONOMIC SITUATION OF RYUKYU ISLANDS

Mr. GARY. On the Okinawan situation, I have a newspaper clipping which says the leftwing forces in Okinawa appear to be trying to consolidate for a new campaign aimed at driving the United States out of its most important military bastion in the Western Pacific.

What is that situation? Is that worsening?

Secretary RUSK. There has been from time to time agitation in Okinawa for either independence or a return to a direct affiliation with Japan. We have taken the view that our responsibilities in the area for Okinawa make it necessary for us to retain our position there. There are periodic elections there. I think in general, given the circumstances of the postwar period, that the Okinawans have been relatively cooperative and that our armed forces, particularly in the last, say, 10 years, have done increasingly a better job of administration and their own relations with the local Okinawans.

Mr. PASSMAN. As the Ryukyu Islands subject has been brought up, and rightfully so, we held hearings on the budget request only recently and I think it was stated that we are pouring into the Okinawan economy $190 million annually. The aid program has doubled and redoubled, then tripled, during the past 8 or 9 years. It went from a low of $2 or $3 million to a request for about $15 million this year. They have 904,000 Ryukyuans on about 17 islands.

I think this ought to go in the record—reading from the Sunday Star-Bulletin Advertiser:

> **Generally the islanders are enjoying prosperity unmatched in their history. The major highways are filled with new automobiles driven by Ryukyuan workers, TV antennas on almost every rooftop and her capita income is at an unprecedented high.**

I am glad they are enjoying great prosperity, but if this committee should ever acceed to the inflated request of the High Commissioner this year, then I do not know about other members, but I am going to go straight to the psychiatrist after we mark up the bill.

Secretary RUSK. May I offer the committee an explanation of this point because it is my understanding that the standard of living in Okinawa is lower than that of the lowest prefecture in Japan.

Mr. PASSMAN. That may be true. Mine may be the lowest in my neighborhood; that does not mean I am not living reasonably well.

Secretary RUSK. That does not mean to me Ryukyuans drive over the place in fancy cars.

Mr. GARY. Do you have the comparisons?

Secretary RUSK. I have seen them. I would like to offer a statement.

Mr. PASSMAN. Please put it in the record. I know what they said, that "per capita income just in this brief period," O'Flattery responding, "is now $239.50, prewar, $119." It has certainly more than doubled in that brief period.

Mr. GARY. I would like figures showing comparisons with the Japanese prefectures.

Secretary RUSK. I would like to do that. This was the basis of our discussions with the Japanese authorities last year about what both might do to help in lifting the standard of living of the Okinawans.

(The information supplied follows:)

STANDARD OF LIVING OF RYUKYU ISLANDERS

Per capita national income prewar in Ryukyus was $119 as compared to $188 in Japan as a whole (expressed in 1953 prices). Data on per capita national income prewar by Japanese prefectures, except Okinawa Prefecture, are not available. Per capita national income for the Ryukyus and Japan in U.S. fiscal year 1962 and Japan fiscal year 1962 (also expressed in 1953 prices) was $257.7 and $381.1 respectively. Current data on national income per capita for individual Japanese prefectures is also not available.

Income comparisons between the Ryukyus and Japan do not tell the whole story. Individual Japanese enjoy far greater social security benefits than Ryukyuans. Although an unemployment insurance system exists in the Ryukyus, the Japanese in addition receive the benefits of health insurance, old age pensions, and sickness and survivors insurance. Commodity prices in the Ryukyus, although generally stable, are approximately 15 percent higher than in Japan.

Mr. PASSMAN. Mr. Natcher?

RECOMMENDATIONS OF CLAY COMMITTEE REPORT

Mr. NATCHER. Mr. Secretary, do you agree with the conclusions reached by the members of the Clay Committee?

Secretary RUSK. Not in every instance because I think that it perhaps underestimated the importance to us of some of the countries on the borders of the Sino-Soviet bloc. I think that in general the Clay Committee did a first-class job. One of its most important functions was to give us something which we can show to leaders abroad indicating the kind of proper and genuine concern there is among the American people about the aid program and what ought to be expected in connection with our aid—the requirements of self-help, integrity of administration, et cetera. However, I think there were certain country references that I would have some slightly different views on.

Mr. NATCHER. As you know, during the past 8 years we have had a number of committees appointed to make a study along this line and this is the first Committee to my knowledge that has made a report showing any weakness at all in this program.

Secretary RUSK. This Committee had, of course, some very distinguished people on it. A number of them have had experience with foreign aid problems before. They worked hard at it on the basis of a mandate to try to find the points of weakness and point out where the situation could be improved. I have great respect for the work that they performed.

As I say, there were certain references to particular areas where I think that the Committee would perhaps like to see us move faster than I think we can move under the present circumstances.

FLIGHT OF CAPITAL FROM LATIN AMERICA

Mr. NATCHER. Mr. Secretary, in your statement you inform the committee that we should do everything possible to help Latin America save themselves. Can you tell the committee what the situation is at the present time in Latin America from the standpoint of the outflow of capital?

Secretary RUSK. Yes, Mr. Natcher. I expressed a comment, I believe, when you were out of the room on this point and I offered to put in a statement to the committee on the information that we have on the point. With the exception of two special circumsances, Venezuela and the Dominican Republic, it is not our impression that there has been a significant outflow of capital from Latin American countries in this past year or two. In the case of Venezuela there was a repatriation of some investments which showed their balance of payments indicating a movement of capital abroad. In the case of the Dominican Republic there was a capital outflow in the last days of the Trujillo regime but based upon the best evidence we can get we do not believe there has been a significant outflow of capital.

EXPENDITURE OF FOREIGN ASSISTANCE FUNDS IN THE UNITED STATES

Mr. NATCHER. What is the situation, Mr. Secretary, from the standpoint of offshore procurement? Has there been any change in the last few years concerning the percentage of the funds expended in this program from the standpoint of that part that remains in this country?

Secretary RUSK. We have been moving as rapidly as we feel that we can toward expenditure in the United States on the ground that at best we can offer American goods and services as foreign aid but that because of our gold situation, foreign exchange situation, we cannot offer free dollars in the way that we did years ago.

For example, my information is that actual expenditures in the United States during fiscal year 1962 were about 53 percent. Now the obligations for expenditure in the United States, for fiscal year 1963 programs are estimated at 81 percent, and we hope to move that up to 83 percent for the fiscal year 1964 program. We recognize that this is a part, but only a part of the total gold problem and we are trying to adjust aid policies as well as defense and other policies to deal with the gold flow situation.

Mr. NATCHER. Mr. Secretary, with our development loans and our change in this program that has taken place in the last 3 years, wouldn't it be safe to say that we have finally reached the point when only approximately 40 percent of the entire amount expended in the program will be used in this country?

Secretary RUSK. No, sir. I think not. I think that the increase of the loan program means that those aspects of it which are tied to U.S. supplies and services will be going up very significantly. In other words, we are talking now here about an 83-percent commitment on obligations for expenditure in the United States in fiscal year 1964. Of the total appropriation request in fiscal year 1964 we are asking for about 40 percent in grants and 60 percent in loans.

In every way possible we are trying to tie those to U.S. procurement. I think the percentage there is steadily going up in favor of expenditures in the American economy.

Mr. NATCHER. Mr. Chairman, that is all I have.

Mr. PASSMAN. Mr. Secretary, we speak of spending 80 percent of the aid money in America. Again, I want the record to show that this is not a normal situation whereby the Latins pay for what they receive with the dollars they earn from their exports but it is a credit to those countries and when the shipments are made the invoices go down to the U.S. Treasury for payment.

Secretary RUSK. But it is goods and services that leave this country, not gold.

Mr. PASSMAN. I am not talking about gold, but goods and services. We are giving it to them. It is a one-way street, nothing coming back in the foreseeable future in the way of tangibles. I do not want the American people to believe this is the normal way to do business when the invoices fall to the United States for payment out of the taxpayers' till rather than to recipient nations out of earnings.

FLIGHT OF CAPITAL FROM LATIN AMERICA

In December, an economist associated with the National Planning Association estimated that the flight of capital from Latin America had been $700 million in 1961 and perhaps at the rate of $600 million per year in the first 6 months of 1962. This estimated flight of $1.3 billion in 18 months compares with U.S. net assistance to Latin America during that period of $1.05 billion.

I shall quote the authority, Mr. Frank Bradenburg, National Planning Association:

> To view this situation with complacency, to conclude that AID's "accepted remedy" of infusion of still larger amounts of U.S. Treasury funds is unchallengeable, and to assert that there is no time to waste in considering whether the program thus conceived will succeed, is for me a bit too disdainful of the sweat and blood that go into the accumulation of money by our taxpayers.

Somewhere along the way we are going to have to reconcile these differences of opinion.

The gentleman from Massachusetts.

RECOMMENDATIONS OF CLAY COMMITTEE REPORT

Mr. CONTE. I have but a few questions, Mr. Secretary.

With regard to Mr. Natcher's questioning on the Clay report, do you feel that this appropriation request reflects the Clay recommendations at all?

Secretary RUSK. As you know, the President waited until the Clay report was submitted and considered before he sent his message to Congress. After considering the report, he reduced the total requested appropriation by $420 million. That reduction includes $238 million in development loans, $100 million in contingency funds, $75 million in military assistance, and other net reductions, totaling $7 million. I think that he did take the Clay Committee report into account. I would not wish to imply, however, that the President's final figure was one that was specifically supported by the Clay Committee because General Clay testified on his own estimates on that point before the House Foreign Affairs Committee.

Mr. CONTE. Of course, in reading his report I noticed one of the things that he stressed was to maintain a sound contingency fund,

though he recommended a cut in certain other agencies so that the President would have the flexibility to be able to use this money in case of an emergency. Now the President comes along and he cuts the contingency fund which was a bit inconsistent with the Clay report.

Secretary RUSK. That is a calculated risk one has to take. Sitting in my chair, and I think in the President's chair, one would always be more comfortable with a solid contingency fund, even if it were not used. I think we do not expect to use about $100 million of the contingency fund this year, in the absence of some major development between now and June 30th.

I think our judgment was that it would be better to reduce the contingency fund somewhat than to cut too deeply into these other categories.

On the development loan side, General Clay is doubtful that we will be able to effectively use the development loan funds for Latin America that we are asking for fiscal year 1964 because he is doubtful that the Latin Americans will come up with the performance and meet the criteria indicated. But he also made the point that if they should do so we ought to be in a position to move forward.

We are asking for $300 million which he doubts we can actually use. We think that it is much safer in order to get on with the Alliance for Progress to put ourselves in a position to move if they will move on the Latin side. This was determined not only by studying the Clay Committee report but after consideration with its members.

Our final decision was our best judgment as to what we ought to do with our original budget figure of $4.9 billion fixed early in the year, and we cut it to $4.5 billion.

Mr. CONTE. He also made an exception with regard to India and Pakistan, I noticed in his report. Were you out there recently?

Secretary RUSK. Yes, I was and if I could comment briefly on it off the record, I would appreciate it, Mr. Chairman, because it is one of the most sensitive problems we have at the moment.

(Discussion off the record.)

MANSFIELD REPORT RECOMMENDATIONS ON SOUTHEAST ASIA

Mr. CONTE. With regard to the Mansfield report and speaking of southeast Asia, it says:

> The group stressed that any reduction of aid in Southeast Asia must be "orderly," and that "the discretion of what to do and when to do it must rest with the President."
>
> "For," the group continued, "if the attempt is made to alter these programs via a congressional meat-ax cut of foreign aid to Southeast Asia it runs the risk of not merely removing the fat but of cleaving a gap which will lay open the region to massive chaos and hence jeopardize the present Pacific stretcher of our national security."

I thought that should be in the record. That is from the Mansfield report.

Secretary RUSK. I think that is an important point.

SITUATION IN IRAN

Mr. CONTE. You visited Iran when you were out there, did you not?

Secretary RUSK. Yes.

Mr. CONTE. We have heard a great deal of taxpayers' money being wasted in that part of the world and lack of positive results from spending in countries like Iran. Now that you have visited the country and looked over the situation, the political situation, the economic situation, do you have any comment in regard to Iran?

Secretary RUSK. I was more encouraged in my visit to Iran than I had expected to be when I left here. I found the Shah moving with confidence in the support of the people in a way that he had not reflected before. It is true the land reforms he announced beginning with his own landholdings, the land reforms he has put through have not come to full implementation yet. However, he went to the country in a plebiscite on that issue. It is a matter which in fact gets substantial support from around the countryside—there were some in the cities, of course, who opposed it—and the Shah is confident, the Prime Minister and the economic planning people out there are confident, they are now on their way. During the period of the announcement of these reform measures and changes in tax structure and so forth there was some "wait and see" attitude on the part of the Iranian businessman. He didn't know just which way to move and how it was going to affect him. He is apparently getting over that and the momentum is beginning to build up again.

I would say in the case of Iran the prospects are better than I have seen them for some time. But even so if one visits Iran now, say after a period of 10 years, although one can see the present problems, that the improvements that have occurred in that country over, say, a decade have just been almost unbelievable. If you take enough of a span to be able to draw a difference over a period of time, there has been, I think, a very encouraging picture.

So I would think that, given changes in government and given changes in their economic program there is a fair chance Iran is now on the way. With very substantial resources, of course, of their own coming out of oil and other revenues.

AID TO NONALINED NATIONS

Mr. CONTE. We receive a lot of mail, Mr. Secretary, in regard to the aid being given by the United States to countries that are not allied with the United States and this is very difficult to answer. What do you have to say about that? How can you justify aid to these countries that are not allied to the United States?

Secretary RUSK. In the broadest sense, I think we might remind ourselves as to why we became allies of 42 allies. During World War II we had only the allies we joined with to defeat the Rome-Berlin-Tokyo Axis, and it was expected those alliances would wither away when the wartime settlements occurred. But in 1946 and 1947 Stalin returned to the cold war. This caused the United States then to build some of the great alliances we are now involved in, in defense of independence of states. This is the fundamental element, in defense of the mutual security and defense of independent nations. Because our broad concepts of American interests lie in the direction of a community of independent states along the lines laid out in the U.N. Charter, cooperating voluntarily across national frontiers with each other.

Now, when you look at it in the broad perspective, our interest in the unalined countries is the same fundamental interest. Where you see a generally independent country conducting its affairs with decent regard to the interests of others, you have a country that is in general supporting that kind of world structure that is in the interests of the United States.

Now, there are some marginal countries where there is a contest for influence—countries that we don't see eye to eye with on every point or even on some very important points critical to us. And there the question is whether it is worth maintaining a relationship, some sort of presence, some sort of basis on which we might be able to build a better relationship over time, and this would apply to a country like Yugoslavia or Poland, and with some others who have acted in a way that we don't think are in accord with our interests.

Now, in the case of Yugoslavia and Poland we think we ought not to stay in the aid field, but we ought to shift over to the trade aspect of it. But this is partly a calculated effort to sustain a relationship which, given the breaks, will work out in our interests. The alternative being to ignore them, push them away and, in effect, force them into an alliance with people who are trying to bring us down.

Mr. CONTE. This is more in keeping with the Clay report. I think that Committee came out with about the same conclusion.

Secretary RUSK. They saw this in broad terms very much in the same way. The remarks they made about India, Indonesia, for example, and certain others.

Mr. CONTE. I have no further questions. I want to take this opportunity to compliment the Secretary of State and generally sympathize with him in the heavy burdens he is carrying on his shoulders these days of world crises.

Mr. PASSMAN. Thank you, Mr. Conte and Mr. Secretary.

AID COMMITMENT POLICY

When you have an aid commitment policy, do you have occasion for questions to be asked as to whether they are sincere?

Secretary RUSK. I think performance by them on their commitments is a central question with us. It is not just a question of sincerity but actual performance we are interested in.

For example, the recent arrangement we had with Brazil in connection with their stabilization program had in it a long series of commitments from Brazil about things they themselves would do and our own AID program was related directly to their performance on those particular steps. This question of performance is very important. I would put the emphasis on performance rather than sincerity.

Mr. PASSMAN. Anyway, whether there are AID commitments tied in, undoubtedly there is a question as to how sincere these people would be if there were no AID commitments.

I think Brazil is even reneging on part of their agreement now. The press has so indicated.

Secretary RUSK. Then the conditions on our aid begin to operate. I was very clear on that.

Mr. PASSMAN. I hope they do, sir.

So many of the agencies are putting in for contingency funds. The President got one so easily a few years ago that that started the ball rolling. Now we notice that practically every agency is coming in. Even out in Okinawa, the High Commissioner wanted $1 million for a contingency fund.

Secretary RUSK. Not in the Department of State.

Mr. PASSMAN. I am talking about the ones who come here.

Secretary RUSK. On the AID side, if it were not for the rapid pace of events we couldn't be more specific in terms of each dollar we talk to about. But the appropriations process is itself extended and it is for an 18 months' period in advance and it is just very hard to anticipate what the world is going to be like.

Mr. PASSMAN. I want you to know how I stand as long as I am one of the members who handle your request. In an emergency we can really move fast. But already, with the transferability of funds that is permissible for foreign aid, not to mention the President's contingency fund, practically any situation could be taken care of. The money is there.

I am going to give you my vote for a check but when you get it it is going to be filled out; it is not going to be a blank one.

Thank you very much, Mr. Secretary.

WEDNESDAY, MAY 15, 1963.

MILITARY ASSISTANCE PROGRAM

WITNESSES

HON. ROBERT S. McNAMARA, SECRETARY OF DEFENSE
GEN. MAXWELL D. TAYLOR, U.S. ARMY, CHAIRMAN OF THE JOINT CHIEFS OF STAFF
WILLIAM P. BUNDY, DEPUTY ASSISTANT SECRETARY OF DEFENSE, ISA
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
FRANK K. SLOAN, DEPUTY ASSISTANT SECRETARY OF DEFENSE (ISA) FOR REGIONAL AFFAIRS
DAVID E. McGIFFERT, ASSISTANT TO THE SECRETARY OF DEFENSE, LEGISLATIVE AFFAIRS
CAPT. ARTHUR H. BERNDTSON, U.S. NAVY, MILITARY ASSISTANT TO THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF
W. ARTHUR COMER, MILITARY ASSISTANT COMPTROLLER, OASD/ISA
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT TO THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
JOSEPH J. WOLF, DEPUTY ASSISTANT ADMINISTRATOR FOR POLITICO-MILITARY AFFAIRS, AID
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID

Object classification

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
MILITARY ASSISTANCE			
Grant aid operations:			
Reservations:			
25 Other services	88,524	57,288	82,865
26 Supplies and materials	212,476	168,028	201,741
31 Equipment	504,554	419,246	602,394
Subtotal	805,554	644,562	887,000
Obligations:			
11 Personnel compensation:			
Permanent positions	18,491	18,079	19,144
Positions other than permanent	67	42	42
Other personnel compensation	866	655	799
Total personnel compensation	19,425	18,776	19,984
12 Personnel benefits	7,221	8,857	8,905
13 Benefits for former personnel	—3		
21 Travel and transportation of persons	51,197	50,576	56,362
22 Transportation of things	60,140	60,698	70,649
23 Rent, communications, and utilities	2,212	2,222	2,299
24 Printing and reproduction	172	193	195
25 Other services	135,572	127,810	121,774
26 Supplies and materials	28,172	25,758	27,761
31 Equipment	387,270	214,046	157,842
32 Lands and structures	4,650	4,199	4,577
41 Grants, subsidies, and contributions	63,958	92,328	88,443
42 Insurance claims and indemnities	—1		
Total, Defense—Military	759,984	605,462	558,792

Object classification—Continued

[In thousands of dollars[

	1962 actual	1963 estimate	1964 estimate
ALLOCATION ACCOUNTS			
11 Personnel compensation:			
Permanent positions	1,240	1,220	1,220
Positions other than permanent	8	8	8
Other personnel compensation	103	76	76
Total personnel compensation	1,352	1,304	1,304
12 Personnel benefits	39	8	8
21 Travel and transportation of persons	66	30	30
22 Transportation of things	125	110	110
23 Rent, communications, and utilities	1,776	2,159	2,104
24 Printing and reproduction	3	4	4
25 Other services	4,596	3,940	3,979
26 Supplies and materials	750	925	925
31 Equipment	572	738	738
41 Grants, subsidies, and contributions	227	6	6
42 Insurance claims and indemnities	2		
Total, allocation accounts	9,507	9,224	9,208
Total, grant aid operations	1,575,045	1,259,248	1,455,000
Sales operations:			
25 Other services	3,005	13,500	12,500
26 Supplies and materials	2,303	22,984	11,575
31 Equipment	11,280	108,095	55,996
Total, sales operations	16,587	144,579	80,071
Total program	1,591,632	1,403,827	1,535,071
Increase (−) or decrease in outstanding reservations for requirements ordered from military services (69 Stat. 438)	46,930	306,438	−178,534
Total obligations	1,638,562	1,710,265	1,356,537
Obligations are distributed as follows:			
Secretary of Defense	73,048	96,967	92,878
Army	627,021	757,855	605,664
Navy	212,171	273,358	197,096
Air Force	716,815	572,861	451,692
State	8,193	9,224	9,208
Agency for International Development	1,314		

Personnel summary

	1962 actual	1963 estimate	1964 estimate
MILITARY ASSISTANCE			
Total number of permanent positions	4,245	3,516	3,520
Full-time equivalent of other positions	38	4	4
Average number of all employees	3,982	3,454	3,472
Number of employees at end of year	3,946	3,492	3,501
Average GS grade	7.9	8.0	8.0
Average GS salary	$6,911	$7,452	$7,598
Average grade, grades established by the Secretary of Defense	5.4	3.7	3.7
Average salary, salaries established by the Secretary of Defense	$13,349	$13,874	$14,014
Average salary of ungraded positions	$1,682	$1,500	$1,526
ALLOCATION ACCOUNTS			
Total number of permanent positions	1,003	850	850
Full-time equivalent of other positions	5	5	5
Average number of all employees	747	775	775
Number of employees at end of year	788	800	800
Average grade established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service reserve	4.1		
Foreign Service staff	11.1		
Average salary established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service reserve	$11,617		
Foreign Service staff	$5,256		
Average salary of ungraded positions	$1,194	1,574	$1,574

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
Program by activities:			
Grant aid operations:			
Reservations for requirements ordered from U.S. military services (69 Stat. 438):			
1. Aircraft	122,208	183,876	225,809
2. Ships	72,736	35,778	106,391
3. Tanks, other vehicles, and weapons	111,595	111,562	124,654
4. Ammunition	80,535	50,105	100,606
5. Missiles	145,808	49,531	54,112
6. Electronic equipment	75,973	64,963	99,781
7. Military public works	3,688	1,054	15,245
8. Other	193,011	147,692	160,401
Subtotal	805,554	644,562	887,000
Obligations for requirements other than through reservations:			
9. Offshore procurement	162,019	76,586	91,211
10. Supply operations	146,787	166,080	169,971
11. Training	101,369	108,249	108,620
12. Administration	24,050	24,927	25,000
13. Contributions to international military headquarters and agencies	10,834	12,900	12,885
14. Contributions to construction of facilities in other countries:			
(a) Infrastructure	55,248	81,700	77,000
(b) Military public works	44,598	82,431	24,726
15. Research and development	7,186	1,500	1,500
16. Other activities	217,400	60,313	57,088
Subtotal	769,491	614,686	568,000
Total, grant aid operations	1,575,045	1,259,248	1,455,000
Sales operations:			
17. Reservations for requirements ordered from U.S. military services (69 Stat. 438)	−1,832	65,000	25,000
18. Direct financing of sales	18,420	79,579	55,071
Total, sales operations	16,587	144,579	80,071
Total program	1,591,632	1,403,827	1,535,071
Increase (−) or decrease in outstanding reservations for requirements ordered from military services (69 Stat. 438)	46,930	306,438	−178,534
Total obligations	1,638,562	1,710,265	1,356,537
Financing:			
Balance brought forward: Unobligated and unreserved (−):			
Grant aid	−14,246	−24,248	−25,000
Military sales receipts	−43,833	−39,985	−5,406
Recovery of prior-year obligations (−)	−6,247		
Collections of military sales (−)	−14,572	−45,000	−52,800
Increase or decrease (−) in outstanding reservations for requirements ordered from military services (69 Stat. 438)	−46,930	−306,438	178,534
Balance carried forward: Unobligated and unreserved:			
Grant aid	24,248	25,000	25,000
Military sales receipts	39,985	5,406	3,135
Unobligated and unreserved balance lapsing	32		
New obligational authority	1,577,000	1,325,000	1,480,000
New obligational authority:			
Appropriation	1,600,000	1,325,000	1,480,000
Transferred to (−)—			
"International organizations and programs" foreign assistance—economic assistance (75 Stat. 434)	−9,500		
"Contingency fund" foreign assistance—economic assistance (75 Stat. 434)	−13,500		
Appropriation (adjusted)	1,577,000	1,325,000	1,480,000

Mr. PASSMAN. The committee will come to order.

We shall consider, this afternoon, the budget request for the military assistance program.

We have with us the Honorable Robert S. McNamara, Secretary of Defense; and Gen. Maxwell D. Taylor, Chairman of the Joint Chiefs of Staff. I believe, Mr. Secretary and General Taylor, you have separate statements.

Secretary McNamara. Yes, we do, Mr. Chairman.

Mr. Passman. We shall follow your suggestion as to procedure in hearing the statements.

Secretary McNamara. I think it might be well if we could read the statements in series. Perhaps I could start, and then General Taylor could follow, if that is agreeable with you.

Mr. Passman. You may proceed, Mr. Secretary.

Statement of the Secretary of Defense

Secretary McNamara. Mr. Chairman, once again, I welcome the annual opportunity of testifying here in support of the military assistance program. The facts and figures I shall present to you speak for themselves; but, before describing them, I want to assure you that my appearance here today is neither routine nor ritualistic. I do not support the military assistance program only because its administration is one of my responsibilities, and I am therefore, naturally expected to defend it. There is ample recent evidence that I do not look with favor on any undertaking which I consider unpromising or nonproductive. I support the military assistance program for a single, simple reason: I am fully convinced by the facts and figures that it is a sound dollar investment. This program yields excellent dividends to the security, foreign policy, and general welfare of the United States.

Last year, I concluded my presentation to this committee by prophesying that Communist pressures would not relax during the ensuing year—that they were more likely to increase. The history of the past 12 months offers more than ample justification for that forecast, but little hope for a permanent improvement in the international climate substantial enough to justify any weakening in the total defense posture of the United States, or of the military assistance program which contributes substantially to the strength of that posture.

The crisis in Cuba, the Chinese Communist attack on India, Communist attempts to make inroads in the Arabian peninsula and to exploit dissension and unrest in the Congo, and the undeclared war against the Government of South Vietnam—all these crises and probing actions reflect continuing drives toward the avowed Communist ultimate objective of world domination.

Although the rift in the Sino-Soviet bloc seems to have shaken the monolithic structure of world communism, each of the Communist giants is still unalterably committed to the destruction of freedom and the extension of its own influence. Neither a dispute over ways and means, nor a struggle for control of the Communist revolution and capture of its prospective spoils, mitigates the fact that, jointly or separately, the leaders of the Communist bloc will continue their offensive against the free world.

Single or double pronged, the thrust of Communist aggression is still directed against the entire free world; and the expansionist

pressure of international communism remains a constant threat to any weak spot where military vulnerability, political instability, or economic deprivation invites attack or subversion.

The interest of the United States in strengthening such weak spots is based not only upon our traditional commitment to the principle of freedom and the right of self-determination for all mankind, but also upon the very practical premise that the security of the United States is interdependent with that of the rest of the free world. Any attempt to return to a "fortress America" concept of national defense under present international circumstances would be a denial rather than an expression of self-interest. It would lead, not to self-preservation, but to slow suicide.

It follows, therefore, that there is no acceptable alternative to the military assistance program through which the United States shares with its allies and friends both the burdens and the benefits of maintaining adequate free world power for peace.

OBJECTIVES OF THE MILITARY ASSISTANCE PROGRAM

The paramount objective of the military assistance program is of course to maintain and develop effective military forces in friendly nations. Military equipment, training, and related services provided under this program to the armed forces of allied and friendly nations strengthen their ability to meet both external and internal threats to their independence and, in many cases, to contribute to the common defense posture which gives substance to collective security. The degree and type of assistance are determined in relation to the nature of the threat, U.S. strategic concepts, the capabilities of the United States itself to assist beleaguered nations in the event of need, and the capacity and resources of recipient countries.

In addition to the direct contribution it makes to the total military posture of the free world, the military assistance program also enhances the security of the United States by helping to insure our continuing access to oversea bases and installations which are still essential to optimum deployment of our own military strength and to the successful accomplishment of our forward strategy. Facilities on foreign soil and the existence of millions of combat effective allied fighting men whom the military assistance program has helped to equip and train, and continues in part to support, enable the United States to place the first line of its own defense thousands of miles from its shores at the borders of the Sino-Soviet bloc.

The military assistance program generates important economic by-products for our foreign policy with respect to the stability and economic progress of the less developed and emerging nations. Many such countries would, if it were not for our military assistance, devote substantial additional portions of their own resources to military purposes, rather than to urgently needed economic and social development. By providing the means for the maintenance of law and order, military assistance also promotes a sense and a state of security which are prerequisite to political stability and economic progress.

With respect to our national welfare at home, there is a very definite relationship between that welfare and allied forces supported by the military assistance program. These forces represent an im-

portant and indispensable increment of total free world military strength for common defense. To replace this vital asset for collective security with comparable and similarly deployed American troops would involve a totally unacceptable drain on our manpower and monetary resources. It would send the defense budget soaring and add to the taxpayers' burden an amount many times the cost of the military assistance which makes possible the accomplishment of our own forward strategy with minimum expenditure in men and money. Even more significantly, it would require the drafting of many more young men, interrupting their education, disrupting family life and depriving the economy of the fresh manpower essential to vigorous growth.

The military assistance program thus well serves our national self-interest, not only as a key instrument of U.S. foreign policy and military strategy, but also as a means of conserving our human and financial resources without sacrificing our security.

THE FISCAL YEAR 1964 REQUEST

We are requesting an authorization for military assistance of $1.405 billion in fiscal year 1964. The last 3 years reflect a phasing down of the funding availability for military assistance from $1.929 billion in fiscal year 1961 to $1.582 billion in fiscal year 1963—a trend we hope to continue in coming years. Our planning is based on just such a gradual phase down; and barring any large scale unforeseen emergency, we hope to reduce the new obligational authority budget to a level of $1 billion by no later than fiscal year 1968.

Funding availability is composed of three parts: new obligational authority, recoupments, and reappropriations. The "normal" recoupments through price changes, cancellations and slippages are expected to be roughly $100 million a year. But in fiscal years 1962 and 1963, because of a detailed reexamination of the entire military assistance program, we were able to squeeze out an additional $273 million. I do not anticipate that this squeezeout, although a continuing exercise, will produce more than the $100 million in fiscal year 1964.

The fact that the $1.4 billion requested for fiscal year 1964 is less than 3 percent of the Department of Defense budget tends to suggest an entirely erroneous relative importance—to imply a difference where no difference exists. Both requests have been carefully screened against the same criterion. That criterion is, of course, the national interest and the security requirements of the United States.

It is possible that any significant curtailment of the military assistance program might result in a deterioration of the free world common defense posture which, in turn, would lead to developments involving a drain on our own military resources far more costly than our entire investment in military assistance since the beginning of the program.

CLAY COMMITTEE REPORT

For this reason, I am disturbed by the fact that certain findings of the President's Committee To Strengthen the Security of the Free

World may have been misinterpreted. The so-called Clay report does not recommend any such sizable and immediate cut as has been headlined on the front pages of some newspapers. Quite the contrary, it states that:

> Mindful of the risks inherent in using an axe to achieve quickly the changes recommended, the Committee recommends these reductions be phased over the next 3 years.

With respect particularly to military assistance, the same section of the report points out that U.S. security interests will require maintaining our military assistance program for some years to come, with progressive reduction as the economic capacities of recipient nations improve. The Committee goes on to discuss the likelihood that in a few years, the basic need for such assistance can be served by an annual appropriation of $1 billion, and adds that:

> It should be noted that the Department of Defense also contemplates the phased reduction of military assistance to this figure * * *.

As I mentioned earlier, we are in complete agreement with the Clay Committee that this is a highly desirable objective and one which we believe can be achieved.

We are encouraged—though not surprised—by the major conclusions of the President's Committee To Strengthen the Security of the Free World with respect to the great value of properly conceived and administered foreign aid programs to the national interest of the United States and the contribution of the foreign assistance dollar in such programs to the service of our Nation's security. We are equally reassured by the fact that, in addressing itself to the military assistance provided to countries on the periphery of the Communist bloc, the report states that:

> Dollar for dollar, these programs contribute more to the security of the free world than corresponding expenditures in our defense appropriations.

KEY PERIPHERAL COUNTRIES

Over 60 percent of the total program will be allocated to eight key countries in south Asia, the Far East and the Near East, each of which is on the periphery of the Sino-Soviet bloc, and confronts a direct threat of Communist aggression. These countries are: Vietnam, Thailand, the Republic of China, Korea, Greece, Turkey, Iran, and Pakistan. Although the threat is external in most cases, the emphasis is on internal guerrilla warfare and subversion in Vietnam, where it is actually underway, and in Thailand where it is an immient danger.

Although the economic postures of these eight countries vary markedly within the group, none could afford the foreign exchange resources required to build up the necessary military force structure to deter external aggression or, in the case of Vietnam, to meet the immediate fact of such aggression in guerrilla form. Except for relatively insignificant contributions by other countries in one or two cases, the U.S. military assistance program is the sole source of military equipment for each of these key countries.

Despite the fact that they have fundamental characteristics in common, there is a substantial difference in the nature of forces required by various members of the group. These variations are

taken into account in the force goals recommended by the Joint Chiefs of Staff for the military assistance program, and in the types of equipment furnished to meet particular military requirements.

NATO FLANK NATIONS

On NATO's southern flank, two of our stanchest allies, Greece and Turkey, are exposed to the full spectrum of Soviet military might with all of its modern weapons. If they are to do the job we expect of them, with respect both to their own self-defense and to their respective roles in NATO and regional defense, they must have appropriate equipment and training. The proposed fiscal year 1964 program for these countries amounts to $——— million for Greece and $——— million for Turkey.

We believe that in the years ahead, within the framework of the alliance, some of the more prosperous NATO partners should undertake to meet a share of the burden of supporting and military assistance to the forces of Greece and Turkey. In fiscal year 1962, six NATO countries expressed their willingness to provide aid to Greece in one form or another, and under varying circumstances and conditions, to a total monetary value of approximately $15 million.

SOUTH KOREA AND THE REPUBLIC OF CHINA

The proposed fiscal year 1964 program for South Korea is $——— million and for the Republic of China it is $——— million. These two key peripheral countries are directly exposed to an ever-present threat of aggression by heavily armed Communist China or North Korea forces. Although Red forces in the Far East do not yet have the full range of capabilities of the Soviet military machine which menaces Greece and Turkey, their very numbers and expendability represent massive power subject to the will of an avowedly more belligerent adversary than the Russian. To deter the exercise of that power against our own security interests and our allies in the area, we count heavily upon the combat effectiveness of the substantial forces maintained by the Republic of China and South Korea. Our investment in their equipment and training is proportionate to the reliance we place upon them for immediate and appropriate response to any attempted aggression.

For this reason alone, certain force improvements which had to be deferred because of reduced appropriations last year must be provided for in the fiscal year 1964 program. The technological strides being made by Communist China do not suggest any inability to provide conventional forces with effective modern weapons, and it would be highly imprudent of us not to see to it that the troops on the free world side of the 38th parallel and the Taiwan Straits also have conventional weapons at least as modern as those of their opponents.

Adequate and appropriate military assistance to the armed forces of South Korea and Nationalist China not only helps to protect our own security interests in the Far East but—far more important—substantially reduces the risk of an emergency requirement for direct intervention by the United States by deterring renewed attack upon allies to whom we have made firm mutual defense commitments.

It is infinitely cheaper than the price, in American dollars and American lives, of another Korea-type engagement.

VIETNAM AND THAILAND

Still another variation in the nature of the threat influences the military assistance requirements of Vietnam and Thailand. Because, as I have said, both countries are targets for Communist aggression in the form of guerrilla warfare and internal subversion, military assistance proposed for them in fiscal year 1964 stresses the development of the counterguerrilla capability of local units. The stronger that capability, the less requirement there will be for the deployment of U.S. troops in the area to advise and support indigenous armed forces, or to manifest U.S. determination to protect its own interests and honor its mutual defense commitments.

The proposed fiscal year 1964 program for Vietnam of $——— million reflects our efforts to improve the capabilities of the Vietnamese armed forces ———. Construction and equipping of the strategic hamlets, which have been highly successful over the past year, will be continued.

The proposed fiscal year 1964 program for Thailand of $——— million, represents ——— a force buildup program to provide the Thai forces with equipment and training required for a strong counterinsurgency and internal defense capability as well as the capability to defend against limited external overt attack ———.

WESTERN EUROPE

The share of the military assistance program allocated to Western Europe has, as you know, declined sharply in recent years, from 38 percent as recently as fiscal year 1960 to a level of approximately 15 percent in the proposed program for fiscal year 1964. Apart from Spain and Portugal, which are special cases in that U.S. base rights are heavily involved, the present program consists almost entirely of past commitments and arrangements that are cost sharing in one form or another. For example, nearly $90 million a year is required to finance U.S. participation in NATO infrastructure projects and the cost of NATO headquarters—an amount which is based on sharing with other NATO nations.

LATIN AMERICA

Until about 1960, military assistance programs for Latin America were oriented toward hemispheric defense. As it became clear that there was no threat of significant overt external aggression against Latin America, emphasis shifted to internal security capabilities for use against Communist-inspired subversion or covert aggression and to civic action projects designed to promote stability and strengthen national economies.

The essential role of the Latin America military as a stabilizing force outweighs any risks involved in providing military assistance for internal security purposes. I would also emphasize that, in accordance with congressional requirements, each internal security program for Latin America is subject to express Presidential deter-

mination in the first instance, and thereafter to continuing close policy review by the Department of State.

The total of military assistance to Latin America is also controlled by the Congress through the imposition of a ceiling which limits to $57.5 million the amount of equipment which may be provided in a single fiscal year. This ceiling does not apply to defense services for which purpose an additional amount of approximately $20 million is expended annually. All military assistance provided to Latin America, including defense services, amounts to less than 5 percent of the worldwide military assistance program. It is this percentage to which our Commander in Chief, Caribbean, General O'Meara, referred when he made a statement I fully endorse. He said:

> In dollars expended and in U.S. personnel who engage in it, our military effort in Latin America is small. In the light of history, its impact could be massive.

AFRICA

Although, quite properly, newly independent nations in tropical Africa must rely primarily on their former metropoles for support of their economic development and military efforts, internal security problems and the obvious wisdom of denying an opportunity for Communist intervention have generated a need for a modest amount of military assistance. During the past 2 years, modest programs, therefore, have been instituted in a number of such countries. They are oriented from the military standpoint strictly to internal security and civic action projects, and are primarily designed to manifest U.S. interest in helping to maintain law and order in volatile situations which threaten the stability of emerging nations. Toward these ends, total military assistance to tropical Africa in the amount of approximately $9.5 million is proposed for fiscal year 1964.

The proposed programs of $——— for Ethiopia and $——— for Libya are related to the maintenance of U.S. base rights although internal security problems in both countries would undoubtedly generate a requirement for some U.S. support.

JAPAN

The remarkable economic progress made by Japan has made possible a rapid phaseout of military assistance. As recently as fiscal year 1961 the program for Japan amounted to approximately $76 million; but we have now shifted entirely to a cost-sharing basis and we are making no new grant aid commitments. At the same time, we are urging Japan to make every effort to strengthen the defenses of Japan which she contributes to the defense of the area. The program of $——— million for fiscal year 1964 is restricted entirely to fulfillment of prior commitments, and these remaining commitments are for cost-sharing projects, mainly in the areas of antisubmarine warfare and air defense.

INDIA

Our prompt reaction to India's urgent request for military assistance following the Red Chinese attack in the north demonstrates the flexibility with which the military assistance program

permits us to respond to the successive moves of the Communists in the cold war. Although the United States had not previously provided India with military assistance, a Presidential determination required by law quickly cleared the way for the delivery of items on the list of critically needed equipment submitted by the Indian Government.

These items, which included crew-served weapons and ammunition, were airlifted to India in remarkably short order even though we were not certain at the time how they were going to be funded.

Had it not been for the authority granted to the President with respect to the drawdown of service stocks in case of emergency requirements for military assistance, delivery of urgently needed equipment to India would have been delayed pending a decision as to where the money was coming from. The fact that just such a situation was provided for under section 510 of the Foreign Assistance Act gave us the flexibility essential to prompt and appropriate reaction when time was of the essence. As it turned out later, we did not have to use that authority because, by adjusting the program, we were able to meet India's needs within the limits of current fund availability.

When we first sought the authority granted by section 510, I went on record before the Congress that such authority would not be used except as a last resort. The fact that, for 2 years, we have been able to cope with all emergencies without recourse to that authority bears witness of our good faith; but it does not in any way preclude the possibility of a future emergency in which the protection of our security interests might be seriously jeopardized by the lack of the flexibility provided by section 510. I am, therefore, requesting continuation of the drawdown authority for fiscal year 1964. We consider this section essential for the effective utilization of the military assistance program as an instrument of U.S. military and foreign policy.

Under the terms of the Nassau Agreement the United States and the Commonwealth nations agreed to an initial increment of military assistance to India of not more than $120 million, equally shared, 50 percent by the United States and 50 percent by the Commonwealth nations. Our portion of this initial increment is being funded in fiscal year 1963. An additional $——— million is requested for fiscal year 1964 to meet further requirements.

Our military assistance for India to date is being used primarily to reequip ——— mountain divisions to defend the areas bordering Communist China, and to improve their air transport capability.

The future course of military assistance for India is currently under study by the Department of Defense and other agencies of the Government. Military requirements and India's capacity to assimilate additional assistance are being evaluated within the Department of Defense in the context of security measures for the entire subcontinent of Asia. Political and economic factors, including India's efforts to help itself and reduce the vulnerability of the subcontinent by contributing to the resolution of Indo-Pakistan differences, will be given due consideration in arriving at our final recommendations to the President.

COORDINATION OF MILITARY AND ECONOMIC PROGRAMS

The fact that I have been stressing the military mission toward which the military assistance program is directed in particular situations and countries does not imply any disregard of the vitally important interrelationship between military assistance and various forms of economic aid as joint instruments of U.S. policy. I am fully aware that neither can most effectively promote that policy apart from the other.

It is for this reason that, at every stage in the military assistance planning and programing process, State, Defense, and AID jointly evaluate all pertinent factors—military, political, and economic—and decide together upon a course of action designed to promote the predominant interest of the United States in any given situation or country. This careful and continuing coordination serves to insure that military assistance not only conforms to foreign policy, but that it is so meshed with economic aid that the programs are mutually supporting and not in conflict with each other. Only when they are properly meshed can our total foreign assistance effort make the maximum possible contribution to the attainment of our international security objectives.

SUPPORTING ASSISTANCE

The importance of such meshing is particularly apparent in the complementary relationship between military assistance and supporting assistance in nations which do not have the economic means to support the sizable armed forces we consider essential to their own and the common defense. Because our total objectives with respect to the security and stability of such countries cannot be attained without the judicious and well-balanced application of both military and economic assistance, I am as much concerned with adequate appropriations for one as for the other. We in the executive branch have made every effort, in recent years, to reduce supporting assistance wherever possible, and to insure that the amounts requested are, in fact, absolutely essential either for military budget support or for some valid political or economic purposes. I am fully satisfied that the $435 million authorization request for supporting assistance in fiscal year 1964 represents the minimum necessary to insure the protection of our security interests and military assistance investment in the countries which still urgently require this type of aid. As in military assistance, about two-thirds of the supporting assistance funds will go to countries which confront a direct threat of Communist aggression.

CIVIC ACTION

In the case of civic action projects, too, military assistance and economic aid are frequently combined in joint support of U.S. objectives, with indigenous MAP-supported armed forces providing the skilled manpower and AID supplying the materials. Such projects, as you know, include roadbuilding, the development of communications facilities, sanitary engineering, and public health programs,

all of which are designed to strengthen the civilian economy and raise the standard of living in the less developed countries. They also generate tremendously important byproducts in that they bring home to the local populace the fact that the government and its armed forces are concerned and doing something about the well-being of the average citizen. The resultant increased confidence in both the government and the military greatly lessens the vulnerability of the populace to the blandishments and threats of Communist agents engaged in fomenting insurrection. Civic action programs thus make a very real contribution to countering insurgency in countries where the leaders of the Sino-Soviet bloc are supporting what they so cynically call wars of national liberation.

TRAINING

Througout the entire MAP undertaking, training of foreign military personnel is a uniquely productive element of the program. As of the end of fiscal year 1963 approximately 180,000 foreign nationals will have been trained in the United States since the beginning of the military assistance program. Overseas, another 54,000 will have been trained at U.S. installations, such as Fort Gulick in the Canal Zone and Clark Air Force Base in the Philippines and countless thousands in their own countries by U.S. teams and technical representatives. These foreign military personnel include officers of the combat arms, technicians and maintenance personnel, air cadets engaged in pilot training, senior officers who come to the United States for orientation visits, whole crews for missile units and for ships being transferred from the U.S. Navy to foreign navies, and personnel representing all the skills required to make up a modern armed force.

During fiscal year 1963 alone, 16,500 persons will be trained in the United States, and 7,500 overseas, at a total cost to MAP of approximately $109 million; which represents less than 7 percent of the total program. In all probability, the greatest return on our military assistance investment, dollar for dollar, comes from the training of selected officers and key specialists in U.S. schools and installations. These students are handpicked by their governments; they are the coming leaders of their nations. It is beyond price to the United States to make friends of such men.

CONCLUSION

The free world strength and solidarity which has been generated, and continues to be fostered, by the military assistance program is a vital asset to our national security. As tangible evidence of U.S. commitment to the principle and practice of collective security, it encourages and supports the common defense efforts of allied and friendly nations which share our determination to frustrate the expansionist designs of international communism. And, as the means of providing a climate of confidence and internal security in the less

developed nations, MAP makes an indispensable contribution to the productivity of economic aid programs. Peace is prerequisite to progress; and, in today's world, peace depends in large part upon the power to deter war. The military assistance program is a key instrument of U.S. policy in creating free world power for peace.

(The attachments to the Secretary's statement follow:)

ANNEX A

Military assistance fiscal year 1964 proposed program

[In millions of dollars]

I. By area:	
Europe	232
Africa	25
Near East and south Asia	442
Far East	672
Latin America	77
Nonregional	107
Total obligational authority	1,555
II. By category:	
Essentially fixed charges:	
NATO infrastructure	77
International military headquarters and agencies	13
Training	112
Supply operations	143
Administrative expenses	25
Subtotal	370
Force maintenance:	
Spare parts	190
Attrition, training ammunition, repair and rehabilitation of equipment	229
Other consumables	97
Subtotal	517
Force improvement:	
Aircraft	156
Ships	101
Tanks, vehicles, and weapons	51
Missiles	37
Electronics and communications	61
Special programs	127
Construction	47
All other	87
Subtotal	[1] 668
Total obligational authority	1,555
New obligational authority	1,405
Recoupments and reappropriations	150
Total obligational authority	1,555

[1] Includes $17,000,000 of concurrent spare parts carried in previous programs as force maintenance.

ANNEX B

Military assistance program comparison by region

[In percent]

Region	Fiscal year 1960 program	Fiscal year 1961 program	Fiscal year 1963 program	Fiscal year 1963 proposed program	Fiscal year 1964 proposed program
Europe	38	28	20	15	[1] 15
Africa	1	1	2	2	2
NESA	16	23	23	28	29
Far East	38	41	46	44	43
Latin America	3	3	4	5	5
Nonregional	4	4	5	6	6
Total	100	100	100	100	100
NATO	45	41	35	31	31

[1] Includes 6 percent as U.S. contribution to NATO infrastructure and headquarters expenses.

Secretary MCNAMARA. That concludes my statement, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Secretary.

BIOGRAPHY OF GEN. MAXWELL D. TAYLOR, USA

Our next witness will be General Taylor. This is the first time that this subcommittee has had the privilege of receiving testimony from the general, and it is customary committee practice for the new witness to submit for the record a brief biographical sketch.

General TAYLOR. I shall be happy to do so, Mr. Chairman.

(The biography follows:)

GEN. MAXWELL DAVENPORT TAYLOR, USA

Maxwell D. Taylor was born in Keytesville, Mo., August 26, 1901. He attended Northeast High School and Kansas City Junior College, Missouri, was graduated from the U.S. Military Academy, West Point, N.Y., No. 4 in the class of 1922, and was commissioned a second lieutenant in the Corps of Engineers.

He was first assigned to Fort Humphreys, Va., where he was a student officer in the engineer school. Upon completion of this course in March 1923, he was transferred to the 17th Engineers at Camp Meade, Md. In May 1923, he went to Schofield Barracks, Hawaii, for duty with the 3d Engineers. During his tour in Hawaii, he was, for a time, aide to Maj. Gen. William R. Smith, commanding general of the Hawaiian department and of Schofield Barracks in July 1925.

In June 1926, he returned to the United States and was stationed at Camp Lewis, Wash., with the 6th Engineers. He transferred to the Field Artillery in July 1926 and served with the 10th Field Artillery until June 1927, when he sailed for Paris, France, to study the French language in preparation for service at the U.S. Military Academy.

Returning to the United States the following September, he was ordered to the U.S. Military Academy at West Point, N.Y., as an instructor of French and subsequently was assistant professor of Spanish. In August 1932, he entered the Field Artillery School at Fort Sill, Okla. In August 1933, he was ordered to Fort Leavenworth, Kans., to attend the Command and General Staff School.

Upon his graduation from the 2-year course in June 1935, he sailed for Japan and the following November was stationed with the American Embassy in Tokyo as a student of the Japanese language. In September 1937, he was detached for duty at Pekin, China, as assistant military attaché, and in December of that same year he returned to this post in Tokyo.

In June 1939, he sailed for the United States to enter the Army War College, Washington, D.C. At the completion of this course, in June 1940, he went on

a special mission to nine Latin American countries in connection with hemisphere defense.

In December 1940, he assumed command of the 12th Field Artillery Battalion at Fort Sam Houston, Tex. In July 1941, he returned to Washington, D.C., for duty in the office of the secretary of the General Staff, where he remained until July 1942, when he was transferred to Camp Claiborne, La., as chief of staff of the 82d Infantry Division. In this capacity, he personally assisted in the development of the first airborne divisions of the Army and became artillery commander of the 82d Airborne Division on December 4, 1942.

He went oveseas with his division in March 1943 and took part in the Sicilian and Italian campaigns. In "Crusade in Europe," General Eisenhower records General Taylor's mission to Rome on September 7, 1943, when he was sent by British PT boat and Italian corvette through enemy lines, 24 hours ahead of the planned airborne operation and scheduled invasion of Italy, to confer with leading Italian authorities in order to inform the allied commander whether or not an airdrop on the airfields about Rome should be attempted in view of possible violent German reaction. General Eisenhower wrote on page 184: "The risks he (General Taylor) ran were greater than I asked any other agent or emissary to undertake during the war—he carried weighty responsibilities and discharged them with unerring judgment, and every minute was in imminent danger of discovery and death." During the Italian campaign, he was initially the senior U.S. member of the Allied Control Commission in contact with the Italian Government. A year later, in March 1944, he became commanding general of the 101st Airborne Division, and led the division in the airborne assault on D-day, June 6, 1944; the airborne invasion of Holland on September 17, 1944, and the campaigns of the Ardennes and Central Europe.

In September 1945, he returned to the United States for duty as Superintendent of the U.S. Military Academy at West Point, N.Y.

In January 1949, he was assigned to European Command Headquarters at Heidelberg, Germany, as chief of staff and the following September became the first U.S. commander, Berlin. He was appointed Assistant Chief of Staff for Operations, G–3, in the Department of the Army, February 13, 1951.

On August 1, 1951, he became Deputy Chief of Staff for Operations and Administration of the Army. He was appointed to succeed Gen. James A. Van Fleet as commanding general, 8th U.S. Army in Korea and assumed command on February 11, 1953.

Under him, the 8th Army engaged in some of the bitterest fighting of the Korean war; and when the armistice was signed on July 27, 1953, United Nations troops stood well above the 38th parallel. Following the armistice he instituted a vigorous training program for all troops under his command including the Republic of Korea Army.

Four historic postarmistice operations were carried out during his Korean service: Little Switch in April 1953, a prisoner exchange in which 684 sick and wounded were returned to the U.N.; Big Switch in August–September 1953, a POW exchange that returned 12,773 U.N. troops; Operation Comeback, the repatriation in January 1954 of 21,797 Chinese and North Koreans who renounced communism; and Operation Glory, the exchange in September 1954, of 4,176 U.N. and 13,543 Chinese Communist and North Korean bodies of personnel killed in combat.

Under his supervision, the Republic of Korea Army was built into a 20-division force, and plans were laid for a ROKA reserve force of 10 divisions. The 1st ROK Field Army and the 2d ROK Army (Zone of the Interior) were activated, together with the III, V, and VI ROK Corps and the 20th, 21st, 22d, 25th, 26th, 27th, 28th, 29th ROK Divisions.

In November 1953, he initiated the Armed Forces assistance to Korea program, under which the Armed Forces in Korea extended material assistance to the Korean people in rebuilding their nation. Army supplies totaling $90 million supported the program which became, second only to combat readiness, a major mission of 8th Army. By the time he left Korea, more than 1,200 separate projects were completed and another 750 began.

To improve the welfare of his own troops, in December 1953, he initiated a large-scale educational program to give all noncommissioned officers at least an eighth grade education and all other soldiers at least a fourth grade education. By November 1954, nearly 18,000 had raised their educational level to minimum standards.

Effective November 20, 1954, he was placed in command of all ground forces in Japan, Okinawa, and Korea when he took command of the combined staffs of the U.S. Army Forces, Far East, and 8th U.S. Army, with headquarters at Camp Zama, Japan.

Effective April 1, 1955, he was named commander in chief of both the Far East Command and the United Nations Command.

On June 30, 1955, he was sworn in as Chief of Staff, U.S. Army.

On July 1, 1959, he retired as Chief of Staff, U.S. Army.

In September 1959, he became chairman of the board, Mexican Light & Power Co., Melchor Ocampo No. 171, Mexico 17, D.F.

In January 1961, he became president of Lincoln Center for the Performing Arts, 10 Columbus Circle, New York 19, N.Y.

On July 1, 1961, he was appointed Military Representative of the President, Office, Secretary of Defense, Washington, D.C.

On October 1, 1962, he was appointed as Chairman of the Joint Chiefs of Staff.

He and his wife, the former Miss Lydia Happer of El Paso, Tex., and Washington, D.C., have two sons, John and Thomas.

DECORATIONS

In July 1944, he was awarded the Distinguished Service Cross for extraordinary heroism during airborne operations in France.

In May 1945, he was awarded the Distinguished Service Medal for leading his 101st Airborne Division in a successful counterattack in the vicinity of Bastogne, Belgium. He won an Oak Leaf Cluster to the Distinguished Service Medal for service as commanding general, 8th U.S. Army in Korea. Second Oak Leaf Cluster to the Distinguished Service Medal was awarded for service as Chief of Staff, U.S. Army.

He was awarded the Silver Star in September 1943, for entering Rome in advance of the armistice to contact the Badoglio government "with complete disregard of the imminent danger involved and without thought of personal safety." He won an Oak Leaf Cluster to the Silver Star during the airborne invasion of Holland.

Other U.S. decorations include the Legion of Merit, Bronze Star Medal, and the Purple Heart.

U.S. service awards:

- World War I Victory Medal.
- American Defense Service Medal (with Foreign Service clasp).
- American Campaign Medal.
- European-African-Middle Eastern Campaign Medal with one Bronze Arrowhead, one Silver Service Star, and one Bronze Service Star.
- World War II Victory Medal.
- Army of Occupation Medal (with Germany clasp).
- National Defense Service Medal.
- Korean Service Medal with two Bronze Service Stars.

Foreign decorations (acceptance approved):

- British Honorary Companion of the Most Honorable Order of the Bath (Military Division).
- British Honorary Knight Commander of the Most Excellent Order of the British Empire (Military Division).
- British Distinguished Service Order.
- French Legion of Honor, grade of Commander.
- French Croix de Guerre with Palm.
- Belgian Cross of Grand Officer of the Order of Leopold.
- Belgian Order of the Crown with Palm, Grand Officer.
- Belgian Croix de Guerre 1940 with Palm.
- Mexican Order of Military Merit, First Class.
- Netherlands Militaire Willems-Orde, IV Class.
- Military Order of Italy, degree of Commander.
- Italian Order to the Merit of the Italian Republic, degree of Grand Officer.
- Philippine Legion of Honor, degree of Chief Commander.
- Colombian Order of Boyaca, Grand Officer.
- Korean Taeguk Distinguished Military Service Medal with Gold Star (first and second Awards).
- Greek Higher Commanders' Cross of Our Order of George the First.
- Thai Most Noble Order of the Crown of Thailand, First Class.
- Ethiopian Cordon of Trinity Medal with the Plaque.

Service medals other than United States: United Nations Service Medal.
Personnel badges: Parachutist badge.
Unit awards (United States): Distinguished Unit Emblem with one Oak-Leaf Cluster.
Unit awards (Foreign):
Belgian Fourragere 1940.
Netherlands Orange Lanyard.
Republic of Korea Presidential Unit Citation Badge.
Foreign decorations (Acceptance not approved. Being held in Department of State pending congressional approval):
Brazilian Order of Military Merit, degree of Grand Officer.
Peruvian Military Order of Ayacucho, grade of Grand Officer.
Chinese Cloud and Banner Medal with Grand Cordon.
Japanese Order of the Rising Sun, First Class.
Guatemalan Cross of Military Merit, First Class.
Korean Order of Service Merit, First Class.
Spanish Grand Cross of the Order of Military Merit.

The following honorary degrees have been conferred upon General Taylor: Doctor of engineering, New York University, 1946; doctor of laws, Bowdoin College, 1948; doctor of laws, University of Missouri, 1951; doctor of laws, Williams College, 1952; doctor of laws, Pennsylvania Military College, 1956; doctor of laws, Trinity College, 1956; doctor of laws, Yale University, 1956; and doctor of military science, June 6, 1959; doctor of laws, Phillips University, Lafayette College, Seoul National University; the Citadel, 1959 (January 21); University of Pittsburgh, 1962 (June 11).

PROMOTIONS

On July 7, 1926, he transferred to Field Artillery, and on February 2, 1927, was promoted to the rank of first lieutenant; to captain on August 1, 1935; to major on July 1, 1940; to lieutenant colonel (temporary) on December 24, 1941; to colonel (temporary) on February 1, 1942; to brigadier general (temporary) on December 4, 1942; to major general (temporary) on May 31, 1944; to lieutenant general (temporary) on August 1, 1951, with date of rank from July 29, 1951; to major general (permanent) on August 3, 1951; to general (temporary) June 23, 1953.

Mr. PASSMAN. At this time we shall hear from General Taylor.

STATEMENT OF THE CHAIRMAN, JOINT CHIEFS OF STAFF

General TAYLOR. Mr. Chairman and members of the committee, I am glad to have the opportunity to appear before you in support of the military assistance program for the fiscal year 1964. I view this program as an integral part of our national military strategy and feel that it is of comparable importance with our own national military programs in support of which I recently gave testimony before the appropriate committees of the House and the Senate.

A continuation of military assistance is necessary for the same reason that continued heavy expenditures for national defense are necessary; namely, the threat to the free world remains undiminished. In spite of the problems which we see arising in the Communist camp, the economic difficulties in the Soviet Union, and the ideological division between the Soviet Union and Communist China, the world Communist bloc remains impressively strong in military and subversive resources and continues to pursue a policy of exploitation by aggression, infiltration, and the support of so-called wars of liberation in covert attack upon weak governments of the free world. Unfortunately, I see nothing which leads me to believe that this situation is likely to change in the short or the midterm. Indeed, in some areas of the world, new areas of conflict appear likely with which the United States will be obliged to reckon in the future.

It might be of interest to the committee to hear how the Joint Chiefs of Staff arrive at their determinations with regard to the requirements for military assistance for friendly governments. We use the same strategic planning document to establish the requirements for U.S. forces worldwide and for the military establishments in friendly countries which we need to support our national strategy. Thus, we examine concurrently our own forces and those which we would like to see maintained by our friends.

In the end, these desirable forces are not the same as those for which we recommend military assistance. The latter are always a much smaller tabulation limited to countries of particular military importance and to forces which bear a particular complementary relation to our own. For example, in the case of allies associated with us in area security pacts such as NATO and SEATO, we are interested in assisting primarily those forces committed to specific contingency plans. Consideration of these coalition requirements is a constant reminder to the Joint Chiefs of Staff of the interlocking relationships existing between our national military program and those of military assistance.

As a result of JCS studies, in many countries there is a significant shift in the emphasis of U.S. military assistance from what I would call conventional forces to those elements of defense directed at resisting subversive insurgency. We have all been deeply impressed with this new Communist threat which has been proclaimed by Khrushchev as his favorite tactic for future expansion. We see this tactic in full application in Laos and in South Vietnam. We see symptoms of subversive insurgency in Thailand and in many countries of Latin America. We feel that the way to defeat subversion is to identify symptoms and eliminate basic causes.

These considerations have caused a reorientation of our military assistance efforts in countries threatened by subversion from the provision of heavy equipment, artillery, and tanks, for example, to emphasis on improved intelligence training, the paramilitary tactics of small units, and the use of indigenous military forces in what we call civic action. The latter term embraces local activities directed at making civic improvements, raising health and living standards, providing greater safety and well-being in the villages of backward areas, and establishing a closer bond of loyalty between the common people, the military, and their government. While much of the financial support for this kind of activity comes from nonmilitary aid, nonetheless, in our military assistance programs, we are stressing the training and development of leaders who understand and can apply these techniques.

I would like to mention one other aspect of the military assistance programs which always seems extremely important to me. This is that relatively inexpensive part which provides funds for the training of foreign military personnel; particularly, that training which takes place within the United States. As you know, the Armed Forces have trained many, many thousands of foreign military in the course of recent years. Last fiscal year, that is 1962, for example, the number of graduates from U.S. military schools amounted to 17,790 trained in the United States, 10,040 trained abroad, for a total of 27,830. As a result of the proliferation of this training and the wide dispersal of graduates who have received training in our schools, it is impossible

to travel without being buttonholed by enthusiastic alumni. I never get off an airplane in a distant country without being saluted by one or more officers proudly wearing the badge of Fort Leavenworth, of Fort Sill, of Fort Benning, or of one of our other military institutions. Apart from its military importance, the personal association and mutual understanding resulting from this kind of training will be of incalculable value in the relations of the United States and the many countries contributing students to our schools.

I am sure that you will expect me to answer the question, "Are we getting our money's worth from the military assistance program?" Obviously, in a program as large and widespread as this one, we have not attained and will never attain perfection in its administration. We are improving, however, and I am convinced that, in the aggregate, we are getting our money's worth. In many areas, I see encouraging signs of the success of this program. In the bitter struggle in the Republic of Vietnam 1962 was a critical year. For the first time in 15 years the people of Vietnam, with our military assistance, started winning instead of losing their fight to protect their freedom. In Thailand, the Government, with our assistance, is effectively pursuing a broad program to train and equip regular and paramilitary forces to combat infiltration and subversion. In our efforts to create conventional military strength as a counterpoise to the trained Communist military manpower, we are assisting friendly countries who are maintaining ground forces of about 4 million men, some 8,000 operational aircraft, and about 1,900 naval craft. They spend some $23 billion to maintain these forces. Our contribution to the maintenance of these forces is directed primarily toward those countries which are financially weak and which are facing the greatest threat. This contribution during the coming year will amount to about $1.4 billion. This does not appear an unreasonable sum in relation to the military reinforcement of the West represented by these forces.

In conclusion, I would like to express my agreement with the Clay Committee's conclusions on the future of U.S. assistance programs wherein they stated:

> We are convinced that, barring extraordinary developments, U.S. security interests wil require maintaining our military assistance programs for some years to come, though it should be reduced progressively as economic capacities of the recipient countries improve.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you very much, General Taylor.

As reference has been made to the Clay report, let me say that the Clay Committee has pointed out some of the things this committee has been pointing out for years. A member of the Clay Committee, a high-ranking member, said to me recently that without the actions which had been taken by this committee there would today be no foreign-aid program, that had it not been restrained it would have fallen of its own weight.

MILITARY ASSISTANCE TO TURKEY

At page 9 of Secretary McNamara's statement, line 6, I read:

> The proposed fiscal year 1964 program for these countries amounts to $- - - - million for Greece and $——— million for Turkey.

Last year Turkey received $167,887,000.

Reading from the NATO Journal of August 1962, I quote:

General Norstad, Supreme Allied Commander, Europe, arrived at Ankara recently, accompanied by Nuri Birgi, Turkey's permanent delegate to the NATO Council, to discuss reorganization plans and new equipment for the Turkish armed forces.

Conclusion: No change is contemplated in Turkey's contribution to the Alliance. General Norstad's comment: "The Turkish Army is already equipped far beyond its needs."

It is difficult to reconcile one statement with the other.

Secretary McNAMARA. Mr. Chairman, I don't believe General Norstad ever made that statement.

Mr. PASSMAN. This is from the NATO Journal, August 1962. I do not know whether he made the statement or not but it is taken from the printed journal. You may want to check on the matter.

Secretary McNAMARA. The fact that it is printed doesn't lead me to believe it is true. There are many things that are printed that are not true, in my experience.

Mr. PASSMAN. I certainly agree with you in that respect. However, there are usually three sides to any issue—your side, my side, and the right side. We are all looking for the right side, of course.

Secretary McNAMARA. I can speak with some personal knowledge of this situation because General Norstad specifically spoke to me about the cuts that we made in the Turkish program of last year. It is true that last year's program—the fiscal year 1963 program was $167.9 million for Turkey but that was cut very substantially below the levels recommended by General Norstad because our appropriation was cut about $175 million. General Norstad personally protested to me about the cut being made in the Greek and Turkish programs, so I cannot believe he ever said what he is alleged to have said in that article.

General TAYLOR. I have just returned from Turkey, Mr. Chairman, and I can assure you the requirements General Norstad laid down are still being supported by the NATO command.

Mr. PASSMAN. I am only quoting from the publication. Is the publication put out by the NATO people?

Secretary McNAMARA. I never heard of it.

General TAYLOR. I never heard of it.

Mr. PASSMAN. You have heard of it now and you may wish to have it checked.

(NOTE.—Additional information may be found beginning on p. 123.)

Mr. RHODES. Mr. Secretary, how much of the cut of $175 million was allocated to the Turkish program?

Secretary McNAMARA. It is on the order of $30 million.

Mr. RHODES. That much?

Secretary McNAMARA. Yes.

Mr. RHODES. That is a larger cut percentagewise than other parts of the program received.

Secretary McNAMARA. Yes, because in addition to absorbing the $175 million cut we had to take care of a substantial program for India which had not been contemplated and a very substantial increase in the South Vietnamese program. The combination of those two additions to the program and the $175 million cut led to a larger cut in Turkey and certain other programs which had been shown to the committee as part of our presentation last year.

Mr. RHODES. The great expenditure in India occurred much later than the allocation to the program.

Secretary NcNamara. The point I am making is that General Norstad had been told that of the originally submitted programs to Congress we contemplated x amount for Turkey and that amount was cut very substantially both because of the $175 million and because of the reallocations within the program to take care of the unanticipated demands for India and South Vietnam.

Mr. Rhodes. What was the original allocation to Turkey?

Secretary McNamara. The original amount was $201 million. It was cut $33 million.

Mr. Rhodes. Which is roughly 12½ or 13 percent.

Secretary McNamara. Something like that, 16 percent.

Mr. Passman. What is the allocation to the Republic of China for fiscal year 1963?

Secretary McNamara. A very substantial cut was made there also.

CONGRESSIONAL REDUCTION IN FUNDS REQUESTED

Mr. Passman. We are glad to hear about the cuts. I have yet to find a case where the cuts were actually harmful. Tell us about the amount of the cut.

Secretary McNamara. I will be very happy to. The original amount was $179 million and it was cut to $93 million.

Mr. Passman. May I ask you, sir——

Secretary McNamara. Let me comment on your point about lack of harm. I must say in the eyes of our military commanders—particularly General Norstad by the way, because he complained bitterly and long to me about this in Athens last year—the cut was a very serious cut. It cut ammunition stocks below what our commanders in Greece and General Norstad under whom they function believe to be reasonable levels. The Iranian cut was a cut in ammunition stocks. The Turkish cut was a cut in what they consider to be very desirable communications equipment.

(Off the record.)

Secretary McNamara. So I don't accept the point that these cuts weren't serious. They were serious.

DEOBLIGATION OF FUNDS

Mr. Passman. You are familiar, I suppose, with the MAP recoupments? In the economic grants part of the program they call it deobligated funds. Is it the same thing where you have programed or obligated, and are reserved, then you deobligate, then you have available funds that you can reobligate or reserve?

Secretary McNamara. I can't speak to the grant economic aid terminology, but I think the——

Mr. Passman. Is "recouping" about the same thing as "deobligating"?

Secretary McNamara. Recoupments are a result of careful screening of the past programs in an effort to eliminate from them any plans and proposals which could possibly be canceled and to utilize those funds for other purposes.

Mr. Passman. So it becomes new money for new obligations.

Secretary McNamara. I don't believe "obligation" is the correct term but it is a——

Mr. PASSMAN. "Reservation"?

Secretary MCNAMARA. It is a cancellation of past programs and a replacement of those with new programs. Or, as Mr. Bundy points out, a result of price adjustments, because, of course, all of these previously funded programs are based on anticipated prices, some of which turn out to be higher and some of which turn out to be lower than anticipated.

Mr. PASSMAN. That is good enough for me. It simply means, in any way of putting it, that you deobligate funds which you previously had obligated and/or reserved, either for hardware that you did not need for the program or did not use for the purpose it was obligated or reserved for, or price adjustment, whatever the amount may be. Whether you call it recoup or I call it deobligate, it is funds made available for new obligations or reservations.

Secretary MCNAMARA. It is really recoveries from past programs.

Mr. PASSMAN. I call it deobligate because you did not use it for the purpose for which it was originally obligated or reserved.

When we go to the justification books—and we must go to the justification books—we find that in July 1963 and after there would be $2,398,275,000 in unliquidated funds.

Secretary MCNAMARA. That is right.

Mr. PASSMAN. This is the aggregate, or total, for your entire unliquidated credits to the military assistance program is it not? Then you break it down by individual countries to get the grand total, do you not?

Secretary MCNAMARA. The total is broken down by individual countries; yes.

Mr. PASSMAN. This is the total here. You give the individual country, the total for the country and then this becomes the grand total for the amount of unliquidated funds?

Secretary MCNAMARA. Yes; that is correct.

Mr. PASSMAN. Thank you.

You have a credit in Norway of $100,996,000 obligated for future deliveries to that country; is that correct?

Secretary MCNAMARA. Yes; that is correct.

Mr. PASSMAN. Would you be able to tell the committee upon what dates you obligated these funds and the type of hardware involved?

Secretary MCNAMARA. Yes; of course. The type of hardware is shown on that page and the dates I would be quite happy to provide you. The hardware is shown on the lower half of the page.

Mr. PASSMAN. Is this something you have used in the past?

Secretary MCNAMARA. We have used this in the past.

Mr. PASSMAN. Could you tell us on what dates they entered into deobligations?

Secretary MCNAMARA. Yes.

We can go back and examine what you call the date of obligation, which I don't think is technically the correct term for it. We can determine the date on which the plan was made to provide this equipment to each of the countries, if you wish us to do it for the entire program——

Mr. PASSMAN. Give it to us for 10 countries, if you will.

Secretary MCNAMARA. We will be very pleased to and we can do it very quickly.

Mr. PASSMAN. Is this where you will get your deobligated funds, or recouped funds, by screening these prior allocations, or reservations? This represents a figure that is available?

Secretary MCNAMARA. Yes, sir.

(The information supplied to the committee is classified.)

DEVELOPMENT OF MILITARY ASSISTANCE ESTIMATES

Mr. PASSMAN. You have your MAAG chiefs out in these different countries. Does this program originate at the MAAG chiefs' level, as to what their requirements may be, what they need?

Secretary MCNAMARA. Not entirely. It often originates in national policy and, in many cases, with contingency war plans, developed by the unified commanders, approved by the Joint Chiefs, and then translated into policy guidance by the Joint Chiefs. These policy statements are sent to the MAAG chiefs to serve as a foundation upon which they prepare their military assistance recommendations for their respective countries.

Mr. PASSMAN. When you finally approve a figure for, we shall say, the Republic of China, it is after you have had consultation with the MAAG chiefs and all of the other levels, and they arrive then at the amount for this particular country?

Secretary MCNAMARA. Yes, sir; that is correct.

AMOUNT BUDGETED FOR REPUBLIC OF CHINA AND THAILAND

Mr. PASSMAN. We were out in Hong Kong last year. General Sanborn came over from Taiwan. This is one of the programs we asked specifically about.

He said that his program would be for ——— million, and I notice in your statement, Mr. Secretary, that you have planned ——— million.

Secretary MCNAMARA. Mr. Chairman, again there may be a misinterpretation of what people said. I will personally cable the general tonight and ask him what he believes his program is, because there has been a lot of controversy over the Republic of China program.

Mr. PASSMAN. That is up to you, Mr. Secretary. I am telling you what the general said to us.

Secretary MCNAMARA. I think we should be very careful in interpreting what is said because I don't wish this committee to believe that the MAAG chief in China, in Taiwan, believes that the program we are recommending is 33 percent higher than is necessary because quite the contrary is the case.

(Off the record.)

Mr. PASSMAN. We asked a question and received an answer as I indicated. If you want to wire the general you do so.

Secretary MCNAMARA. I would not only like to wire but I would like to ask, Mr. Chairman, if my request and the reply to it could be inserted in the record at this point because I don't wish to leave on the record any indication that we have submitted a budget for the Republic of China 33 percent more than the MAAG chief represented. Such is not the truth.

Mr. PASSMAN. I do not know what he recommended, but I do know what he said to us.

Secretary MCNAMARA. The implication by your question in the record is that the budget is 33-percent higher than he requested.

Mr. PASSMAN. When we were there they did not know what figure you had in the program for them. They said in effect, "We can't tell you. Washington hasn't told us yet what they are going to give us."

Secretary MCNAMARA. That is correct, undoubtedly, because Congress didn't pass the bill until late October and we had to completely rework the program. It took 2 or 3 months to do that and in that intervening period it was impossible for our MAAG chiefs to have the answer to such questions as that.

Mr. PASSMAN. You might also wish to wire this MAAG chief, another one. I have a statement that he was not familiar with the ——— million estimate that was in your 1963 budget.

General TAYLOR. Which country is that?

Mr. PASSMAN. Thailand.

Now, we could go through a lot of these countries and ask questions, but I wish you would check on those two. In Thailand, I think the Ambassador and several others were there when the statement was made.

Mr. FORD. Would the chairman yield?

Mr. PASSMAN. Yes.

Mr. FORD. May I ask who was on the trip and who was representing the committee?

Mr. PASSMAN. Mr. Merrill, our staff assistant, and myself, the chairman of the subcommittee. The statement was made in the presence of the Ambassador and others, in the Ambassador's office in Thailand. In the Hong Kong hotel room when General Sanborn appeared were the general and his aide and Mr. Merrill and myself. Let me note that I did not indicate these people said that was all the money they wanted. We asked the question about what they expected and these were the figures that they gave us.

Secretary MCNAMARA. Mr. Chairman, may I ask therefore that the telegram to General Sanborn from me and his reply be inserted in the record at this point?

Mr. PASSMAN. Surely.

(The information follows:)

(The following is the exchange referred to. Both Secretary McNamara's cable and General Sanborn's response were transmitted in classified form. To avoid revealing the cryptographic methods used in transmission, the wording of both messages has been altered slightly, without affecting the substance of either message.)

SECRETARY M'NAMARA'S CABLE TO GENERAL SANBORN

An extract from the transcript of the hearing held yesterday before the Foreign Operations Subcommittee of the House Appropriations Committee follows:

(The cable then transmitted the material that appears in pages 79–80 of the printed hearings.)

Your comments are requested. In those comments include a statement which indicates whether you provided the figure in question and, if you did, the context in which it was provided.

GENERAL SANBORN'S RESPONSE

1. Responding to your cable and to your request for specific information, I mentioned the dollar amount in question to Congressman Passman in the following context:

(*a*) Congressman Passman had been scheduled for a visit to the Republic of China in late 1962. He had indicated several areas of interest, especially the Republic of China military assistance program. When it became clear that his tight schedule would not permit a visit to Taiwan, I arranged to meet him in Hong Kong.

(*b*) Our meeting took place in his hotel room in the afternoon of November 24, 1962. I and Major Steward were there from the MAAG. Congressman Passman was accompanied by Mr. Merrill, his administrative assistant. The meeting, which lasted about 75 minutes, was conducted in a congenial manner. The chairman's knowledge of military assistance to the GRC impressed me as being vast and intimate. While we discussed many topics, Congressman Passman discussed at great length the budget cut for nations receiving military assistance. The Congressman elaborated to me the breakdown of money allotments and emphasized a question which his committee invariably posed to various MAAG chiefs. The question was what percentage of the total equipment provided by military assistance is still carried on the inventory as usable. I responded that this information was being compiled at my direction by my staff and that it would be sent to him. (The information was subsequently forward to him through the Director of Legislative Liaison.) Congressman Passman indicated that there was often a disparity between figures available to him in Washington and those furnished to him by various MAAG and AID mission chiefs. He then asked me to provide the amount which I had been given as the amount for fiscal year 1963 for my MAAG. I answered that I had not as yet been officially notified by Cinpac, as Washington agencies were still refining the program. I was asked if I had any indication of what the final program would be. I answered that I had informally learned that it probably would be in the neighborhood of the figure Congressman Passman quoted to you. Congressman Passman inquired as to whether I could work out my program with that sum. (He was quite familiar with previous programs which were about $150 million each year.) I replied that I was a military man rather than a politician. I stated that I take my guidance from Commander-in-Chief Pacific and Department of Defense directed force objectives and when the time arrived we would rework the final program to fit the amount allocated. I further explained that if the ultimate amount for fiscal year 1963 were the amount we mentioned we would redo the program to achieve the maximum potential from it. He asked me if the MAAG could use more money than that amount. I noted that I probably did not differ from any MAAG chief in the world, that we certainly could use more money, that the program could be accelerated, that a large portion of our shortfall could be reduced. I said that I could use effectively two or three times that amount. Again he asked if we could make effective use of additional funds, that his subcommittee has seen wasteful procedures in many military assistance recipient countries and wanted to stop these procedures, and that his only interest was in the United States getting the maximum benefit from U.S. assistance dollars. I assured him that this was also the desire of the Department of Defense and in particular of Admiral Felt, my immediate superior. He asked me how much I wanted for the Republic of China program. I advised him that I had put in for around $150 million for fiscal year 1963. He advised that the fiscal year 1963 figure he had mentioned would probably be about right when I was officially notified. He stated further that funds were going to be very tight and I could probably anticipate a considerable reduction from the fiscal year 1963 program and in subsequent years as well. Chairman Passman stated in parting that he had thoroughly enjoyed our discussion, that I (Sanborn) seemed really to know the program and concurred with my observation that the Republic of China is probably, in this area, one of the strongest allies we have.

2. Mr. Secretary, I have reconstructed the content of this message to the best of my ability from a discussion that occurred in November 1962. I do not object to its being made a portion of the official record.

Secretary McNamara. May I add in relation to Thailand that it be noted that I personally met with the MAAG chief in Thailand during my 7 or 8 meetings in Honolulu over the past 10 or 15 months. These meetings included the Ambassadors to South Vietnam and the military commander in South Vietnam on each instance and on several occasions included the Ambassador and the MAAG chief from Thailand as well. These meetings were devoted largely to a discussion of the military assistance to be provided to South Vietnam but on several

occasions we specifically considered the MAP programs for both Thailand and Vietnam. The only reason the MAAG chief for Thailand would at any time have been unfamiliar with our plans for military assistance for Thailand was that the congressional appropriation was not passed until late in October. It was so much below the program that we had planned and in the intervening period the requirement for South Vietnam had risen so much above the original levels that we had to rework the entire program and it was to rework the program and solicit his views in relation to the new program that I met with him.

I will furnish for the record the dates on which our meetings in Honolulu were held.

(Information supplied follows:)

Dates of meetings between Secretary of Defense and Thailand MAAG chief in Honolulu. In the last 15 months the Secretary of Defense has met with the chief JUSMAG Thailand in Honolulu on July 23 and October 8, 1962.

Mr. PASSMAN. I think I said that they told the committee they did not know how much you had budgeted for them. Forgetting all about the subsequent date on which you got the money, you may want to find out about those statements.

Secretary MCNAMARA. I will be very happy to.

Mr. PASSMAN. I am not going to make any statements that are not in keeping with the record given to us out on these investigations.

PARTICIPATION OF MAAG CHIEFS IN MILITARY ASSISTANCE PLANNING

Secretary MCNAMARA. Mr. Chairman, I think it is very important that the other members of the committee understand that our MAAG chiefs are intimately acquainted with the programs for their countries and are kept constantly informed of the changes that are necessary in those programs because of decisions at higher headquarters and because of modifications required to meet the congressionally authorized budgets. As a matter of fact, I make it my business myself to deal with many of these MAAG chiefs. I have told you how I have met with the MAAG chiefs from South Vietnam and Thailand upon a number of occasions in the past year. I likewise met with those from Greece and a number of other countries, including the head of our mission in India, for example, on several different occasions. So I don't wish the committee members to be left with the thought that our MAAG chiefs are ill-informed as to either their own requirements or as to our views of those requirements.

Mr. PASSMAN. Mr. Secretary, I am not trying to win an argument. I want to say again that the MAAG chief in Thailand did not know what had been proposed for him for fiscal year 1963, in the budget. That is the statement I made. Now, we could go into a lot of other countries and I am sure there are discrepancies between their understanding and what we get back here.

Mr. RHODES. Mr. Chairman, would you yield at that point?

Mr. PASSMAN. Surely.

Mr. RHODES. Actually, Mr. Secretary, I was on one trip with the chairman to Europe, during the Eisenhower administration. I can say very definitely that the MAAG chiefs in Europe at that time did not know what had been programed for them by Washington. They

knew what they had requested. I think it is safe to say they knew what had gone forward from the Army headquarters in Europe for them, but they did not know what happened in Washington after all the budgetary processes had been gone into and the final figure was synthesized. They did not know what was in the budget request which would have been earmarked for their particular activity. I think that is what the chairman had in mind.

Mr. ROONEY. Is it possible that this was due to the late passage of the appropriation by the Congress and delay in reprograming as a result of the reductions made by Congress?

Secretary MCNAMARA. Yes, I think that is the major factor contributing to it. It depends upon the particular time of year, of course, that we are talking about. During the period roughly from now to December, the fiscal year 1964 program, for example, will be in a constant period of change because the authorization bills may be different than we have recommended, the appropriation bills may be different from the authorizations and the requirements are constantly changing. As a matter of fact, Admiral Felt came in the day before yesterday from the Pacific and brought with him new estimates of the requirements for South Vietnam. To illustrate the kind of a problem we face, we have South Vietnam in the fiscal year 1964 program at ——— million. Admiral Felt told me at a meeting in Honolulu a week ago Monday, attended by General Wheeler representing the Joint Chiefs, Mr. Bundy and myself and a number of others as well as the Ambassador from South Vietnam and the Commander, U.S. Military Assistance Command, General Harkins from South Vietnam—that in his opinion the program for fiscal year 1964 should be at least ——— million for South Vietnam, whereas we had in our budget ———.

I told Admiral Felt I doubted very much that funds would be available to support a program that large and urged him to reconsider, which he agreed to do. He came in day before yesterday and told me that he thought perhaps it could be cut to ——— million. Now, that is still ——— million above the level in this budget. Assuming for the minute that we are to meet that, it can only be met by taking ——— from someone else, assuming that the Congress appropriates all the funds we request.

We are constantly making these adjustments. To the extent they are important to the MAAG chiefs and to the extent that they are firm in their effect, we inform the MAAG chiefs of them. But, as I say, from roughly the 1st of May until the 1st of December the program will be undergoing a substantial series of changes. I think during that period it is understandable that the MAAG chief may not have the latest information.

Mr. PASSMAN. I repeat, when we were in Thailand in November and had a meeting with the MAAG chief we mentioned the fact that the budget request was ——— for Thailand for fiscal year 1963. Even though we had held the hearings in March of 1962 and we arrived there in November, 1962, he did not know the amount of the budget estimate that had been submitted to the Congress.

Now, that is a statement of fact. The information I gave you with reference to the Republic of China also is a statement of fact. All I can say is, here are the things we were told. We established last

year that there had been two rifles allocated to each soldier in a certain country. They said, "Well, that was an error." In another case where there was one and one-half rifles per soldier, and they said that was a misunderstanding. In another country where there were two planes for each trained pilot, we were told there was a misunderstanding there.

I could go back to the former position of our present Commander in Chief for support of opposition to excessive appropriations for foreign aid.

He said, in effect, that this military program should be cut, and he said we were downright, by my interpretation, stupid to think that we could—let me read it, and I won't use the name——

Mr. RHODES. If you don't, I will.

Mr. PASSMAN. Well, here it comes from a former Member of Congress from Massachusetts, with reference to an amendment offered to reduce one item from $175 million to $140 million, I quote:

> 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 oligarchy which they might follow in the future themselves. I believe in military assistance to this area and that is a good thing, but 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. * * * I say it is impossible for us to think of raising the standard of living of all the low-standard countries of the world. I believe the funds provided in section 203 can well be cut by the amount in my amendment. The cuts can be applied proportionately to the programs affected.

And if I go on, this has to do with military assistance:

> Mr. Chairman, I offered a similar amendment to cut the military assistance to South America Republics last year, and I offer it again to cut $20 million. It does not seem to me there is any use spending as large an amount of money as this on military equipment to South American countries.

I only want the committee to support the amount of money that is needed, not the amount that is wanted. Ever since I have been here I have known that there is is an asking price and a taking price, and if we had appropriated all the money that the executive had asked for during my 17 years here, in all probability our public debt instead of being $1.051 trillion, including both borrowed money and statutory obligations, would be $150 billion or $200 billion more than it is.

Secretary MCNAMARA. Mr. Chairman, could I comment on some of the points you made. You made five to eight points. I will try to remember them and comment on them.

First, going back to Thailand, the MAAG chief you say in November didn't know the amount that had been submitted in the budget in March.

Mr. PASSMAN. I said he told us he did not know. Maybe he did know and did not want to tell us.

Secretary MCNAMARA. I think it is quite understandable if that is the statement he made, because the MAAG chief was changed in July, if I recall correctly, after the budget was initially submitted in March. More important, the entire program was changed and in contrast to the other cases we have mentioned so far in which the fiscal year 1963 budgets submitted by the MAAG's were universally cut, in the case of Thailand the budget was increased very substantially. As a matter of fact, 70 or 75 percent, because between March and November the situation changed there to the point where Thai-

land was facing a serious potential threat of either overt or covert invasion. For that reason the entire military assistance program was reworked. I personnally met with the Ambassador and the military assistance personnel to rework it. We changed the command structure out there between March and November to meet the changed situation. There was no reason why the new MAAG chief should have been familiar with the original budget submitted for Thailand.

IMPROPER ADMINSTRATION OF MILITARY ASSISTANCE PROGRAM

Now, second, you mention you have a number of instances relating to presumed inefficiencies in the military assistance program——

Mr. PASSMAN. Did I use the word "inefficient," Mr. Secretary? I was reporting on the not infrequent differences between what we are told here and what we were told in the field.

Secretary MCNAMARA. You were speaking of two aircraft per pilot and illustrations of that kind. I don't know what you would call it. In the first place, I don't think it is true, but——

Mr. PASSMAN. If you do not think it is true you may read the record and you will find it is true.

Secretary MCNAMARA. I don't believe it represents the conditions that exist in the field today. In any event, the point I wish to make is that I understood you to say you had a number of questions regarding the program but because of lack of time wouldn't submit them.

I am perfectly willing to spend whatever time is required to answer completely and fully any claims that the military assistance program today is improperly administered or that we are providing assistance in excess of that which the nations require and which we require in our own national interest. Specifically I know of no situations any place in the world in which there are two aircraft per pilot or one and a half rifles per man.

Mr. PASSMAN. I was speaking then of the past, Mr. Secretary. I was pointing out some of the things that were established before the committee during the past year or two.

Secretary MCNAMARA. I think that deserves emphasis, then, because those are not the conditions of today. I don't believe that record has any bearing on the requests that we are making for fiscal year 1964. And in particular I want to emphasize again that the Clay Committee after sitting for 90 days, after listening to General Taylor, Mr. Bundy, General Wood, and other witnesses from the Defense Department, including myself, concluded that we had a sound military assistance program. I believe it will support fully the program we have recommended to the Congress, $1,405 million for fiscal year 1964.

Mr. PASSMAN. I cited the record specifically, and the incidents that I referred to were in 1962. I am making it as a statement of fact and it is in the record. I am only telling you I think there are a lot of weaknesses in the program. I think it is the most wasteful part of the foreign aid program, and I think we will get along a lot better if we work it down to the bare essentials.

I could go along and say this to you, sir, that at one time I think you had an allocation of $206 million—when I said "you," Mr. Secretary, I am speaking of the millitary assistance program. I think it

was $206 million they had allocated to one country in Europe. The MAAG chief indicated they no longer needed this type of equipment, but as it had already been allocated to the military assistance program they decided to let it roll. From that country they reallocated to other countries, and during the hearings we had in Europe we ran into many instances where military equipment had been allocated to a country and then was being reallocated to other countries.

I think the program could be tightened up.

Secretary McNamara. Mr. Chairman, I would consider it a personal privilege if you would let me have these instances of maladministration if they relate to current circumstances or even 1962, for that matter——

Mr. Passman. Let me say respectfully, they are in the record. I certainly wish you would look into them.

I want to refer to one other program.

Secretary McNamara. Surely. I would——

CURRENT MAP PROGRAM IN THAILAND NOT JUSTIFIED BY PRESENT ADMINISTRATION

Mr. Passman. Are you familiar with the ——— program in Thailand?

Secretary McNamara. I was trying to think of what the letters mean.

Mr. Passman. Is it something like the infrastructure program in Europe? It is a very expensive program and the committee knew nothing about it until we arrived in Thailand last November.

Secretary McNamara. Off the record.

(Discussion off the record.)

Mr. Passman. Of course things moved rapidly. Did you justify any part of this particular program to the committee last year?

Secretary McNamara. We did not.

Mr. Passman. What is the total cost of it, sir?

Secretary McNamara. I would have to go back and see. I guess it is on the order of ——— million from the military assistance program.

Mr. Passman. The figure they gave to us was substantially higher than that.

General Taylor. Off the record.

(Discussion off the record.)

Mr. Passman. Did you justify any part of the program to Congress?

Secretary McNamara. We did not by that name.

Mr. Passman. Can you tell us the amount of equipment that was sent over from Okinawa and other places, useful equipment that, rather than being returned to Okinawa and to Guam and to other places, was left in Vietnam and Thailand and then it was necessary to build expensive depots in which to store it?

Secretary McNamara. No, sir, I cannot tell you the exact amount.

Mr. Passman. Can you get the information for us?

Secretary McNamara. I will discuss the program but I cannot answer the question on the exact amounts involved.

Mr. Passman. We will be willing to let it go to a later date.

Secretary McNamara. Sir, I can discuss the reason for the action. Equipment was not left in Thailand because we didn't want to move it back to Okinawa and then were forced to construct depots in Thai-

land to house the equipment. The facts were that we were anticipating the possibility that Thailand might again request our presence in that area.

(Off the record.)

Secretary McNamara. In no way was this a waste.

Mr. Passman. Did they build depots to store this equipment that went over from other places to Thailand?

Secretary McNamara. We are providing certain minimal shelters necessary to protect properly logistical support and other equipment we have left in Thailand———.

Mr. Passman. Could you give us the amount of equipment, sir?

Secretary McNamara. I would be very happy to.

Mr. Passman. And the cost of the installations?

Secretary McNamara. I would be very happy to.

Mr. Passman. And the cost of the airfield being built?

Secretary McNamara. Surely.

(The information supplied to the committee is classified.)

General Taylor. (Off the record.)

Mr. Passman. I recognize that fact and that is why I asked whether you justified it before the committee. I think the committee should, if we are going to appropriate money, know something about it.

In what years did you fund this $——— program?

Secretary McNamara. It was funded from fiscal year 1962 funds but I would like to go back to say that some indication on the necessity for this type of program was shown in the presentation book last year. It is not our practice to fund with MAP funds programs that we have not discussed with the Congress when we know of those programs at the time we appear before Congress.

But the international situation changes very rapidly as you know, it was changing particularly rapidly in southeast Asia during the spring and summer of last year and it was at that time ——— was initiated. I will be very happy to check all the dates on this and furnish them to you.

Secretary McNamara. We did fund most of it in fiscal year 1962. funds?

Secretary McNamara. We did, and most of it in fiscal year 1962. The remainder was funded in fiscal year 1963.

Mr. Passman. Did you fund it out of deobligated or recouped funds?

Secretary McNamara. No single program can be said to be funded out of deobligated or recouped funds.

Mr. Passman. Would it follow, then, if you had not had deobligated 1962 funds for the ——— program in Thailand that these funds would have lapsed—the 1962 funds out of which you funded?

Secretary McNamara. I think not because we have items of military assistance which we have had to cut out of both the fiscal year 1962 and fiscal year 1963 funds because of lack of funds.

Mr. Minshall. Mr. Chairman, at the point the Secretary discussed the minimal shelter equipment he described I wonder if at that point in the record you could describe the cost and the type construction that you have in mind?

Secretary McNamara. Yes.

Mr. Minshall. Thank you very much.

Secretary McNamara. I said minimal; it is truly minimal.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. Mr. Secretary, are these depots in such areas of Thailand that ground troops are necessary to protect them from a sudden attack?

Secretary MCNAMARA. No.

(Off the record.)

Mr. RHODES. It is not necessary to employ ground troops?

General TAYLOR. No, it is not.

TOTAL FISCAL YEAR 1963 MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Mr. Secretary, what is the total of the military program for fiscal year 1963?

Secretary MCNAMARA. The total military assistance or the total——

Mr. PASSMAN. Military assistance.

Secretary MCNAMARA. Military assistance program for fiscal year 1963——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Secretary MCNAMARA. The new obligational authority, as you know, is $1,325 million. The recoupments we believe in fiscal year 1963 will total approximately $233 million. There is about $25 million of reappropriation for a total recoupment and reappropriation of $258 million, which therefore makes a total obligational authority of $1,582 million.

Mr. PASSMAN. The allocations out of the fiscal year 1963 appropriation amount to what figure?

Secretary MCNAMARA. $1,325 million.

Mr. PASSMAN. That is the amount that you programed?

Secretary MCNAMARA. We programed $1,582 million.

Mr. PASSMAN. But out of the new appropriation, $1,325 million?

Secretary MCNAMARA. That is right.

Mr. PASSMAN. The other came out of deobligated funds?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. Or your terminology, recoupments?

Secretary MCNAMARA. And reappropriated.

MAP CREDIT SALES

Mr. PASSMAN. It would appear that the grant-aid program in your justifications, book No. 89, is $1,567 million.

Secretary MCNAMARA. Yes, that is correct. There is $15 million for credit sales, which of course must be charged to grant aid under the terms of the law.

Mr. PASSMAN. But it is not included in your total here?

Secretary MCNAMARA. No, because it is not the type of grant aid you want us to show in those columns but it is charged against the program; I should digress just a moment to say that if you study the presentation book you will note that we have greatly increased the volume of sales of U.S. manufactured merchandise sold on credit, thereby reducing the foreign exchange costs of the total defense program. The military assistance program has been of great value to us in that we, as you know, are authorized to finance credit sales by making charges against the grant-aid program for that purpose.

Mr. PASSMAN. Mr. Secretary, I shall quote from the Washington Post, May 14, 1963.

Mr. ROONEY. Is that Pearson's column?

Mr. PASSMAN. No; it is an editorial:

At the request of South Vietnam, some 12,000 Americans are helping that besieged land to fight a war; dozens of Americans have been killed while the Government holds its troops in check. And now, on the morrow of a Saigon-Washington agreement to keep American advisers in their present stations and numbers, President Diem's brother declares that half of the Americans should go home and the other half should not "expose themselves too readily" to enemy fire. Ngo Dinh Nhu further states, after nearly a decade of hostilities, that the time to take the offensive "has not come yet."

What are Americans to make of these fantastic statements? How can Mr. Nhu have the tactlessness to utter such words? Does he not realize how fragile is the feeling here which supports American assistance to his government and his war? One gasps in astonishment at his remarks.

The apparent ingratitude toward American military men is particularly unpalatable. Behind it is the feeling that Americans in the field are conspicuous targets of Communist propaganda, that their presence in the villages is unnecessary when there is no specific fighting to be done, and that their activities if not their intentions are inimical to the Government in Saigon.

The last point is the crucial one. South Vietnam seems not to recognize the Americans' interest in the war they were invited to help fight and in the efficient spending of the more than $500 million a year in aid which Washington provides. What President Diem seems to want is the money. Apparently he wants to use it as he sees fit, without bending to any domestic or American desires that would limit his personal rule. He relies on Washington's strategic interest in his land to keep American aid flowing regardless of the shortcomings of his own regime.

How long must the United States help President Diem to lose his war and waste its money, to delay the reforms that alone might gather his regime the popular support that victory requires? Despite the occasionally hopeful reports on the war which leak out from time to time, Senator Mansfield's judgment—that little progress has been made in 7 years—seems from this distance to be justified.

Something must be done. If President Diem feels too politically insecure to prosecute his war, he may force the United States to make some extremely difficult choices. If he continues to maintain a self-defeating dictatorship, the United States may be confronted by the necessity of withdrawing its aid or of demanding reforms that would give the South Vietnamese people a larger voice in their country's fate. Certainly the Diem government ought to be made to understand that the American people have no interest in propping up an unpopular regime if it is more concerned with the pursuit of personal aims than with protection of the country from communism.

I thought maybe you would like to comment concerning this editorial. I thought I would ask if you are familiar with it.

Secretary MCNAMARA. Yes, I am. I will be very happy to comment upon it. The editorial was written to comment upon two articles written by a Washington Post reporter, articles which had appeared in the Post on May 12 and May 13, reporting this reporter's (Mr. Warren Unna) interview with one of the officials of the Diem government, the Vice President or younger brother of the President.

I think the most remarkable fact of that interview has yet to be commented upon. That fact simply is that the President's brother stated very forcefully his strong feeling that the leaders of that nation must assume the responsibility for organizing the nation to combat effectively the very aggressive campaign of subversion which is being directed against it by North Vietnam, with the presumed help of the Chinese Communists. In answer to those who have sometimes said

that some of our allies are not willing to fight to preserve themselves, the South Vietnamese Government has said repeatedly and he stated to the Washington Post reporter the very strong feeling of responsibility that the politcal leaders of South Vietnam have for protecting themselves, for organizing their people to protect themselves, and for raising the taxes necessary to finance that protection to the extent that they can possibly finance that operation. He, also, specifically stated that it would be catastrophic were the U.S. assistance to South Vietnam to be withdrawn at this time, but because they recognize their own responsibility for protecting their own nation, they hope that we and they together could work to the end that that assistance could be reduced and wihdrawn at the earliest possible moment, consistent with their national safety.

As specifically related to the report of the Mansfield committee, I think it is important to note that Senator Mansfield in his letter of transmittal to that report said, and I quote:

> I have great admiration for President Ngo Dinh Diem which dates from his exceptional achievements in the transition to independence (1954–55). In that period his personal courage, integrity, determination, and authentic nationalism were essential factors in forestalling a total collapse in South Vietnam and in bringing a measure of order and hope out of the chaos, intrigue, and widespread corruption.

That condition of chaos, intrigue, and widespread corruption, as Senator Mansfield indicated existed in 1954 and 1955.

It is a near miracle, it seems to me, that Diem, one man, could have written the constitution, organized the new government of that country, and in a period of less than 10 years, moved that country out of near feudalism into the modern world, more than trebled the educational system of the country, initiated an army, and brought some order to the country. Moreover, he has done this in the last few years under the severest form of subversive attack from the North Vietnamese and the Communists.

Further, I think it is interesting and important to recognize that in the report which Senator Mansfield submitted he had this to say about the achievements of the Diem government:

> Even in the south there was a lull in the struggle from 1955 until 1959. During that time, a considerable amount of constructive work was undertaken. Agricultural production increased under the impetus of peace and land reform. A modest beginning was made in industrialization. Communications were reopened and enlarged. Education expanded, as did other social services. The authority of the central government was extended outward from Saigon and other major cities as travel by road and rail once again became safe throughout much of the south.

Since that time the country has been under the most intensive form of attack.

General Taylor, personally acting as a representative of the President, visited this area in the fall of 1961. It was recognized by him and by our Government at that time that South Vietnam could fall to the Communists unless additional American assistance were provided; ———.

These actions would have been contrary to the national interest of this country. Therefore, a policy decision was made to provide additional assistance to South Vietnam. Since that time we have increased both our military assistance budget and also the number of

U.S. personnel assigned to South Vietnam as advisers and for the purpose of providing necessary logistical assistance to them.

We are far from the point where we can predict the outcome accurately but I think it is fair to say that the Communist drive against the established Government of that country has been blunted and I think we are beginning to see signs of successful activity against the Communists. We see this in reduction in the Communist-inspired incidents, we see it in a more favorable exchange of captured arms; we see it in an increase in the number of defectors from the Communist forces; and we see it in an increase in the recruitment rate for the South Vietnamese forces.

I think under these circumstances neither we nor the South Vietnamese Government should lose heart in our program. I am very optimistic as to the results that are accruing from it.

SENATOR MANSFIELD REPORT ON SOUTH VIETNAM

Mr. PASSMAN. Thank you, Mr. Secretary. I think that you have read from the report of Senator Mansfield and three of his colleagues who accompanied him on the trip. It is the committee print, Committee on Foreign Relations, U.S. Senate, released February 25, 1963.

Secretary MCNAMARA. Yes.

Mr. PASSMAN. We read in this report at page 8, paragraph 4:

It is most disturbing to find that after 7 years of the Republic, South Vietnam appears less, not more, stable than it was at the outset, that it appears more removed from, rather than closer to, the achievement of popularly responsible and responsive government.

Now if we may go to where the Senators sum it up on page 20, the report says:

To sum up, it would appear to us that in present circumstances the interests of the United States in southeast Asia are best served by a policy which—

1. Foregoes the extension of aid programs in the usual pattern into any country of southeast Asia in which they do not now operate;

2. Seeks the orderly reduction of grant aid of all kinds in countries where such programs operate; and assigns the functions of aid mission directors (except in South Vietnam) to the economic counselors of the Embassies wherever this practice does not now prevail;

3. Induces a more equitable contribution from other free nations to the costs of aiding freedom in southeast Asia;

4. Encourages vigorously everywhere through the region relationships of mutual advantage, particularly in commerce and in cultural and educational exchange—

I don't think that is too pertinent to the point I want to make. You were reading one part of the report, I read from another.

Let's read paragraph 5 also, or did I read 5? This pertains to Laos. Let's get Laos in.

5. Provides vigorous support to the Geneva accord of 1962 and the effort of the present provisional Government to bring about a satisfactory solution in Laos, a solution establishing a firm peace and permitting the continued reduction of our deep and costly commitment in that region;

6. Helps to bring about internal peace in Vietnam but maintains, scrupulously, our advisory capacity, recognizing that the primary responsibility in all areas is Vietnamese.

General TAYLOR. I think that describes what we are doing, Mr. Chairman, and doing successfully.

Secretary McNAMARA. May I comment further on this report, Mr. Chairman?

Mr. PASSMAN. Surely.

Secretary McNAMARA. I think I would find myself in complete agreement with the portion of the conclusions that relate to our present objectives in Vietnam.

Mr. PASSMAN. Would you first comment concerning the statement on page 8?

Secretary McNAMARA. I would be happy to.

I think the points of the report that relate to action are summed up in the portions you read and of those portions the portion that relates to South Vietnam states that—

To sum it would appear to us—

the writers of the report—

that in present circumstances the interests of the United States in southeast Asia are best served by a policy which * * * helps to bring about internal peace in Vietnam but maintains, scrupulously our advisory capacity, recognizing that the primary responsibility in all areas is Vietnamese.

This is exactly the objective of our policy.

The report throws light on how it would go about achieving that objective. At the top of page 20, where it says that: * * * the group—the authors of the report—is of the belief—

that an orderly curtailment of such programs and missions—

meaning programs and missions existing at the present time—

* * * in other countries where they now function need not pose a significant increase in the threat to our national security.

But note the following sentence:

Extreme caution, however, is indicated in this connection and the discretion of what to do and when to do it must rest with the President.

That in turn is supported by a previous paragraph at the bottom of page 2, which states:

For it is well to note the obvious at the outset. Any sudden withdrawal from this position—

that is to say in Vietnam or elsewhere in that area—

as, for example by the sudden termination of aid programs * * * would open the region to upheaval and chaos. What would eventually emerge is uncertain but there is little doubt that, in present circumstances, the Chinese shadow on the northern periphery would lengthen over southeast Asia..

I think this expresses the theme of the report with specific reference to the point you made on page 8, where it says that our administration of the programs in South Vietnam and elsewhere have not been without error. I think that is true.

Mr. PASSMAN. Would you pardon me, Mr. Secretary? Are we reading from different reports? The report I am reading from says:

It is most disturbing to find that after 7 years of the Republic, South Vietnam appears less, not more, stable than it was at the outset, that it appears more removed from, rather than closer to, the achievement of popularly responsible and responsive government.

Secretary McNAMARA. Yes. Then it goes on to say:

In retrospect—

Mr. ROONEY. Let the record show that you read something from the same report.

Secretary MCNAMARA. I think it would be desirable.

I would like to point out that I am reading from exactly the same report that you are. I was trying to address myself to the point I thought you wanted me to emphasize, which was specifically that Senator Mansfield points out that:

> In retrospect, the Government of Vietnam and our policies, particularly in the design and administration of aid, must bear a substantial, a very substantial, share of the responsibility—

implying our policies have not been without error.

Mr. CONTE. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. CONTE. I think we should read into the record, from the report the following:

> If the attempt is made to alter these programs via a congressional "meat ax" cut the foreign aid in southeast Asia runs the risk of not merely removing the fat, but of creating a gap which will lay open the region to massive chaos and hence jeopardize the present specific structure of our national security.

Secretary MCNAMARA. I think that clearly is reflected in the report.

ALLOCATION OF FUNDS APPROPRIATED FOR MILITARY ASSISTANCE

Mr. PASSMAN. I do not know who might be thinking of a "meat ax" cut.

As we appropriate the money it is actually based on illustrative programs, is it not, and there is transferability and none of this is specifically earmarked for a particular country? You allocate according to the way you establish the need after the appropriation has been made. Is that a statement of fact?

Secretary MCNAMARA. It is with the qualification, that we come to you with a very detailed program, outlined in this book of some several hundred pages. Because it has not been customary to ask for supplementary appropriations after the start of the fiscal year, we must face the international crises that develop during that year without additional funds in order to properly meet those crises we must, without additional funds, go back and revise the program initially submitted at the beginning of the fiscal year, as a matter of fact, submitted from the unified commands during the latter part of the previous year. Those revisions are absolutely essential if we are to take care of the new situations that develop.

Mr. PASSMAN. The way the Congress appropriates the money for military assistance, you get it in one lump sum?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. And you may allocate according to your assessment of the needs, notwithstanding the illustrative justifications earlier, after you get the money?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. I make that point because of the reference which was made to "meat ax" cuts.

ESTIMATED CONCLUSION OF VIETNAM CONFLICT

Mr. MINSHALL. Mr. Chairman, I have a brief question about South Vietnam.

Mr. Secretary, both you and Admiral Felt not too many months ago made some rather categorical and strong statements about the situation in South Vietnam. In view of the deteriorating situation in Laos do you still hold that view? Do you still share the same words that you stated last January before our Defense Subcommittee and also stated publicly as did Admiral Felt? You put a time limit as to how soon we thought the situation could be remedied in South Vietnam.

Secretary MCNAMARA. I do not believe, Mr. Minshall, I have put any time limit on the termination of hostilities in South Vietnam.

Mr. MINSHALL. Admiral Felt did. Am I correct in that?

Secretary MCNAMARA. He has never done it in my presence although he might have in some other forum.

Mr. MINSHALL. Wasn't it in the press, in a press release or news release?

Secretary MCNAMARA. I do not wish to comment on it other than that he has never given me a time limit.

Mr. ANDREWS. I do not recall it before our hearing.

Mr. MINSHALL. It was a public statement at the time Admiral Felt was here. This was, I believe, at a news conference. At that time if my memory serves me correctly he gave a time limit as to when the situation——

Secretary MCNAMARA. It is possible he did.

Mr. MINSHALL. Do you see any time limit on it?

Secretary MCNAMARA. I would hesitate to place any time limit on the termination of hostilities.

MILITARY SITUATION IN VIETNAM

Mr. MINSHALL. How do you think the situation today is in South Vietnam as against 6 months ago?

Secretary MCNAMARA. I think the Government of South Vietnam is in stronger control of South Vietnam today than it was 6 months ago.

Mr. MINSHALL. I did not ask about the Government. I asked about the total military situation.

Secretary MCNAMARA. The total military situation is better today than 6 months ago ———. I think you should hear from General Taylor on both these points.

General TAYLOR. It always worries us to see such items in the press. I have no doubt in my mind we are going to win in South Vietnam if the domestic front here does not accept a tone of defeatism. The Vietnamese, with our assistance, are winning in the military sense and I would think politically the Vietnamese are making constant progress.

For example, we get the impression from the press that last month there were only a half dozen engagements or so with the Vietcong. Would you care to say what is your estimate of the military activity of last month in South Vietnam? Did we have a dozen battles? 20 battles?

Mr. MINSHALL. I was not there. The newspaper reports were replete with them.

General TAYLOR. Actually there were 900 offensive engagements conducted by South Vietnam against the Vietcong, conducted by small units because this is the war of the platoon and company.

Mr. MINSHALL. I think the engagement of battalion strength was reported to the press.

General TAYLOR. This is essentially a small unit war but the number of units engaged is very, very high and it is constantly mounting in recent months and most of these engagements have been successful.

Mr. PASSMAN. Thank you, General.

REDUCTIONS IN APPROPRIATION REQUESTS

I think the committee would expect me to refute the charges that are made about "meat-ax" reductions. No statement of that nature has ever been true. During the past 8 fiscal years, fiscal 1956 through fiscal 1963, the Congress, in its wisdom, reduced the President's foreign-aid request by $563,300,000 for fiscal year 1956; fiscal year 1957, $1,093,405,000; fiscal year 1958, $618,100,000; fiscal year 1959, $652 million; fiscal year 1960, $1,204,182,000; fiscal year 1961, $558,650,000; fiscal year 1962, $860,900,000; and fiscal year 1963, $1,032,400,000—a total reduction of $6,582,937,000 for the overall program in 8 years. Nevertheless, the record is clear that the Congress has always provided more money than the program needed. It has, in fact, been so acknowledged by the executive branch. There is not a member of this committee who would "meat-ax" this bill. We are not trying to destroy the program. We are trying to face up to our responsibilities and see if we cannot again remove some of the fat from the program.

This year the President himself has recognized that the request was inflated. He has reduced the estimate by $400 million. General Clay, too, has indicated that further reductions could be made.

Secretary MCNAMARA. I think we should be careful in the testimony to indicate which portion of the program we are discussing. I, today, am presenting the military assistance program.

Mr. PASSMAN. Surely.

Secretary MCNAMARA. We did not have any unused funds in fiscal year 1963. We did suffer because of the cut in fiscal year 1963. There is not a unified commander in the U.S. military forces today who will tell you that we did not suffer. Our national defense was injured because of the cut. I can say it without qualification. If there were to be any cut made in the fiscal year 1964 defense budget, and I believe it is a tight budget in its entirety, I would say by all means cut what I would call the domestic military budget rather than the military assistance program. The total budget is a tight budget but the military——

Mr. PASSMAN. You are not referring to the total foreign aid budget?

Secretary MCNAMARA. I am talking of the total U.S. defense budget, inclusive of military assistance. The total U.S. defense budget is a tight budget but the tightest part of it is the military assistance budget. I simply say to the Congress that if it believes it

essential for some reason to cut the total defense budget, it should cut those portions other than the military assistance portion because the military assistance program is the tightest portion of the entire budget.

I would further say that military assistance has been cut already from 3 years ago, fiscal year 1961 when it was $1.8 billion in new obligational authority down to fiscal year 1963, $1.325 billion. We have voluntarily stated to the Clay Committee and now to Congress that it is our hope and belief that we can cut that to a billion dollars by fiscal year 1968. I think we have shown signs of responsible fiscal management and I do state without any qualification whatsoever that the cuts in fiscal year 1963 did hurt our defense posture.

Mr. PASSMAN. I respectfully request you submit factually for the record information concerning any programs that have been damaged by the reductions made in fiscal year 1963.

Secretary MCNAMARA. I will be very happy to.

(The information supplied may be found beginning on page 150.)

RECOUPMENT OF MAP FUNDS

Mr. PASSMAN. What amount of funds did you deobligate in fiscal year 1963 from obligations, or reserves, in previous years?

Secretary MCNAMARA. I would be very pleased to show that, too.

Mr. PASSMAN. Can you do it now, sir?

Secretary MCNAMARA. You will recall——

Mr. PASSMAN. Possibly you and I do not understand each other. Could you tell us? We want it in the record.

Secretary MCNAMARA. You will recall that when I appeared before this committee last year requesting new obligational authority of $1,500 million for fiscal year 1963, I stated that I believed it would be possible in fiscal year 1962 to recover through the program that we had then for reviewing past commitments approximately $317 million for use in the fiscal year 1962 program. This estimate was taken into account when the fiscal year 1963 budget was developed. Further, I thought we could recover about $205 million from prior programs for use in fiscal year 1963, a total of $522 million of what I call recoupments and you call deobligations.

We were in actual fact able to recoup $241 million in fiscal year 1962. That is $76 million less than I estimated at the time I appeared before the committee last year.

We believe by the end of this fiscal year 1963 we will recoup $233 million. That is $28 million more than I estimated, for a net reduction in my estimated recoupments of $48 million. This figure of $1.5 billion that we therefore requested for fiscal year 1963 was based upon my estimate of these recoupments and the recoupments were proven $48 million less than I estimated. In retrospect we needed $1,548 million instead of $1.5 billion.

Mr. PASSMAN. As chairman of this subcommittee, I have been dealing with these programs for 9 years. One year I think we cut the MAP almost $1 billion.

Secretary MCNAMARA. Not the military assistance program, at least, not while I have been in office.

Mr. PASSMAN. Yes, about $983 million for fiscal year 1957. Also, I can tell you that $548,555,000 lapsed one year and the week before it lapsed General Eisenhower thought we were wrecking the program. I went to the White House and told him the facts of the matter and he could hardly believe it. I could cite you many instances where the military has been just as far off on their needs as any other branch of Government. We hope that it is being tightened up, but I do know that if these allocations were as tight as we would like for them to be there would not be so much uncertainty about these hundreds of millions of dollars that you could deobligate, or recoup, or whatever designation you want to give it.

(Short recess taken.)

Mr. PASSMAN. The committee will come to order.

GRANT-AID TO SPECIFIC COUNTRIES

In these Communist or near Communist or those that are leaning toward communism countries ———, under the type of military program that we have in those countries or similar countries, if we lump the total amount and the agreements percentagewise of payment of acquisition cost, would we be violating the security of our country or giving out confidential or classified information? I am speaking now of putting them in the aggregate, total.

Secretary MCNAMARA. Mr. Chairman, I think I would have to examine which countries you are including and for what periods.

Mr. PASSMAN. Two of them will be ——— and Indonesia. I am not going to use the totals by country but the totals of two countries at least.

Secretary MCNAMARA. I think it would be unfortunate to indicate particular countries because of the nature of the relationships between the United States and those countries.

Mr. PASSMAN. Are they sensitive because we do not let the American people know what we are doing?

Secretary MCNAMARA. Of course not.

Mr. PASSMAN. If we should furnish to country X $80 million in military aid and we say to the world that we are selling country X military aid, but then it is established that they are to pay only 5 percent of the cost of the military aid and that in local currency——

Secretary MCNAMARA. You speak of country X. I do not know what country X is.

Mr. PASSMAN. If it is violating security——

Secretary MCNAMARA. I do know that we have stated to the Congress that we propose a grant-aid program for military assistance for ——— million to one of these countries. This is very clear. It is laid out in our programs to you. We have made no effort to obscure that in our classified presentation in any way. I think it is equally clear that in the case of Indonesia we are dealing with a Government which has purchased allegedly from the Soviet Union some $900 million of military equipment, purchased on terms of credit, credit which it has a legal obligation to repay. I think it was previously unwise to state publicly that we, the United States, have a grant-aid program to Indonesia of ———.

Mr. PASSMAN. For the 1950–63 period did you have a military assistance program in Indonesia in the amount of $75,847,000?

Secretary McNAMARA. Cumulative from 1950 through 1963, the total was $75 million; that is correct.

Mr. PASSMAN. Could I ask you, sir, what was the amount of military aid we presumably sold to Indonesia for which they agreed to pay ——— of the acquisition cost?

Secretary McNAMARA. The amount of payment by Indonesia for our military assistance under the sales agreement has varied by year. I will be happy to go back into history and dig that up for you.

(Information furnished to the committee is classified.)

Mr. PASSMAN. Did we not enter into a sales agreement with Indonesia for military equipment in which Indonesia agreed to pay ——— percent of acquisition cost in local currency, but they have refused to pay the ———?

Secretary McNAMARA. For specific periods, that is correct, but we made very clear last year when I presented the program to Congress that it was a grant-aid program as we viewed it, ———, that we had no intention, however, of stating that publicly and that the same statements applied to the ——— program proposed for ——— for fiscal year 1963 and to the fiscal year 1964 program proposed for ———.

I would strongly urge the acceptance of those programs by the Congress.

(Off the record.)

Mr. PASSMAN. That is the same kind of testimony we got 4 years ago, Mr. Secretary.

Secretary McNAMARA. Evidently, it was true then and it is true today because Indonesia is not yet under the domination of the Communists and I believe that our military assistance program is one of the reasons why that is true.

Mr. PASSMAN. Just the other day here was the President of Indonesia, Sukarno, and the President of Red China, holding hands and kissing, condemning the policies of the West and saying, "Our views will prevail."

Mr. MINSHALL. That is not the same story Sargent Shriver told us, Mr. Chairman. He had the Peace Corps winning the battle in Indonesia.

Mr. PASSMAN. In my opinion, a terrific imagination is required to believe that it is wise to spend the American taxpayers' money in a country such as Indonesia, especially when we have to borrow the money, with no possibility of ever paying it back that I can see. Furthermore, in many instances you furnish the equipment for ——— of its original cost and we say that we are selling it to them. Then they do not even pay us the ———.

Secretary McNAMARA. Mr. Chairman, we did not state to the Congress we intended to get anything for it. We stated the entire amount is interpreted as grant-aid and I would go further to say this, if the Congress wishes to have military assistance cut off from Indonesia, then I think it should be written into the law specifically. I personally will not assume the responsibility for recommending to the President that we cancel the program of military aid to Indonesia and ———. We are in an extremely dangerous situation in ———. The amounts we are talking about are negligible in relation to the $50 billion a year that we are spending to protect this Nation against the Communist drive throughout the world. We are proposing ———.

Mr. PASSMAN. Mr. Secretary, in one instance, in Indonesia, and this is several years ago——

Secretary MCNAMARA. I haven't finished, Mr. Chairman.

Mr. PASSMAN. Go ahead, please, sir.

Secretary MCNAMARA. Similarly we are spending ——— million a year in an attempt to prevent the loss of Indonesia, ———. These are neglibible expenditures in relation to the benefits that we have received and expect will accrue in the future.

Mr. PASSMAN. Mr. Secretary, let us go to ———. Only a few years ago they said, "We want to purchase some military equipment. We cannot accept it as grant-aid, but we want to do the pricing."

We agreed to that. The billing was $40 million, or thereabout. They agreed to pay ——— percent of that total. Then there was a joint statement that we had made this "sale" to ———.

Secretary MCNAMARA. Mr. Chairman, I do not believe that is the fact.

Mr. PASSMAN. It is a fact, and it is in the record. You go back to the old records and refute it if you can.

Secretary MCNAMARA. I will use the records, the only ones I have——

Mr. PASSMAN. You seem to have most of the answers, Mr. Secretary, but I know that I know at least a few things about this program. I have been sitting here doing this for 9 years, and I know that everything that I think, do or say is not inaccurate.

Secretary MCNAMARA. The only record——

Mr. PASSMAN. Go to the hearings of this subcommittee.

Secretary MCNAMARA. The only records I have in front of me, the official records of the Defense Department, it is possible they are in error and I will check the congressional records.

Mr. PASSMAN. Whether you ever delivered all of the materiel, I am not in position to say, but I remember very well that the figure, the allocation was $40 million.

Secretary MCNAMARA. The official records of the Defense Department, the only records I have in front of me—which I believe to be correct, but which I will check to make certain—indicate that for the 14-year period, fiscal year 1950 through fiscal year 1963, the total assistance for ——— amounted to $61,100,000, and that for in no year do I have any indication there was a $40 million appropriation.

Mr. PASSMAN. I suggest that you read the record of this subcommittee's hearings.

You are dealing with the amount that is charged to them, are you not, and if you made a $40 million allocation and you received only $2 for it, how would you enter it on that record, as $2 or $40 million?

Secretary MCNAMARA. I would enter it as $40 million.

Mr. PASSMAN. How would the bookkeeping people do it?

Secretary MCNAMARA. This was taken from them.

Mr. PASSMAN. Perhaps some assistant can find it for you in the record of our hearings. I am making a statement of fact.

I yield to Mr. Rhodes.

(The information requested follows:)

By an exchange of notes in 1958, the United States agreed to permit ——— to "buy" military equipment from the United States for ———. The United States subsequently, by supplementary memorandums, committed itself to "sell" approx-

imately $40 million worth of military equipment for ——— worth of ———. The ——— Government paid this amount in full to the U.S. Treasury. At the request of ———, this initial program was denoted a "sales program" ———.

The fiscal year 1962 military assistance program implemented a decision authorizing the further provision of military equipment, materiel and services to the ——— at a total cost not to exceed $43 million. The entire $43 million was to be funded over 4 to 5 fiscal years, commencing with fiscal year 1962. The materiel portion of the fiscal year 1962 program totaled approximately $9 million. The ——— Government, in 1962, paid the United States ——— equivalent in local currency for the fiscal year 1962 portion of the program.

The President, on May 9, 1963, made the determinations required by the FAA making ——— eligible for military assistance. The fiscal year 1963 program is now being developed by consultations between U.S. officials ——— and the ———. Negotiations with the ——— are also underway on terms of payment. In fiscal year 1962, the United States received the equivalent of ——— in local currency, and the U.S. negotiators have been instructed to request the same terms for fiscal year 1963.

IMPORTANCE OF MILITARY ASSISTANCE TO INDONESIA

Mr. RHODES. Mr. Secretary, as I recall it, you have said that if it were not for $——— million foreign aid that ——— probably would become lost to the free world. Do you really think it is that simple?

Secretary MCNAMARA. I do not believe I said that, sir. I stated that the military assistance program, and I was referring to Indonesia at the time I made the statement that I think you may have alluded to, has been an important contributing factor preventing that nation from closer association with the Soviet Union. I believe that the record will support that. I would be very happy to expose to you the confidential records.

(Discussion off the record.)

FIRMNESS OF PROGRAMS PRESENTED TO COMMITTEE

Mr. PASSMAN. Mr. Secretary, last year in a colloquy between yourself and Mr. Ford, you stated that the 1963 military assistance program was a concrete, detailed program, with one major exception. That was the special southeast Asia program; however, on page 3, which describes the 1963 program by category, I note that there are six categories of assistance which are programed to receive more funds than justified to the Congress, despite the congressional reduction of $175 million.

In view of the record, would you say that the 1963 program as justified to the Congress was a concrete program?

Secretary MCNAMARA. Oh yes, indeed, sir, no question about it. For example, the countries that received more funds included India at $60 million. India was in the program at zero. In between the time we came to the Congress, in March or April and now we have had a totally unexpected invasion of India by Communist China. Surely that is reason enough to adjust the program, the concrete program, to include provision for India.

Mr. PASSMAN. How could it be concrete? I am not arguing, Mr. Secretary, that you have the right to do these things, but I always thought that something concrete, firmed up as presented, would remain as presented.

About India we understand, but am I making a statement of fact that you have the several other categories, six categories of assistance, which were programed to receive more funds, notwithstanding the fact that the Congress reduced the MAP appropriation by $175 million?

Secretary McNamara. Yes, indeed. As I mentioned, one of those was India, which received $60 million more than was planned; another was Vietnam, which received ——— million more than was planned. The program was drawn up, November-December of 1961 for presentation to the Congress early in 1962 and for discussion with the Congress in roughly March or April of 1962, Vietnam was planned in that program, drawn up in the latter part of 1961 at $79,600,000. This was before the Government had really implemented General Taylor's report. It was before the series of meetings which I held with the Ambassador and the military commanders in the Pacific, meetings that started in December of 1961 and continued at monthly intervals into July and August of 1962. As a result of those meetings and General Taylor's report and the Government policy decisions the entire concept of U.S. assistance to South Vietnam was changed and it was necessary to increase the program ——— million.

Mr. Passman. Mr. Secretary, we are speaking of firm, or concrete, programs. Maybe my interpretation of what a concrete program is would be different than yours.

You have six categories of assistance which are programed to receive more funds than justified to the Congress, notwithstanding the fact that the Congress reduced the appropriation by $175 million. In view of that record, would you say that the program as justified before the Congress was a concrete program? If the answer is "Yes," the book gives me another answer, but yours is "Yes."

Secretary McNamara. Yes, it is "yes," sir.

Mr. Passman. Have I ——

Secretary McNamara. In the same fashion, if I may finish——

Mr. Passman. What fashion? I am trying to understand.

Secretary McNamara. In the same fashion that the fiscal year 1964 program is a concrete program.

Mr. Passman. Then I see little point in asking questions about the 1964 program if it involves the same type of concreteness and firmness.

Secretary McNamara. It is indeed exactly the same.

Mr. Passman. Indeed what?

Secretary McNamara. It is indeed concrete and it is the same type as fiscal year 1963. It is in such detail that you have before you a book 3 inches thick which contains 266 pages. It lists, by country, the individual items of military equipment, by category of item, by numbers of each item to be furnished by cost of each category of items. It shows the form of assistance we propose to give in detail, including the numbers of individuals to be trained in U.S. schools and the numbers of individuals to be trained in foreign schools for each nation to which we give assistance. All of this detail has been reviewed by the military assistance chief in each country. All of this detail has been reviewed by the unified commander under whose responsibility the country program falls. All of this detail has been reviewed by the Joint Chiefs of Staff and by myself. This I call a concrete program.

But I want to add that I cannot foresee the future precisely. I do not know what moves the Communists may make during the year. We must, therefore, be realistic and recognize that this concrete program may have to change as the international situation changes during the year.

Mr. PASSMAN. I am not arguing with you, but there is a vast difference between my understanding and yours of something that is firm and concrete. I shall ask that page 3 be inserted in the record at this point, if it is not classified.

(The information referred to follows:)

Military assistance: Annual program comparison by category

[In millions of dollars]

	Fiscal year 1964, proposed	Fiscal year 1963, as of Mar. 19, 1963	Fiscal year 1963, congressional	Fiscal year 1962, actual
I. By category, total	1,530.0	1,566.7	1,729.6	1,832.0
Essentially fixed charges	370.3	356.5	395.1	330.5
Infrastructure	77.0	62.0	82.0	56.1
International military headquarters and agencies	12.9	12.9	12.9	12.3
Training	112.3	109.4	139.2	108.6
Supply operations	142.9	147.1	135.0	128.4
Administrative expenses	25.0	24.9	25.0	24.5
Other fixed charges	.2	.2	1.0	.6
Force maintenance	533.5	541.9	566.5	544.1
Spare parts	207.1	233.8	204.6	173.0
Attrition, training ammunition and missiles, repair and rehabilitation of equipment	219.0	170.2	209.7	260.3
Special maintenance programs	10.0	20.2	50.0	19.5
Other consumables	97.4	117.7	102.2	91.3
Force improvement	626.2	668.3	768.0	957.3
Aircraft	148.4	231.1	205.9	327.2
Ships	97.4	44.7	109.5	106.8
Tanks, vehicles, and weapons	50.6	72.2	76.1	110.3
Missiles	41.9	44.4	61.3	175.8
Electronics and communications	60.2	53.7	71.5	71.2
Special programs	126.5	61.7	58.8	.4
Construction	47.4	88.0	69.0	58.0
All other	53.8	72.5	115.9	107.6
II. By area, total	1,530.0	1,566.7	1,729.6	1,832.0
Europe	229.3	237.8	314.4	370.6
Africa	24.5	33.2	37.6	34.4
Near East and south Asia	444.7	442.5	422.9	411.1
Far East	671.9	685.3	830.7	848.7
Latin America	77.3	70.6	77.0	72.1
Nonregional	82.3	97.3	47.0	95.1

NOTE.—Excludes credit financing under sec. 508 FAA.

Mr. PASSMAN. Let whoever reads it understand it. I surely do not.

Secretary MCNAMARA. I assume you are referring to pages 4——

Mr. PASSMAN. I named the page.

Secretary MCNAMARA. I would like to ask, then, if page 3 goes in, that pages 4, 5, 6, 7, 8 and 9 be inserted in the record.

Mr. PASSMAN. Are you not putting in considerable classified material?

Secretary MCNAMARA. This entire record is classified at this point, Mr. Chairman.

Mr. PASSMAN. The one I mention here, page 3, there is nothing classified about this.

Secretary MCNAMARA. Well, I——

Mr. PASSMAN. If you want to confuse it with classified information, that is your responsibility.

Secretary MCNAMARA. At the moment——

Mr. PASSMAN. Is there anything classified on page 3? I did not mention any other pages.

Secretary MCNAMARA. I do not believe page 3 is classified.

Mr. PASSMAN. Thank you. Can page 3 remain in the record?

Secretary MCNAMARA. And I would like in the record, which is the record we are making this afternoon, pages 4, 5, 6, 7, 8, and 9.

Mr. PASSMAN. Is it understood, now, that you are putting classified information in, and it will have to come out of the record before the record is printed?

Secretary MCNAMARA. Mr. Chairman, the entire record will have to pass through a security review.

Mr. PASSMAN. There is nothing on page 3 that indicates that page 3 is classified, Mr. Secretary.

Secretary MCNAMARA. No, sir, but it will still have to pass through——

Mr. PASSMAN. If I do not put page 3 in you understand the record would indicate that neither of us knew what we were talking about. I want the record to show that one of us knew, but if I ever read correctly from the record I am reading now, you are not going to take out page 3 on us, are you?

Secretary MCNAMARA. No, sir; I did not propose to.

Mr. PASSMAN. You do whatever you wish about it.

Secretary MCNAMARA. I did not say I would or would not take it out.

Mr. PASSMAN. What did you say?

Secretary MCNAMARA. I am not the security officer.

Mr. PASSMAN. If it is not classified, may it be inserted?

Secretary MCNAMARA. Absolutely.

Mr. PASSMAN. Thank you very much.

Secretary MCNAMARA. I would like to have this record, which is the committee record, complete and clear to include these pages 4 through 9, which show the changes, country by country, that were made and indicate the reasons therefor by implication.

Mr. ROONEY. Will the distinguished gentleman yield?

Mr. PASSMAN. I thank my illustrious colleague from New York for his complimentary designation. In just a moment I shall yield. Mr. Secretary, I am not arguing with the fact that you have that right. I am merely trying to find out what a concrete program is. You say it is concrete, yet, in my opinion, it is one of the most flexible things I have ever dealt with. There is reason for it, and I do not quarrel with the reason, but I do not see why you insist on calling it concrete, when it obviously is quite flexible.

Now I yield to my distinguished colleague.

Mr. ROONEY. Mr. Secretary, this book marked secret, which contains 265 pages, has information classified as secret at the pages that you mentioned, to wit, pages 4 through 9?

Secretary MCNAMARA. That is right.

Mr. ROONEY. Your request as I understand it, is that in order to understand page 3 the committee should read for their own information——

Secretary MCNAMARA. Exactly.

Mr. ROONEY (continuing). Pages 4 through 9.

Secretary MCNAMARA. This is quite correct, and I think this should be in the record, so the committee may have it available for that purpose.

Mr. PASSMAN. May I say, Mr. Secretary, that each member of the committee has before him a book which contains everything that you are going to put in the record—your entire presentation, in fact—in detail.

Mr. ROONEY. Mine is marked "secret."

The book I have has a number, as have all of them.

Mr. PASSMAN. I think the book should be identified as numbered, but the members of the committee have before them in detail the very things that the Secretary desires to put in the record and later take out of the record. I merely wanted page 3 in so we could answer pertinent questions when it somes time to answer them. If you want to put it in the record and take it out, that is your privilege, sir. However, I want to say again that the committee members have before them just what you are proposing to insert.

Mr. ROONEY. Would the gentleman yield?

Mr. PASSMAN. Yes.

Mr. ROONEY. If I understand the colloquy I had with the Secretary that is not his intention at all. It is his way of bringing to our attention the fact that in pages 4 through 9 there is classified information which would permit us to understand page 3, which is the unclassified page.

Secretary MCNAMARA. That is exactly right.

Mr. PASSMAN. Let me get my marbles all back in one pocket, please. Are you going to insert in the record the sheets presently before the committee that are being referred to now?

Secretary MCNAMARA. Mr. Chairman——

Mr. PASSMAN. I am asking a question, sir.

Secretary MCNAMARA. I will answer it when I define the words "the record." There are two records about which we are talking. One is the record passing through this stenotype machine and I would like to have inserted in that record, which I believe the committee retains in its files and which is referred to in subsequent years and referred to by committee members for their own information, pages 4 through 9. The other record is the record that will subsequently be printed from the pages passing through this stenotype machine. That record will have passed through security review. Whether pages 4 through 9 will remain after passing through security review I cannot say. I am not the security officer.

Mr. PASSMAN. All right, Mr. Secretary.

Is this going to remain concrete and firm in the future or will it be subject to revision after the appropriation has been made?

Secretary MCNAMARA. It is exactly what I stated it to be, Mr. Chairman, a concrete program——

Mr. PASSMAN. I asked a question. If you would give us an answer, please, sir——

Secretary McNAMARA. I already answered it. I will restate the answer. We have a concrete program laid out for fiscal year 1964 in tremendous detail. This program must be recognized as subject to change if the international situation that it was addressed to changes.

Mr. PASSMAN. You must know, of course, I understand that fact.

We have no assurance, and you could not give any assurance, that the program as detailed here will be carried out as detailed. It is subject to changes as in previous years?

Secretary McNAMARA. It is subject to change as the situation changes.

Mr. PASSMAN. I do not think there is any question about the fact that my point is clear there, that we are putting a record in that is subject to change even before you get the money.

MILITARY ASSISTANCE SALES PROGRAM

Mr. Secretary, I note that you anticipate direct sales under section 507 of the Foreign Assistance Act of $1,142,500,000 in fiscal year 1964. This is an increase above your estimated program for fiscal year 1963 of approximately $86,700,000, is that correct, sir?

Secretary McNAMARA. I did not follow your figures.

Mr. PASSMAN. Let the reporter read them back.

Secretary McNAMARA. I just wanted to hear the first figure. Would you read it back please?

Mr. PASSMAN. I shall read it again: I note that you anticipate direct sales under section 507 of the Foreign Assistance Act in the amount of $1,142,500,000 in fiscal year 1964. This is an increase above year estimated program for fiscal year 1963 of approximately $86,700,000; is that correct?

Secretary McNAMARA. Yes.

Mr. PASSMAN. Thank you.

Secretary McNAMARA. We have used the term "direct sales." I am not sure that is descriptive but in any event——

Mr. PASSMAN. If you do not understand, you can imagine that it is difficult for others to understand.

Secretary McNAMARA. I understand. The term "direct sales" is probably the best term we have available, but it is still not a very descriptive term because we do not sell all of this directly to the foreign governments.

MILITARY ASSISTANCE PROGRAMS IN WESTERN EUROPE

Mr. PASSMAN. Mr. Secretary, there are certain European countries that have dollars far in excess of their needs. Of course they deal in commerce. As a favor to us they are not demanding gold. We are now borrowing some of those dollars and I am just wondering if any of the European countries that we are now borrowing dollars from will receive funds or equipment funded out of this appropriation?

Secretary McNAMARA. I think not, with one or two very minor qualifications. There may be $1 or $2 million worth of remaining equipment going to countries that you state we were borrowing dollars from. I am not entirely certain what countries you have in mind, but I do say this: That we are not making new commitments for military assistance to any Western European nation. Instead we

are selling substantial quantities of equipment to Western European nations, particularly to West Germany and to Italy. We have negotiated agreements recently with those two nations, in the case of Germany who will buy approximately $650 million worth of equipment per year from us and we expect Italy to buy a total of about $——— million a year.

In the case of Germany, the sales basically are cash sales, with payment upon delivery. In the case of Italy, there is a rather complicated financial transaction involved. It initially involves a loan by the United States to Italy—not a borrowing by the United States—to support purchase by Italy from us of U.S. manufactured equipment.

Mr. PASSMAN. Your explanation got somewhat away from the question. Is it true that you have a grant-aid military program for Europe for fiscal year 1964 in the amount of $229,356,000?

Secretary MCNAMARA. The program for Europe, what I would call grant-aid for Europe, is $141 million for fiscal year 1964. There is also associated with Europe estimated payments of $77 million for the infrastructure and $11 million for NATO headquarters costs.

Mr. PASSMAN. Where is the infrastructure?

Secretary MCNAMARA. In several Western European countries.

Mr. PASSMAN. They are in Europe?

Secretary MCNAMARA. Yes.

Mr. PASSMAN. Is infrastructure funded out of the military assistance program?

Secretary MCNAMARA. It is, indeed.

You asked me if there was a military assistance program for Europe for some $200 million. I respond there is a MAP program in Europe in the terms normally thought of as grant-aid, $142.2 million, in addition there is $77 million for payment to infrastructure for NATO. This infrastructure represents facilities used by the U.S. Air Force, Navy, and U.S. Army, primarily for their forces assigned to Europe. There is also a contribution of $11.6 million to the NATO headquarters and agencies associated with the command of U.S. forces in Europe.

Mr. PASSMAN. Thank you, Mr. Secretary, for a nice confused answer.

Secretary MCNAMARA. I will be happy——

Mr. PASSMAN. I will ask questions so that I can understand it. I am not one of these people who understands this in the way you do.

Mr. RHODES. Mr. Chairman, before you leave that, may I ask a question?

Mr. PASSMAN. Of course.

MILITARY ASSISTANCE COMMITMENTS TO ITALY

Mr. RHODES. Mr. Secretary, you do have a program for Italy?

Secretary MCNAMARA. Yes.

Mr. RHODES. The amount——

Secretary MCNAMARA. Italy is $——— million.

Mr. RHODES. I read in the report of the Morgan Guaranty Bank of last week or the week before, a report of various American manipulations on the futures market of the lira, for the purpose of protecting a weakness in the dollar, vis-a-vis the lira. Is it possible to, since we

seem to be in need of lire more than we are dollars, to change the terms of this contract so that at least the direct sales part could be paid in lire instead of dollars. Also is it not possible to change the terms of the grant agreement so that Italy pays for it? They seem to be in a better position right now than we are.

Secretary McNamara. First, is it wise to obtain payment of our sales in lira? I think not. We are short of dollars. As a matter of fact, we initiated the approach to the Italian Government, which led to this contract for the purchase by Italy of U.S. manufactured equipment specifically for the purpose of obtaining more dollars so I think it would be unwise to take payment for those sales in lira. We are estimating the total amount of $——— million in fiscal year 1964. There will be some additional sales beyond that point, I hope, but in any event for that $——— million worth of equipment I would certainly recommend we receive dollars. Second, with respect to whether Italy can pay for the training and equipment to be furnished under the grant-aid program of $——— million, I think the answer is "Yes," they can, to be quite frank with you.

I think they can. I do not think in this case, however, we have a right to ask them to for two reasons: One, this $——— grant-aid program for fiscal year 1964 represents commitments made in prior years, without request for payment. We are delivering on these commitments in the fiscal year 1964 program. It is a past deal, and I do not think we can reopen the deal and ask them to pay.

Mr. Rhodes. May I disagree with you on that because I think the situation has changed quite a bit since the contract began. The Italians are fairly reasonable people and fairly practical people. They know we are in trouble with the lira just as well as we do. It seems to me that it would be perfectly proper to approach a friendly nation on the basis of getting us off the hook on a long-term deal which has turned out in a way that neither party expected.

Secretary McNamara. Well, second, I was about to say I don't believe it would be right to ask them to pay for this grant aid in fiscal year 1964 because a portion of it was provided as an inducement for them to improve their own defense capabilities.

I would like to explain to you fully and frankly what the situation is with respect to Italy.

The defense budget is about 3.7 percent of the gross national product. It is true their gross national product per capita is far less than ours. The gross national product was $743 per capita in Italy and ours is $2,929 per capita. It is true their per capita is only a quarter of ours but it is so much larger than it was in Italy some years ago and there has been such an increase in their total national income that I personally believe their defense budget should be raised.

(Discussion off the record.)

Secretary McNamara. Out of discussions over a period of months, we evolved the program that we are presently following which, in part, results in this ——— million for 1964. It is a rather complicated program but some of the elements of it are these:

(Discussion off the record.)

Secretary McNamara. Now, the net of all this led to a portion of this $——— million for fiscal year 1964 and I don't think, therefore, we could reopen this deal. But the point I want to make is that we

are both beneficiaries under it to a very substantial degree. One corporation, for example, is selling tens of millions of dollars of U.S.-built [items] because of this. The United States is acquiring foreign exchange in the amount of well over $——— million and the cost paid by the U.S. Government is negligible.

Mr. RHODES. Of course your main expenditure is for missiles. You have ———.

Secretary MCNAMARA. Those particular items are from programs of long, long ago that we are still delivering.

MEANING OF GROSS NATIONAL PRODUCT STATISTICS

Mr. PASSMAN. Mr. Secretary, the GNP percentage in Italy as compared to the GNP in the United States was mentioned. The gross national product in Italy may mean something different than the gross national product in America.

Secretary MCNAMARA. In the sense that the people are accustomed to a lower standard of living and don't demand as much——

Mr. PASSMAN. That is not what I had reference to. I think we had a gross national product in America last year of $554 billion. But if we picked up the 1940 price tags and applied them to the 1962 production, the 1962 production by 1940 pricing standards would have been around $263 billion. I have bought some high-quality shoes in Italy for $8.95. We can import those shoes from Italy, pay the duty, the freight, and still sell them downtown cheaper than you can buy a comparable pair of American-made shoes. You may have an increase in GNP without a corresponding increase in unit production. So, say in a nation that has a $70 billion annual GNP, you must take into account what you can buy before you indicate that they have a standard of living only 4 percent of ours. At least it needs some explanation. I do not think you would quarrel with this clarification.

Secretary MCNAMARA. No, I wouldn't quarrel with it except as it implies that the standard of living in Italy is not much lower than in the United States. It is much lower.

Mr. PASSMAN. I do not think that is what I implied. I was pointing out that there is more to the GNP and percentages of GNP than merely the statement of some figures.

Secretary MCNAMARA. They are sufficiently unprosperous so that 1 million people were so dissatisfied with the progress that they voted Communist within the past several weeks. It is a serious problem.

Mr. PASSMAN. Certainly it is a serious problem. I have read several articles dealing with some of the other reasons for the results of the election, but I think this is neither the proper time nor place for us to discuss them.

Let us turn to page 45.

Secretary MCNAMARA. I would still like to refer back to Italy, Mr. Chairman, in view of the doubt which has been cast on the program. We face the problem of doing this or doing something else. It is just that simple. Now, what is it that we are doing? We are selling $——— million worth of products of the United States, we are being paid in gold $——— million, and we are paying a small part of $——— program in order to grease the ways for this kind of a deal. In the process we are strengthening an ally. I think that is a good deal.

Mr. RHODES. What is the $——— million?

Secretary MCNAMARA. This is the contract we have with them.

Mr. RHODES. It is $——— million more for this year?

Secretary MCNAMARA. For that year but we can't deliver it all in this period. The orders we have are for $——— million; it is $——— million exactly.

UNITED STATES AND FREE WORLD GOLD HOLDINGS

Mr. PASSMAN. You would not object to my having a few statistics put in the record, would you? We are getting into the economy of Italy and the United States. I was going to go specifically to a question and get an answer. According to the information I have—and this is verified—our gold holdings dropped from $23,252 million in 1952 to $16,057 million at the end of 1962. During the same period other free world nations increased their gold holdings from $13,028 million to $24,658 million. We were somewhat alarmed in 1952 about the relative lack of short-term dollar assets of free world nations. But in the period 1952–62, they not only increased their dollar holdings sufficiently to purchase our gold in the amount of $7,195 million, they increased their dollar holdings to $24,984 million. Furthermore, our balance-of-payments position, 1950–62, inclusive, was on the debit side of the ledger by almost $24.3 billion. I am glad the people are prosperous, but with all the devices that we have used to bring home dollars 25 and 30 years in advance of due date—some of them that far in advance—and all other manipulations, we still had last year a balance-of-payments deficit of $2.2 billion.

ELEMENTS OF MILITARY ASSISTANCE TO WESTERN EUROPE

Now, that prompts me to go to page 45. Under the caption "Military Assistance Program, Europe," I am looking at the item, "Proposed fiscal year 1964," $229,356,000.

I ask if you have a planned military assistance program for Europe in fiscal year 1964 in the amount of $229,356,000. Now, whether it is infrastructure or something else, this is the amount you propose to furnish Europe out of the military assistance program for fiscal year 1964. Have I made a statement of fact?

Secretary MCNAMARA. You have stated what appears on the page. I don't believe you have thrown as much light on the program we have in mind for Europe.

Mr. PASSMAN. Let me see if I can understand it.

Secretary MCNAMARA. I am trying to answer your question, Mr. Chairman.

Mr. PASSMAN. Have I made a statement of fact that you have listed here $229,356,000, on page 45, under "Proposed fiscal year 1964"?

NATO INFRASTRUCTURE

Secretary MCNAMARA. You have read the page correctly but I want to say I think I threw light on the program when I distinguished the very, very different elements that are included in that program. The $142 million of truly grant aid to individual nations on the one hand and the $77 million of infrastructure which is facilities for

U.S. troops to utilize on the other hand. These are entirely different programs.

Mr. PASSMAN. I am correct in stating that the $229,356,000 for Europe, for whatever purpose, is out of the military assistance program request for this year?

Secretary MCNAMARA. Yes, and I am correct in stating that the grant aid in Europe for individual nations totals $142.2 million and $77 million is for U.S. facilities—facilities for use by U.S. and allied troops.

Mr. PASSMAN. Does that mean bicycles, motorcycles?

Secretary MCNAMARA. It means pipelines that are serving today our NATO airfields.

Mr. PASSMAN. Airstrips, hangars?

Secretary MCNAMARA. It means all of that. It means the type of facilities our troops and other troops are utilizing in Europe today. It is quite different from the grant aid to the individual nations.

Mr. ROONEY. Will the gentleman yield?

Mr. PASSMAN. Surely.

Mr. ROONEY. I want to be sure I understand this correctly. Isn't this page 45 to which reference has been made a summary page for all that follows it with regard to the various countries, where there is further detail including the number of aircraft, the number of tanks and guns and so forth?

Secretary MC&AMARA. Yes, indeed, sir.

Mr. PASSMAN. I was trying to establish a figure. I am trying to get it to where I can answer——

Secretary MCNAMARA. Mr. Chairman——

Mr. PASSMAN. At least we have agreed on the figure and we have agreed where the money is coming from.

U.S. BORROWINGS FROM WESTERN EUROPE

Would you be kind enough, sir, to ascertain for the committee the nations that will dip into the $229,356,000 we are now borrowing money from, and insert it in the record?

Secretary MCNAMARA. I will be happy to talk to the Treasury about it. I don't know the details at present.

(The information requested follows:)

Pursuant to a program begun in late 1961, the U.S. Treasury borrows selected foreign currencies on intermediate term loans. Foreign exchange thus obtained is used to defend the dollar in international markets and to reduce the outflow of gold. Current lenders under this program for whom fiscal year 1964 MAP assistance is proposed include Belgium, Germany, and Italy.

In addition, of course, most nations of the world now, as for many years past, continue to hold some dollars, a portion of which are invested in U.S. securities.

MILITARY ASSISTANCE TO YUGOSLAVIA

Mr. PASSMAN. I note that, on page 21, Yugoslavia is listed as being a purchaser of $2.0 million in military equipment under the credit assistance program authorized by section 508 of the Foreign Assistance Act.

Are they to repay in dollars or the currency of their country and if it is not violating security tell us the terms.

Secretary McNamara. I think the terms are 90 days, dollars. Mr. Bundy tells me I am incorrect. It is 120 days, dollars.

Mr. Passman. This is spare parts for aircraft?

Secretary McNamara. Principally aircraft spares though I think there are certain military vehicle spares as well.

Mr. Passman. Is it any longer classified to use the figure for the amount of military assistance we gave Yugoslavia before they canceled their contract with us?

Secretary McNamara. I can't answer that question, Mr. Chairman. I really don't know. I will be happy to find out.

Mr. Passman. I believe the total to Yugoslavia is in the billions, if it is not classified.

Secretary McNamara. The military assistance is something on the order of $694 million. I am told it is not classified.

Mr. Passman. I want to use the total amount of aid we have given to Yugoslavia, and I am going to include the figures. Then if it is classified, take it out of the record. I think it is now a total of——

Secretary McNamara. I don't think that total is in our military assistance book. The total military assistance is, of course, $694 million.

Mr. Passman. And it does not indicate here that it is classified.

TRAINING OF FOREIGN NATIONALS

Under the training category I note that estimate for fiscal year 1964 is $112.3 million as compared with $109.4 million in fiscal year 1963.

Secretary McNamara. That is right.

Mr. Passman. Continuing, I note that 13,616 foreign nationals completed their training during fiscal year 1962. Could you tell the committee the total cost of training and the average cost per trainee?

Secretary McNamara. For fiscal year 1962 I will have to get those figures, Mr. Chairman. I don't have them in my mind at the moment.

(The information requested follows:)

The total cost of the fiscal year 1962 MAP training program was $108,609,000. The average cost per trainee for this period was $4,192.

U.S. COMMITMENTS FOR MILITARY ASSISTANCE

Mr. Passman. Have you made any commitments for military assistance in the grant aid program during the past 9½ months of this fiscal year?

Secretary McNamara. Would you mind reading that over again?

Mr. Passman. Have you or the executive branch made any commitments for a military assistance grant aid program during the past 9½ months of this fiscal year?

Secretary McNamara. I suppose we would have to define "commitments," but I think the answer is "Yes." I am not entirely sure what you are driving at. If you could expand on it perhaps I could answer more fully.

Mr. Passman. Have you or the executive branch made any commitments to any nation for a military assistance——

Secretary McNamara. Do you mean a new military——

Mr. PASSMAN. A new military aid program?

Secretary MCNAMARA. Do you mean for a nation that hasn't—the reason I am having difficulty in answering is that we have $1,582 billion for fiscal year 1963 authorized by Congress for commitment. Now obviously we have been making commitments against that amount.

Mr. PASSMAN. My question had to do with whether you have made any commitments to any nation, anywhere on the face of the earth, for grant aid assistance programs during the past 9 months and 15 days.

Secretary MCNAMARA. Well, Mr. Chairman, do you mean new——

Mr. PASSMAN. New commitments; yes, sir.

Secretary MCNAMARA. We have with India, for example. Is this illustrative of what you mean?

Mr. PASSMAN. Yes, it is.

Secretary MCNAMARA. We will have made commitments for $1,582 million approximately, of grant aid during the past 9½ months, including what we think we will make during the next 2½ months. We have, for example, agreed with India to supply approximately $60 million worth of equipment to India. This quantity, $60 million, is included in the $1,582 million I referred to a moment ago. I am not sure I am answering your question.

Mr. PASSMAN. Any new commitment made to any nation to which you had not a previous military assistance commitment?

Secretary MCNAMARA. Previously we hadn't made a commitment to India. This was a new commitment. I think it falls within the definition of what you are driving at, therefore.

Mr. PASSMAN. Would you supply to the committee a statement showing the status of the military assistance commitments that are still in existence, indicating the amount and the year in which any unfunded portion of the commitments will have to be appropriated?

(The information supplied may be found on p. 158.)

USE OF FUNDS REQUESTED FOR TRANSPORTATION

Mr. PASSMAN. Under Supply Operations, at page 33 of the justifications, the committee notes an estimate of $90 million for packing, crating, handling, and transportation. How much of this $90 million would be spent in fiscal year 1964 to handle and ship military equipment, hardware, which would be financed in the program estimate of $1,530 million?

Secretary MCNAMARA. I can't answer, Mr. Chairman. We will try to make an estimate for you. The reason I can't answer, as you probably know, is that the packing and shipping charges are not, by tradition, financed until the year the equipment is delivered whereas the procurement cost of the equipment is financed in the year in which the order is placed.

(The information requested follows:)

It is estimated that $9.3 million of the $90 million for packing, crating, handling, and transportation, will be obligated in fiscal year 1964 to handle and ship military equipment and hardware which would be financed in the program estimate of $1,530 million.

Mr. PASSMAN. Pages 35 and 36 for the first time present the details on the civic action phase of the military assistance program. Why are the names of these 32 countries classified, Mr. Secretary?

Secretary MCNAMARA. I cannot answer the question, Mr. Chairman. However, in general, the names of any individual countries participating in particular sections of the proposed program aren't given because if Congress cuts the program and we then may have to cut a country out——

Mr. PASSMAN. I believe you are applying it to fiscal years 1962, 1963, and 1964, and we were just wondering——

Secretary MCNAMARA. I am not aware of that. It says "are or are soon expected to be underway." This is partly for the future. If Congress cuts the program and we then have to cut a project out, if we have publicly stated we are going to do something, it embarrasses us——

Mr. PASSMAN. We would assume, of course, your 1962 programs would be going programs.

Secretary MCNAMARA. Where are we referring to 1962 programs on page 36? Aren't you talking about the names on page 35?

Mr. PASSMAN. No, I am talking about page 36.

Secretary MCNAMARA. Where are the names of the countries on page 36?

Mr. PASSMAN. You have classified it on page 36.

Secretary MCNAMARA. The 1962 can be unclassified. It is 1964 we are concerned with.

Mr. MINSHALL. What are you putting under Haiti here?

Mr. PASSMAN. We are going into that next.

Before that, we have here—and this is new—that you are classifying 1962 and 1963.

Secretary MCNAMARA. There is no need to classify 1962 and 1963.

Mr. PASSMAN. Of course, at one time they even classified certain technical aid program.

Mr. ANDREWS. Mr. Chairman, they have only classified the current year. They have told us many, many times the reason for the classification was that it would keep down jealousy on the part of these countries and keep them from jockeying for position and trying to get more than another country.

Mr. PASSMAN. It is good for the current budget program but after you have programed and you start disbursing it is no longer a secret among nations, is it?

Mr. ANDREWS. Why cannot the 1962 be unclassified?

Mr. PASSMAN. Or 1963?

Secretary MCNAMARA. For fiscal year 1962 the civic action projects can be declassified without question. The fiscal year 1963 programs, we are not through with yet, therefore, to some degree we should hold back on release of fiscal year 1963 detail until we finish the fiscal year.

Mr. PASSMAN. Moving away from the amount, you even classify the name of the nations. Is that not something new?

Secretary MCNAMARA. How else would you like us to show it? We will be quite happy to print it any way you like.

I think it is perfectly clear that the practice—which I believe the committee endorsed—is to classify information only known to the country involved.

Mr. PASSMAN. We have no quarrel with that practice. The things I refer to here are different.

Mr. RHODES. Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes.

Mr. RHODES. Mr. Secretary, reading from page 35 of the justifications, under "Objectives":

MAP-supported civic action is designed to: encourage and support the use of local forces in activities which contribute to social and economic development; and, to assist in the prevention or elimination of insurgencies inimical to U.S. interests by improving the relationship between local military forces and the local populace.

I should think with that type of objective you would want this program only in countries which are demonstrably friendly and I note ——— is one of the countries in which the program exists. I do not see anything very friendly about ———.

Secretary MCNAMARA. ——— program is out. The page you are reading is being revised. There is no more ——— program. There is an amount in the African area program to provide for possible programs in ——— and several other countries.

Mr. GARY. What did you start to say about the ——— program?

Secretary MCNAMARA. ——— program will not be funded unless the situation there changes.

Mr. RHODES. ——— and ——— are out. How many more are out?

Secretary MCNAMARA. There are ——— and ——— shown for the two programs we are discussing. Both of those small amounts have been canceled.

Mr. RHODES. Anything else canceled?

Secretary MCNAMARA. ——— is ——— program canceled, ———. However, we may find it necessary to reinstate the civic action programs for two of the three countries we are discussing. An amount is included in the Africa area program for these small programs.

Mr. MINSHALL. What was the original ——— for Haiti for?

Secretary MCNAMARA. I cannot answer that. I will have to get the answer.

(Information furnished follows:)

The amount for Haiti, originally shown on page 36 of the presentation book, covered a proposed civic action training program providing six training spaces plus some spares for vehicles and construction equipment.

CIVIC ACTION PROGRAMS IN ECONOMIC AID CATEGORY

Mr. PASSMAN. In the aggregate, there has been $109,141,000 in the 3 fiscal years allocated or planned for the nations listed on page 36, with the exceptions that you mentioned for the record. That is in effect economic aid, is it not?

Secretary MCNAMARA. I do not think you would call it that, Mr. Chairman. I am thinking, for example, of the case of one of the South American countries, we are trying to train a very small air force that will assist in maintaining order. Rather than just have the airplanes fly on combat training missions, we have worked

out with the country involved a training program that involves use of those airplanes for transport missions to open up one area of the country that has inadequate transportation. The pilots might just as well be flying on these transport missions to obtain flying skill as to fly on combat simulated missions.

The cost of the petroleum and spare parts associated with this training flying done in transport work is called a civic action cost. I do not consider that economic aid, in the normal sense of the term. Instead it is a bona fide military expense, but it also is associated with a military operation that is assisting the country in other ways. It seems to me this is very much what you and we would want to be done.

Mr. PASSMAN. It is to develop the same projects, or types of projects, that the AID people call economic aid. Let us read from page 35, "Projects":

> A wide range of MAP-supported civic action projects are involved, including: road construction and maintenance, village development and relocation, irrigation, forestry, construction of schools and other public buildings, rural health services, literacy and vocational training of conscripts, mapping and surveying, navigational aids and oceanography, rural communications and CCC-type projects for youth development.

That is the same kind of projects economic aid goes to. You have a different designation, but I call it economic aid.

Secretary MCNAMARA. Mr. Chairman, it is not only a different designation, but I think that it is handled in an entirely different way. What we are saying is that if we assist the military forces in certain countries correctly they can achieve both a military purpose and an economic purpose simultaneously. It seems to me very much in the interest of this Nation to do so.

Mr. PASSMAN. I merely wanted to indicate for the record that you have civic action projects in the military aid program, and, by my interpretation, it could be designated economic aid. What I read into the record speaks for itself, that you are doing the same thing here with military assistance dollars that in many instances you do with the economic aid dollars.

Secretary MCNAMARA. No, sir. It is not the same thing.

Mr. PASSMAN. You are building roads, for example, Mr. Secretary, out of economic aid.

Secretary MCNAMARA. We are training troops and, incidentally, they are building roads while they are training. That is quite different than economic aid, Mr. Chairman. If the Congress, for example, were to say, "We do not wish to finance economic aid to a particular nation who is receiving this military assistance money," they would not be justified in cutting out the military assistance money because to do so would cut out the military training that that money finances. There is an incidental byproduct of that training in the form of assistance to the general welfare of the Nation; but it is a byproduct, and elimination of the funds would eliminate not only the byproduct, but also the military training with which it is associated and from which it is derived.

Mr. PASSMAN. I have not suggested it be eliminated. I read these projects from the record.

Mr. GARY. Mr. Chairman, are these military roads largely serving military purposes?

Secretary McNAMARA. In most cases, yes; although in certain cases they have other purposes or other equally important uses as well. But they are the result of military training, and are a byproduct of military training.

CIVIC ACTION MISADMINISTRATION IN GUATEMALA

Mr. MINSHALL. Mr. Chairman, one question. Last fall, when Mr. Mahon and I were in Guatemala, it was brought to our attention that they had shipped about $1 million worth of road engineering equipment. It had been there for a matter of a year or so and they had never been able to activate the batallion of Guatemalans to operate it. When we left there, a matter of a couple of months ago, they still had not activated it. Yet AID insisted on sending additional increments of this engineering equipment over there when the battalion had not been put in the field. I think you are familiar with the case.

Secretary McNAMARA. I am not familiar with the engineering equipment used in Guatemala, but I will look into it. Any equipment shipped anywhere, for any purpose, and not used is a waste.

Mr. MINSHALL. They said to go by the airport where it was located. They showed us some commercial engineering equipment. This was not the U.S. Army equipment. I know it when I see it. I never did see it. I asked for a picture of it. To this date, I have not even received a picture.

Secretary McNAMARA. We will check on it. If equipment is sent any place, if it is not used when it arrives, for some bona fide military purposes which might mean going into a war reserve inventory, but any equipment that is not used is a waste.

Mr. MINSHALL. That is another example of waste and inefficiency.

Secretary McNAMARA. I would like to check this and reply for the record.

(Information supplied follows:)

MAP engineering equipment did arrive in country prior to the activation of the engineering unit. However, personnel to be assigned to the unit were undergoing training at Fort Gulik in the Canal Zone. The Government of Guatemala did not intend to activate the unit until the equipment was available.

The MAP engineering equipment delivered in country was rail shipped to Guatemala City and processed under U.S. Military Group supervision. Four major items were released to host country in September 1962 for training. Remainder, less four dump trucks, released December 10, 1962, for movement to construction site at Peteu. Movement of equipment was supervised by U.S. Army engineer adviser and completed December 21, 1962. The unit was activated on December 21, 1962.

The unit is now constructing roads in the Peteu area which are important since lack of communication in the area increases the possibility of local violence and insurgency operations. This construction project has the support of the U.S. Ambassador and other members of the country team. CINCARIB considers the total number of personnel and the number of trained technicians assigned to the unit adequate to maintain and operate the equipment now on hand.

CIVIC ACTION PROGRAMS IN ECONOMIC AID CATEGORY

Mr. PASSMAN. There is no intent to discredit rather than to establish facts as they are. When we come down to the bottom of page 35 in the green book, "projects," it reads "A wide range of MAP-supported——

Mr. ROONEY. Is this what you read into the record just a while ago?

Mr. PASSMAN. Yes, Mr. Rooney, and I think I shall repeat it:

Projects: A wide range of MAP-supported civic action projects are involved, including: road construction and maintenance, village development, and relocation.

We have certainly appropriated money under economic aid to accomplish these same kind of projects: "Irrigation"—that is certainly qualified under economic aid as it is presented to the Congress. "Forestry" would fall in the same category. "Construction of schools and other public buildings" would certainly be in that category; "Rural health services literacy and vocational training of conscripts." It would appear to me that—but let me continue under "Training." This is a new sentence at the bottom of paragraph 2:

A selected group of foreign military officers scheduled to receive training in fields such as economics, public health, and public administration at U.S. civilian universities and institutions.

I am not quarreling with it, but I wanted it to be in the record. Of course, we would have to consider requests for billions of dollars under this program and they give us a list of projects they are going to do. Much of it is the same as this. Naturally we ask those people if there is any duplication, and if we have it in the record then we can examine on the basis of how much you have in here for it.

Secretary MCNAMARA. Surely, but Mr. Chairman——

Mr. ROONEY. Would you yield?

Mr. PASSMAN. Surely.

Mr. ROONEY. Mr. Secretary, referring to this same page, is it the fact that:

Civic action is the use of foreign military and paramilitary forces on projects useful to the local population in fields such as education, public works, agriculture, transportation, communications, health and sanitation and other projects which contribute to social and economic improvement.

Secretary MCNAMARA. It is indeed.

Mr. ROONEY. And is MAP-supported civic action designed—

to encourage and support the use of local forces and activities which contribute to social and economic development and to assist in the prevention or elimination of insurgencies inimical to U.S. interests by improving the relationship between local military forces and the local populace?

Secretary MCNAMARA. That is exactly correct.

Mr. ROONEY. Is it the fact that the emphasis varies greatly from country to country and that in nations confronted with serious insurgency problems, such as Vietnam, the primary emphasis is on meeting the insurgency problem?

Secretary MCNAMARA. Absolutely.

Mr. ROONEY. And is it the fact that—

In countries not facing immediate insurgency problems civic action is primarily designed to obtained low cost economic and social byproduct from the existing military and paramilitary capabilities?

Secretary MCNAMARA. It is, indeed.

Mr. ROONEY. And would you say that your answers to the questions just now propounded to you would be some indication of the difference between economic aid and military assistance under this title, "Civic action"?

Secretary McNAMARA. I would indeed, sir.

Mr. PASSMAN. I thank the gentleman for his contribution.

Mr. RHODES. May I ask a question?

Mr. PASSMAN. Yes, but please, if I may, let me say again that the building of public buildings and schools and engaging in forestry and irrigation projects certainly are in an economic aid category. I yield to the gentleman from Arizona.

PLANNED REDUCTION IN CIVIC ACTION PROGRAM

Mr. RHODES. I note that in fiscal year 1963 you spent $58 million for this activity and in fiscal year 1964 the projection is for $36 million.

Secretary McNAMARA. That is correct, that is the estimate shown.

Mr. RHODES. Which is a reduction of some $22 million, which surprises me. This I have not come up with for many a moon. Is this a temporary phenomenon or may we look forward to the same level of expenditures in this program or maybe less?

Secretary McNAMARA. As I mentioned, we are seeking in every way possible to minimize expenditures of all parts of the defense program, including the military assistance program and to that end the military assistance program new obligational authority request has been reduced in the last 3 years from $1,885 million in fiscal year 1962 down to about $1,405 million for fiscal year 1964 and we have stated it is our belief that we can reduce it to about $1 billion for fiscal year 1968. Of course, as it comes down, as it has come down in the past, and as it is reduced still further in the future, I think we should expect some further reductions in civic action.

Mr. RHODES. You do not see any reason then to believe that this figure for 1964 is not indicative of the future trend?

Secretary McNAMARA. No, I think it can probably be lowered in the future, although this is one aspect of the program, frankly, that I think deserves more attention than it has received in the past, because it is a byproduct, as Mr. Rooney pointed out. The men do serve in the military service for a period of years under the laws of their nation. They are learning to utilize equipment during that period of time. We think it is possible for them to carry out their service, learn to utilize the equipment on economically worthwhile projects and gain thereby the byproduct of contribution to the general welfare of the nation.

It may be desirable within a continually reducing military assistance program to increase this facet of it, so I do not wish to make a promise. We are just beginning, really, to experiment with civic action. Maybe General Taylor would like to comment.

General TAYLOR. We survey all the countries where we might find symptoms of subversive insurgency. We have a committee that meets every week to look around the world to see if the symptoms are appearing. We feel civic action is a preventive type of program, a very good one and a very cheap one to combat subversive insurgency. We started it ourselves in Korea right after the armistice. The Army became active in helping the villagers. We estimated we got about $3 return in end product for $1 expended and the political assets accruing from this were very great. They are very important. I have a feeling, as the Secretary does, this is an area

wherein I would not be discouraged to see greater expenditure if they were applied in the right place.

It is doing very important work.

Mr. RHODES. If our Armed Forces did this type of thing would we need a domestic Peace Corps? Could we do away with that sort of thing in the United States?

General TAYLOR. I do not think so, no. Civic action basically is a military training program. It is bringing the Army close to the people and is particularly applicable to underdeveloped countries.

Mr. GARY. At the same time it is the difference between turning their services to useful purposes rather than boondoggling?

General TAYLOR. I think that is right.

Secretary MCNAMARA. Exactly so. The difference between the U.S. conscript and the Bolivian conscript is that in the U.S. case we are training him on an F–105 and in the case of Bolivia we are trying to train him to run a bulldozer that will be indirectly used to counter insurrection.

Mr. RHODES. How many conscripts do you train on an F–105?

Secretary MCNAMARA. We train the great bulk of the U.S. military personnel in very complex technical tasks. There is a great difference between Bolivia and the United States in that respect.

Mr. RHODES. I understand that you were employing a figure of speech.

Secretary MCNAMARA. That is correct.

USE OF CIVIC-ACTION PROGRAM FOR CCC-TYPE PROJECTS

Mr. PASSMAN. We have heard a lot of youth development, youth camps. With respect to the statement at the bottom of page 35, "and CCC-type projects for youth development," would you give us just a brief statement on what type of camps they have and the age of the youths that are permitted to go into these camps, or projects?

Secretary MCNAMARA. Yes. I would be happy to. In the case of one Latin American country, Ecuador, their construction or engineering battalions were being trained to carry out certain construction activities. Rather than simply have them train in noneconomic ways, the U.S. Army Engineers and the local military leaders concluded that these forces could be trained in certain road construction activities and they would, in order to gain maximum leverage, organize the youth and unemployed of the area to serve as common labor under the direction of the Ecuadoran military forces to carry out certain construction programs. I think you would call that a CCC-type project. It proved very effective as a matter of fact.

Mr. PASSMAN. I was talking about the youth. You used the word adults or unemployed.

Secretary MCNAMARA. It was largely the youth that were unemployed.

Mr. PASSMAN. The hour is late, so if it is agreeable we shall recess until tomorrow at 1 p.m.

Secretary MCNAMARA. Would it be possible to continue tonight, Mr. Chairman? I do not say that tomorrow——

Mr. PASSMAN. It would be agreeable with me, but you said today that you had all the time that would be necessary.

Secretary McNAMARA. I do.

Mr. PASSMAN. You do realize that the manner in which we have proceeded has been based upon your statement that you were available?

Secretary McNAMARA. Yes, sir.

Mr. PASSMAN. When would you be available again?

Secretary McNAMARA. Another committee has asked me to testify.

Mr. PASSMAN. You suggest when you can return.

Secretary McNAMARA. I can stay right now if you wish, sir. I would be quite happy to stay as long as you wish.

Mr. PASSMAN. I do not think it is going to be possible to conclude this afternoon, and you indicated earlier that you would have sufficient time and the other members have questions, and some of them have gone. I think it would be better if you could come back some other day.

Secretary McNAMARA. I am quite willing to come back.

Mr. PASSMAN. You name the date and the hour. Whatever you say, sir.

Secretary McNAMARA. The committee asked for only 1 day from me and I planned a schedule to free that 1 day.

Mr. PASSMAN. I said at the beginning that we have a lot of questions and you said, "Take your time; we have time," and on account of that statement I have consumed quite a bit of time. If you cannot give any more time, we will pick up with General Wood, but the other members certainly had questions and based upon, I repeat, what you said at the beginning, not to hurry, to open all these things up, that is what we did.

Secretary McNAMARA. You asked for me to suggest a time. I would suggest tomorrow morning, then.

Mr. PASSMAN. What time, sir?

Secretary McNAMARA. Any time at your convenience.

Mr. PASSMAN. Ten o'clock?

Secretary McNAMARA. Ten o'clock is fine.

Mr. PASSMAN. Thank you.

Secretary McNAMARA. Very good.

Mr. PASSMAN. We shall adjourn, then, until 10 a.m. tomorrow.

THURSDAY, MAY 16, 1963.

AN 1857 HARPER'S WEEKLY ARTICLE

Mr. PASSMAN. The committee will come to order.

I should like to read a portion of a magazine article into the record.

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 uncertainity; 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.

That was from an article which appeared in Harper's Weekly, volume 1, page 642, of the issue dated October 10, 1857, 106 years ago.

I shall insert in the record some comment about it and the article itself.

(The article follows:)

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, 106 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 uncertainity; Russia hangs as usual, like a cloud, dark and silent upon the horizon of Europe; while all the energies, resources, and influences of the British Empire are sorely tried, and are yet to be tried more sorely, in coping with the disturbed relations in China.

It is a solemn moment, and no man can feel an indifference—which, happily, no man pretends to feel—in the issue of events.

Of our own troubles (in the United States) no man can see the end. They are, fortunately, as yet mainly commercial; and if we are only to lose money, and by painful poverty to be taught wisdom—the wisdom of honor, of faith, of sympathy, and of charity—no man need seriously to despair.

And yet the very haste to be rich, which is the occasion of this widespread calamity, has also tended to destroy the moral forces with which we are to resist and subdue the calamity.

Mr. PASSMAN. I mention the article to point out that the problems we are dealing with have been going on for a mighty long time.

Maybe I should note briefly one or two reasons why I take the position that too much money encourages waste.

I was a materiel officer, of low rank, in the Navy in World War II. I came very near to being shipped for pointing out waste and turning down orders for five lathes at a cost of $77,000 when I located six of them at another city that had been in the supply department for 2 years. I was later told that notwithstanding the fact I located these lathes I had no right to turn down the order.

Just a few years ago, after the Korean war, the services placed one particular order, with which I am personally familiar, for several thousand dollars, I think it was nine carloads of Blodget ovens, Model 959. My company was a user of this particular model oven, having sold many of them to schools. I was home and noticed a card from the Grogan Co. in Chicago advertising this oven, so I picked up the telephone and I bought five carloads of the ovens, and they were to be shipped in from Denver and El Paso. We sold that oven for $620 retail. The Government paid $485 for it. After we had bought the ovens we began to get inquiries in from Grogan Co. that the Government wanted us to submit bids on ovens, but there was, of course, a conflict of interest. My company could not bid but I notified a former business associate that an agency of the Army at Denver was asking for bids on ovens, so I sent him the two letters and he submitted bids.

He was the successful bidder. The Government bought the ovens. This was the sequence of the transactions: The Government sold the ovens as surplus to Grogan. Grogan sold them to me. I sold them to the Commercial Equipment Co., and the Commercial Equipment Co. sold several of them back to the same depot which had

declared them surplus. In fact, all we did was erase from the crates the oversea shipping orders which had been stamped on them.

There are literally thousands of similar examples.

I shall read now from page 1147 of our hearings for fiscal 1962:

Mr. PASSMAN. Will you check a bit further and determine if it is not true that they are going to get rice in payment for agricultural machinery which they put in?

Mr. COFFIN. I will certain make that check, Mr. Chairman, but I doubt if there will be repayment. It was advertised as a grant.

Mr. PASSMAN. I am sure it is advertised as a grant. In county X we gave them $40 million worth of equipment and then they paid us 5 percent of that amount. Then we turned around and issued a statement that they bought it. If we can use that subterfuge and camouflage, couldn't the Russians do the same thing?

Mr. COFFIN. It does not work in reverse the same way.

This goes on and on and on. I do know that I made a statement of fact that we were told $40 million, and that is in the hearings. It was not disputed by any witness.

CONGRESSIONAL REDUCTIONS IN MILITARY ASSISTANCE PROGRAM

I stated yesterday that we had made cuts in the military assistance program totaling about $1 billion one year. I missed it by a few million. I should like now to enumerate for the record the congressional reductions made in the executive's request for the military assistance program during my tenure as chairman of this subcommittee. In fiscal 1956 the Congress reduced the administration's MAP request by $420 million; in 1957, $982,500,000; 1958, $260 million; 1959, $285 million; 1960, $300 million; 1961, $200 million; 1962, $285 million; and fiscal 1963, $175 million. The total reduction made below the budget for military aid during the 8 years was $2,907,500,000.

We have had top echelon witnesses who have acknowledged that the Congress helped make the programs more effective by reducing the funds.

CONDITION OF EQUIPMENT PROVIDED

Mr. Secretary, of the total amount of military aid that we have given to foreign nations since the inception of this program, would you be able to tell us the amount of the aid total, equipment, and otherwise, that is still on hand in the nations in a usable status?

Secretary MCNAMARA. I cannot tell you, Mr. Chairman, from memory, but we will be happy to calculate a figure. I presume we will, of course, wish to give some value to the training of the men that are presently on duty since training assistance was a material element in the total program and with that qualification I will be very happy to try to estimate it for you.

It is something on the order of maybe 65 to 70 percent of the total equipment and training assistance that has been delivered over the 13 years that is still effective in the inventories of the recipient nations.

(The information may be found on p. 159.)

Mr. PASSMAN. We were told in 1958, quoting the letter:

DEAR MR. CHAIRMAN: You may recall that I reported to you that I had requested the Military Assistance Advisory Groups in the Near East to assist me in arriving at an estimate of the percentage of equipment delivered since

the beginning of the military assistance program to near East countries that is currently available and serviceable for combat.

I now have the information from the Military Assistance Adivsory Groups and have arrived at an estimate of 92 percent. This figure was derived as a weighted average on informtion from Iraq, Greece, Turkey, and Pakistan. Within each country, the estimates were developed from separate data for ships, aircraft, tanks and combat vehicles, motor transport vehicles, weapons, and electronics and other equipment.

Sincerely yours,

CHARLES H. SHUFF,
Deputy Assistant Secretary.

We were given an adjusted figure by General Palmer as of June 30, 1961, of 64.2 percent, and there is one at a later date which is marked confidential. Whether it is 92 or 64 percent of the equipment that is still usable, it would appear that it would be time for the annual appropriation to start tapering substantially.

Secretary MCNAMARA. Mr. Chairman, may I respond to that point?

Mr. PASSMAN. Of course.

(The information provided may be found on p. 159.)

NATO JOURNAL ARTICLE ON MAP IN TURKEY

Secretary MCNAMARA. Of course, the annual appropriation has tapered substantially. As I mentioned yesterday it has dropped from a total, inclusive of the recoupments of $1,929 million in fiscal year 1961, to approximately $1,580 million in fiscal year 1963 but the need is far greater than that. Yesterday you inserted in the record a comment attributed to General Norstad——

Mr. PASSMAN. From a magazine article.

Secretary MCNAMARA. The comment that was inserted in the record was from a publication which attributed the comment to General Norstad. I stated at the time that I was not familiar with the publication. I have since discussed the matter with General Norstad. He was not familiar with the publication known as the NATO Journal. It quite clearly is not an official NATO publication. As a matter of fact, the masthead indicates that this is an independent journal, not associated with NATO.

General Norstad stated that he had never under any circumstances made any comment similar to the one attributed to him by the NATO Journal. The NATO Journal indicated that following a trip to Turkey in August of 1962 General Norstad stated that the Turkish military forces had equipment in excess of their needs. I reported to you yesterday that General Norstad had personally on several occasions discussed with me the very serious deficiencies in the quantities of equipment supplied to the Turkish military forces. He repeated that statement to me again last evening on the phone when I called him in New York.

I have sent him a cable to which he will reply. I will provide the committee with both my cable request to him and his reply.

(The information supplied follows:)

From: Secretary of Defense.
To: General Lauris Norstad, 7 Gracie Square, New York, N.Y.
Unclassified: DEF 337960 from Secretary of Defense.

Congressman Passman at today's hearing with General Taylor and myself produced a clipping from a publication called the NATO Journal for last August 1962. The excerpt referred to your trip to Turkey at about that time and

quoted you in substance as saying that the Turkish Armed Forces already had far more equipment than they could possibly handle. I undertook to check for the record whether you made such a statement and what your views were concerning Turkey's need for continued military assistance, including your view of the status of the program during at least your last three years at SHAPE. Would be most grateful if you could reply by wire with a confirming letter for the record addressed to Mr. Passman.

With warm regards.

BOB MCNAMARA.

OWENS-CORNING FIBERGLAS INTERNATIONAL,
New York, N.Y., May 22, 1963.

Hon. OTTO E. PASSMAN,
House of Representatives,
Washington, D.C.

DEAR MR. PASSMAN: The Secretary of Defense has advised me that at the time of his appearance before your committee on May 15, a clipping from a publication called the NATO Journal, issue of August 1962, was introduced into the discussion. Mr. McNamara has informed me that "the excerpt referred to your (my) trip to Turkey at about that time (August 1962) and quoted you (me) in substance as saying the Turkish Armed Forces already had far more equipment than they could possibly handle."

I have not seen the article to which reference was made nor have I any knowledge of any statement on which it might have been based. It should be abundantly clear from requests for military aid for Turkey which I have supported to the Defense Department and before appropriate committees of the Congress that I have felt, and continue to feel, that Turkey is one of the countries that has now, and will continue to have, need for assistance in developing, maintaining and equipping its armed forces. Strength and modern armed forces in Turkey will contribute to order and stability in that country at a critical time in its history, as has been evidenced these last few weeks and months. This in itself adds strength to the West. Further, Turkish Armed Forces guard NATO's southeastern flank and provide an essential link with our friends in the Middle East. This is a significant contribution to the defense of NATO and, in fact, to the defense of the United States. As your committee analyzes the military assistance program, I urge the most serious consideration of these essential facts.

May I take advantage of this opportunity to express to you and your committee my deep appreciation for the consideration you and your associates showed me when I appeared before you.

With best wishes.

Sincerely,

LAURIS NORSTAD.

Secretary MCNAMARA. Furthermore, this morning I received a cable sent in as routine business from Cinceur, General Lemnitzer, transmitted from Paris, which I would like to read to you because it bears directly on the points you made of possible reductions in military assistance as the equipment inventories of the Nation's buildup. It particularly bears on the comment alleged to have been made by General Norstad. If I may, Mr. Chairman, I would like to read you this; this is a classified cable but we will provide an unclassified summary of it for the record.

(The unclassified version follows:)

Soviet bloc forces confronting Greece and Turkey have increased in capabilities during the past 2 years, particularly in Bulgaria. Bulgarian Army force structure has changed from one of defensive posture consisting of rifle divisions and armored brigades to one consisting of motorized and armored divisions with offensive capabilities.

The serious and continuing problem centers around current inadequate Army equipment levels in Greece and Turkey. Improved conventional capabilities of ground forces now deployed forward in both Greek and Turkish Thrace are essential. Impressive strides have been made by the Hellenic and Turkish

Armed Forces in improving their combat capability. Greeks and Turks are more than willing to discharge their NATO responsibilities and are as sturdy allies as we can possibly ask for. In addition to their own national effort.

Current posture of Hellenic and Turkish Armed Forces has required great effort and expenditures by United States. It is economically as well as militarily unsound not to modernize the armed forces of Greece and Turkey in order that they can fulfill their missions which are vital from national and NATO viewpoints.

(Discussion off the record.)

I read this cable to you because I stated yesterday that the cuts made by the Congress in the fiscal year 1963 military assistance program had seriously and adversely affected our defense posture. This cable, which I had not seen until this morning, fully supports that conclusion and indicates how serious the deficiencies are in the mind of the responsible military commanders.

Mr. PASSMAN. Thank you, Mr. Secretary. Was this in response to your cable?

Secretary MCNAMARA. No, sir. It is not in response to my cable. It is a routine cable of the type I receive from military commanders all over the world stating their views on the military assistance program.

Mr. PASSMAN. This is from General Lemnitzer?

Secretary MCNAMARA. Yes.

NATO MEMBERS NOT MILITARY COMMITMENTS

Mr. PASSMAN. We hear the same type of story every year.

I wonder if a similar telegram went out to the members of NATO in Europe who are not meeting their responsibilities?

Secretary MCNAMARA. Oh, yes, indeed. SACEUR brings to the attention of every NATO nation any deficiencies he finds in their forces.

Mr. PASSMAN. Some are deficient in fulfilling their commitments, are they not?

Secretary MCNAMARA. Yes.

Mr. PASSMAN. What is the reaction of the NATO nations who are right over there almost within sight of the enemy?

Secretary MCNAMARA. I think that is a good question, Mr. Chairman. I would like to answer it fully. The reaction of the NATO nations receiving indications from SACEUR and from the U.S. Government that they have not met certain of their NATO commitments has been very forceful and favorable in the last 24 months. Denmark has increased its defense budget 30 percent, Germany increased theirs 40 percent, Italy increased its budget 22 percent, Norway increased its defense budget 28 percent.

Secondly, I do not believe that we can discount a cable such as this from a responsible Army commander stating that the enemy threat has increased over the last 24 months. ——— and that deficiency has been increased as a result of cutbacks in the MAP program. This is an extremely serious problem for us.

Mr. PASSMAN. Have they met their commitments to a higher degree than we have met ours?

Secretary MCNAMARA. We have met through the U.S. contributions to NATO our objectives to a greater degree than have the other nations on the average.

Mr. PASSMAN. That is fine.

Secretary MCNAMARA. No question about that. But that is not the issue.

Mr. PASSMAN. It is at least part of the issue. Those people are now waxing fat from our previous generosity and there would not be any valid reason that I know of why they should not meet their commitments to NATO.

EFFECTS OF CUTS IN APPROPRIATIONS REQUESTS

Secretary MCNAMARA. There are two issues, Mr. Chairman, one the extent to which other NATO members are meeting their commitments. I have reported to you the very substantial increases in the defense budgets of the other nations in the last 24 months. The other issue is the extent to which cuts in the MAP program adversely affect the security of the United States. I want to emphasize to you again that the responsible military commanders whose judgment I have examined personally and accept, report serious and adverse effects to our national security resulting from cuts in the military assistance program. This is the issue. It was raised yesterday. I stated then my views and I want to repeat them today. There can be absolutely no question but what the cuts in the fiscal year 1963 military assistance program adversely affected our defense posture.

Mr. PASSMAN. What would have been the position of our public debt, our deficit, and the military posture if we had given this almost $3 billion that the Congress reduced including almost $1 billion in 1 year? Do you think all of the reductions were unwise?

Secretary MCNAMARA. Mr. Chairman, that cut of which you speak was made back in the mid-1950's. I am in no position today to appraise the effect of that at that time.

Mr. PASSMAN. There were cuts every year, sir.

Secretary MCNAMARA. The cut of which you speak of a billion dollars, or $900 million plus, was made back in the midfifties. You asked me for my opinion of its effect. I cannot give you an opinion since it was made in the midfifties. But I do say this: The cuts we are talking about now are the cuts of current programs, including the cut in last year's program. It was serious in its effect. A cut in this year's program would have a similar serious effect.

I do not believe that we can deny that by simply stating that at some time in the past programs have been cut, with some unknown effect.

Mr. PASSMAN. I am speaking of immediate years. You are speaking of 1 year. This is overall, from 1956 to 1963. The Congress worked its will. I am sure the record will show that during fiscal years 1961, 1962, and 1963 the Defense Department deobligated more funds from previous obligations, or reservations, than the Congress cut.

Secretary MCNAMARA. This is completely beside the point. The point at issue is: Did the cut of last year and would a cut of this year adversely affect the security of this Nation? I say without any qualification that the cut of last year did adversely affect it and a cut of this year would similarly adversely affect it.

Mr. PASSMAN. I think we shall establish before the hearings are concluded that you, too, could be wrong about the amount of money

needed. And we want also to check into the NATO contributions and the reasons why they are not meeting their commitments. They are supposed to be intelligent people.

Why should we borrow money from the people who are not meeting their commitments in order to be able to go beyond what we should be expected to do if they are not going to meet their commitments?

I yield to the gentleman from Arizona.

DEFENSE EXPENDITURES OF NATO COUNTRIES

Mr. RHODES. Mr. Secretary, could you at this point insert the percent of the gross national product of Turkey and Greece which goes for their defense?

Secretary MCNAMARA. Yes. I would be very happy to. The per capita gross national product of Greece is about $444; 19.2 individuals per thousand population are members of their armed forces, which is about 30 percent higher than the figure for the United States.

Their contribution to national defense, exclusive of our military assistance, is 4.5 percent of their gross national product. In the case of Turkey, the gross national product per capita is approximately $209. Their military strength per thousand of population is 14.5, about the same as ours. Their defense budget as percentage of gross national product excluding our military assistance is 5.4 percent. Each of the nations as a matter of fact, is spending a very substantial part of their gross national product on military affairs in relation to their national economy.

Mr. CONTE. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. CONTE. In the case of Turkey, that is about the highest contribution toward military defenses than any other country in NATO; is it not?

Secretary MCNAMARA. In terms of men per thousand population, yes, except in France and Greece. In terms of dollars, defense budget as percentage of gross national product, no. It is high, but Great Britain and France, at close to 7 percent of their GNP, are higher than Turkey.

1963 MILITARY ASSISTANCE PROGRAM IN TURKEY

Mr. RHODES. Mr. Secretary, I would like to discuss with you briefly the allocations of hardware to Turkey for fiscal year 1963, on page 155.

I note that the great reduction as compared to 1962 is in tanks, vehicles, and weapons. Aircraft, for instance, is up, missile systems is roughly the same, and I also note the missiles being bought are primarily defensive missiles. Wouldn't it have been possible to have reallocated or reprogramed the priorities in light of the cut, to have taken care of the situation which you set forth in that cablegram, which of course I think is a serious situation.

In other words, to me the most pressing priority would be the condition of that field army and yet we did not spend the available money on it, but spent it somewhere else.

Secretary MCNAMARA. I think that is a very good question and it is one of these extremely difficult dilemmas we face. We did cut $19

million of this communications equipment that the cable reports ——— and so adversely affecting the forces, and we did not cut the aircraft as much. We did cut something on the order of $3 million in aircraft. We did not dare to cut the aircraft too much ——— in the views of SACEUR, even though we were seriously deficient in the Army, if we did not have air to protect that Army there was no use building up the Army. So he said, "We are deficient in both the Air Force and the Army, I think you should give priority to the air within limits of the budget," and this is what we did.

(Discussion off the record.)

Secretary McNAMARA. I think the question you raise is, nonetheless, a very valid question. I discussed exactly the same issue with the MAAG chief in Greece in April a year ago when I was there because we had the same problem. We had to cut back Greece and the question was, should we cut air or should we cut ground. Because of this very, very serious air threat, again we cut the ground more than we cut air.

Mr. RHODES. Is that the reason for the continuation of the purchase of the missiles?

Secretary McNAMARA. The missiles I cannot——

Mr. RHODES. They are ground to air.

Secretary McNAMARA. That is right, some are.

It is the same protection against the Communist bloc air threat but exactly how we split between missiles and aircraft I cannot answer without checking.

Mr. MINSHALL. You refer to the ——— missiles?

Secretary McNAMARA. Yes.

Mr. MINSHALL. Is that the——?

Secretary McNAMARA. General Wood, can you answer that?

General WOOD. As a matter of fact, ———.

UNOBLIGATED FUNDS, FISCAL YEAR 1957

Mr. PASSMAN. Mr. Secretary, we have gotten the fiscal affairs of this country in such a mess it does not look like we are going to be able to straighten them out, and part of the reason could be because we are too willing to accept some statement and then be complimentary without getting into the detail.

Some of the same people who will testify this year in all probability testified in the hearings of 1958. We were going round and round that day. We heard similar arguments, that any reduction would be dangerous.

I made this statement:

> Your Department last year requested $3 billion for this program and the Budget Bureau recommended that amount to the Congress. This committee recommended $1,735 million and then the other body recommended $2.300 million, but the final compromise, not counting the carryovers, appropriated by the Congress was $2,017 million, almost $1 billion below the total of the budget request. It is apparent that the amount requested last year was double the amount actually needed because the Congress appropriated $1 billion less than requested and there are now unobligated funds of $500 million which will revert to the Treasury unless the Congress reappropriates the money.

Mr. SPRAGUE. I understand, Mr. Chairman.

We have had about the same kind of questions and about the same kind of answers every year.

FUNDING OF F–5 AIRCRAFT PURCHASE

Last year the executive branch requested in fiscal year 1963 budget, which you justified in March 1962, funds for the purchase of 73 FX aircraft; is that correct, sir?

Secretary McNAMARA. Yes, I believe that is correct.

Mr. PASSMAN. Page 11 of the fiscal year 1963 justifications will be inserted in the record.

(The page follows:)

MILITARY ASSISTANCE PROGRAM

Item summary

[All dollar values are in thousands]

		Annual programs			Estimated deliveries/ expenditures from fiscal year 1950—62 programs		
(a)	Proposed, fiscal year 1963 (b)	Cumulative, fiscal year 1950–62 (c)	Fiscal year 1962 as of Jan. 4, 1962 (d)	Fiscal year 1961 (e)	Fiscal year 1962 (f)	Cumulative to June 1962 (g)	July 1962 and after (h)
B–57 aircraft	1	24				23	1
C–119 aircraft		111	6	6	6	105	6
F–80–C aircraft		113				113	
F–84–F aircraft	30	1,513	9	19	9	1,513	
F–86–D aircraft		298	5	19	19	293	5
F–86–F aircraft	32	1,715	26	61	37	1,691	24
F–100 aircraft		292				292	
F–104 and RF–104 aircraft	84	306	166	114		38	268
CF–100 aircraft		53				53	
G–91 aircraft		25			25	25	
L–19 aircraft	35	778	52	83	6	656	122
P2–V7 aircraft		96		5	7	77	19
RF–84–F aircraft		452	3		3	452	
S–2–F aircraft		131		2	4	131	
T–37 aircraft	132	102	51	39	19	27	75
FX aircraft	73						
H–34 aircraft	6	38	19	22	7	19	19
C–47 aircraft	44	289	23	14	13	265	24
C–130 aircraft		4	4				4
Coast Guard patrol boat (CGPB)	2	28		1		28	
Destroyer (DD)	9	32	2	2	4	32	
Destroyer escort (DE)	2	61	3	1		56	5
Landing craft, mechanized (LCM)	16	399	27	19	20	372	27
Landing ship, medium (LSM)		39		5	2	36	3
Landing ship, tank (LST)	3	35		7	2	33	2
Coastal minelayer (MMC)		16		2	1	13	3
Coastal minesweeper (MSC)	11	247	11	8	2	227	20
Inshore minesweeper (MSI)	3	59		2	2	57	2
Ocean minesweeper (MSO)		36				36	
Submarine chaser (PC & SC)	2	61	2	8		52	9
Seaward defense craft (SDC)		4			2	2	2
Submarine (SS)	4	26	4	1	2	21	5
Harbor tug, small (YTL)		22	1	1		20	2
Light cruiser (CL), overhaul		3			1	3	
CG patrol boat (CGPB), overhaul		6	1	1	1	6	
Destroyer (DD), overhaul	1	27	2	2	5	25	2
Destroyer escort (DE), overhaul	2	17	1	2	2	13	4
LC, mechanized (LCM), overhaul		18	6	21	6	18	
LS, medium (LSM), overhaul		24		3	1	23	1
Landing ship, tank (LST) overhaul		28		2	2	28	

On Friday, March 23, 1963, in response to a question regarding the number and type of planes to be provided each country and whether such planes were for force maintenance or force improvement and also whether they were on a cost-sharing or grant-aid basis, General Palmer supplied the committee an insert which indicated you proposed to furnish 73 FX aircraft to four countries at a cost of $54,700,000.

On Thursday, March 29, 1963, during the testimony on the non-regional expenses, General Palmer testified that 73 FX aircraft at a cost of $54.8 million would go to eight countries on a grant-aid basis and the program would be firmed up in fiscal year 1963. At the time of this testimony by General Palmer, no decision had been made as to the type of plane that would be purchased.

Subsequently in May 1963, the Pentagon selected the F–5 aircraft as the aircraft that would be purchased; is that correct?

Secretary McNamara. Yes, that is correct. It is correct that we selected it. I cannot testify to the exact date from memory.

Mr. Passman. Earlier this year, in response to an inquiry initiated by the staff, the committee received information which indicates that 85, not 73, F–5 aircraft are being purchased in fiscal year 1963 and that the 85 aircraft would go to only three countries, not four countries, as indicated in the insert, and not eight countries as testified by General Palmer.

As to the funds for this program, you requested $54,700,000 in the fiscal year 1963 budget for the purchase of 73 aircraft; is that correct?

Secretary McNamara. I believe that is correct.

Mr. Passman. How much money have you allocated to date for this program?

Secretary McNamara. I think it is on the order of $95 million. I will have to check that figure and be absolutely correct about it.

Mr. Passman. Let the record show we were told it was $140 million.

Secretary McNamara. Yes, I have checked the record; $140 million is correct.

Mr. Passman. From what fiscal year appropriation did you derive that sum of money?

Secretary McNamara. From fiscal year 1962, $25 million and the remainder from 1963.

Mr. Passman. When did you justify it before the committee?

Secretary McNamara. We reported to the committee at the beginning of the hearings last year, as you have outlined, that we proposed to allocate 73 aircraft of a yet unchosen type. It subsequently was decided to choose the F–5. The F–5 will cost more than the unspecified type aircraft was estimated to cost.

On the average the unspecified type was estimated to cost about $650,000, and the F–5 will cost about $750,000 over the life of the program on the average.

Mr. Passman. You were justifying a fiscal 1963 program.

Secretary McNamara. Yes, that is correct.

Mr. Passman. You must have not been too deficient in funds. You were funding a good part of it out of fiscal year 1962 funds.

Secretary McNamara. The program was so important and our military commanders placed such a high priority on it that once a decision was made to go ahead we tried to expedite it. We gave it priority over certain of the other fiscal year 1962 programs.

I want to emphasize, Mr. Chairman, that this F–5 program is an economic program. The F–5 aircraft will cost something on the order of 50 to 60 percent of the cost of the other alternative, which was the F–104. I think that the Congress should be pleased with the care that was taken to insure we got the most for our money in this program.

Mr. PASSMAN. But that does not alter the fact that you had indicated so much harm was done because this committee and the Congress made some reduction in funds last year, yet you justified a program for fiscal year 1963 to be funded out of the fiscal year 1963 appropriation, but you had sufficient money from 1962 to fund part of it out of fiscal year 1962.

When did you allocate the funds out of 1962 to this project?

Secretary MCNAMARA. Approximately May, the latter part of April or May of calendar 1962. The priority of the program was so great that even though the Congress subsequently cut the funds, it was still important that we give priority to this program and divert funds from other lesser priority programs.

Mr. PASSMAN. You justified a program for fiscal year 1963 and you expected the Congress to fund the program as you testified for it, but you funded part of it out of fiscal year 1962 funds, I believe some of it in May of 1962?

Secretary MCNAMARA. I believe that is correct.

Mr. PASSMAN. That was just a few weeks after you had justified it before the committee for fiscal 1963.

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. I think the record speaks for itself.

Secretary MCNAMARA. Mr. Chairman——

Mr. PASSMAN. Let me get this one in, too, if I may. Here is June 29, 1962. You allocated an additional $22,500,000.

Secretary MCNAMARA. Mr. Chairman, I would simply say——

Mr. PASSMAN. That was the day, Mr. Secretary, before the fiscal year ended. Now it indicates to me the same sort of thing is being practiced now that has been practiced in some previous years. They wound up with so much money on hand they could not use it advantageously and they would reserve it. This is one day before fiscal 1962 expired and you obligated $22,500,000. I know there is always a reason why these things are done but the reasoning to me, as a Member of this Congress, wanting to face up to my responsibility, frequently, is not very sound.

I shall, if it means anything to you, give you a copy of this letter of agreement signed by the Defense people, which, however, they ignored and reserved all of the money simply because a very powerful man told them to do so.

Secretary MCNAMARA. Mr. Chairman, I do not operate that way.

Mr. PASSMAN. You cannot count the bolts and the nuts and all that. There is no one man who can run this entire show.

Secretary MCNAMARA. Mr. Chairman, I run the Defense Department and I particularly authorize all shifts in the military assistance program of over $1 million. No one has the authority to shift from one country to another country or from one line item to another line item in an amount in excess of $1 million without my personal written approval in advance, so I assume responsibility for this. I tell you without question that it had absolutely no relationship to the fact that it was May or June. I think you might be interested in the reason why the decision was made and particularly I think you might be interested in the effect of it on the Government.

The reason the decision was made that late was because I had questioned the recommendations that had come to me for the choice of aircraft for this FX program. A number of the military commanders had strongly recommended the F–104 aircraft. The F–104 aircraft cost more than $1,400,000 per plane. Furthermore, it is a relatively sophisticated aircraft. It seems to me and to certain of those that I had analyzing the alternatives that it might be possible to meet the military requirements, recognized military requirements for additional air support for our allies, with a less sophisticated and a less costly aircraft. We asked the military commanders, therefore, to reconsider their recommendation. Particularly, we asked CINCEUR, under whose authority and command are many countries which will receive this aircraft, to reconsider his recommendation for the F–104 aircraft.

After extensive discussions, we finally agreed that we could utilize the F–5 at a saving of something on the order of $500,000 to $700,000 per plane. This extensive investigation and analysis was carried on over a period of 6 months. The decision was made, therefore, in a sense relatively late in relation to the military commanders request. Once we made it we implemented it quickly and I simply ask you, Would you have had us do otherwise?

Mr. PASSMAN. Mr. Secretary, I am going to repeat myself, too, then. You will, I feel sure, admit that at least we have a valid question as to why , on June 29 you funded part of the 1963 program out of 1962 funds, 2 days before the beginning of the new fiscal year. That was a Friday and usually some of the departments do not operate on Saturday, so maybe you had pulled up to the last business day of the fiscal year, and you had this money on hand and instead of waiting for your 1963 funds, it was obligated out of 1962.

Anyway, it indicates that we did not harm your program to the extent claimed in the prior fiscal year because the same charges were made then, Mr. Secretary, as during the last fiscal year.

Secretary MCNAMARA. Mr. Chairman, the question is certainly valid. The interpretation is completely invalid. As an aside may I say it is not correct that the Defense Department does not usually operate on Saturday. To my personal knowledge the Defense Department has operated on every Saturday in the last 2½ years.

Mr. PASSMAN. Does the Budget Bureau operate on Saturday?

Secretary MCNAMARA. The whole Administration operates on Saturdays.

Mr. PASSMAN. At some of the departments and agencies you couldn't get in with a crowbar.

Secretary MCNAMARA. You have never tried to visit me on a Saturday and not found me there.

Mr. PASSMAN. I have not had occasion to visit you.

Secretary MCNAMARA. I will be glad to see you anytime. In any event, the Department operates on Saturday.

Mr. PASSMAN. Thank you for an explanation. I knew one would be forthcoming. I want the record to show we are not infallible over here. I do not subscribe to any belief that you on that side are infallible, either.

I yield to the gentleman from Arizona.

PERFORMANCE OF F–5 AIRCRAFT

Mr. RHODES. I do not know whether this is confidential or not. I presume it is. How does the performance of the F–5 aircraft compare with the F–104?

Secretary MCNAMARA. I will be happy to give you or have prepared a complete comparison.

I think that the Air Force would say that the F–104 has certain potential all-weather capabilities that exceed the potential weather capabilities of the F–5. There is an Air Force colonel with me who can speak more authoritatively than I, but I think I am correct in saying that the F–104 has a faster speed in flight than does the F–5.

(Information supplied to the committee is classified.)

Colonel SIMPSON. In flight, straight level flight, the F–104 is the best. However, the rate of climb of the F–5 is better.

Secretary MCNAMARA. Yes.

Mr. ANDREWS. Isn't the main difference in the cost due to the sophisticated equipment?

Secretary MCNAMARA. No. The interesting point is if you take an F–104 with sophisticated equipment in it the cost gets up to $1,750,000 or more, I suppose.

Colonel SIMPSON. Yes, sir. It will run over $1.5 million.

Secretary MCNAMARA. But the military assistance F–104 version recommended was not to have the sophisticated equipment, so I left that out of my cost estimate.

The F–104–17, which would have been the F–104G without the complicated equipment is, even without the special equipment, a far more sophisticated aircraft than the F–5. This F–5 will go to countries ——— where we felt that the extra sophistication of the F–104–17, even if justified in relation to the increased performance, which is questionable, would still be beyond the limits of the recipient nations to properly maintain and operate. This was a very important factor affecting our decision, in addition to the fact that it cost, as I said, something on the order of $1.4 million versus $750,000.

Mr. RHODES. Did you assure yourself that the F–5 could stay in the air with any Russian fighter which it might oppose?

Secretary MCNAMARA. Yes. There was quite a difference of opinion within the Air Force on the question of were we better off with the F–104–17 or the F–5. I think there was much merit to the argument of those, who as the colonel suggested, believed that the faster rate of climb in the particular environment in which it would operate was more important than the faster level flight speed. So I think we are all satisfied, I believe that is correct today.

Colonel SIMPSON. Yes, sir.

Mr. GARY. Will the gentleman yield for a question?

Mr. PASSMAN. Yes.

Mr. GARY. Mr. Secretary, what was the date of the commander's letter which you read?

Secretary MCNAMARA. From CINCEUR?

Mr. GARY. Yes.

Secretary MCNAMARA. May 14, which would have been 2 or 3 days ago. It just came to me this morning.

Mr. GARY. Mr. Passman referred to an incident that happened 5 or 6 years ago and right after that you said, "I assume full responsibility for this."

Secretary MCNAMARA. I meant for current actions, for my own actions.

Mr. GARY. For your own actions last year and not for the action that he referred to, which took place years ago.

Secretary MCNAMARA. Certainly not.

Mr. PASSMAN. Let the record show that reference was made to 8 specific years in which we made substantial cuts.

Mr. GARY. I had no reference to that, Mr. Chairman, but you referred to an incident that occurred when Mr. Harold Stassen was Administrator, and right after you referred to that incident the Secretary said, "I assume full responsibility for this."

Secretary MCNAMARA. The confusion was mine, I am afraid.

Mr. GARY. I was certain that you did not intend for Mr. Stassen's errors.

Mr. PASSMAN. I was only indicating how people run this program like they want to, without much regard for the views of the Congress.

Secretary MCNAMARA. Thank you very much for the clarification.

UNOBLIGATED AND UNRESERVED FUNDS

Mr. PASSMAN. Let us see if we damaged the program as you and Mr. Rusk indicated we were going to do by reducing the funds.

We ruined the program according to the estimates of many in fiscal year 1962. How much money did you have on hand unobligated as of June 30, 1962, in the military assistance program?

Secretary MCNAMARA. It was about $2.7 billion.

Mr. PASSMAN. Unobligated?

Secretary MCNAMARA. I think it was about $2.7 billion.

Mr. PASSMAN. I don't want the record to be that fuzzy. I am looking at a figure here. Is it $64.2 million?

Secretary MCNAMARA. It depends on how you use the term.

Mr. PASSMAN. Let us use it the way you caption it.

Secretary MCNAMARA. "Unpaid obligations-reservations, $2.7 billion."

Mr. PASSMAN. Let us look at your unobligated funds, the dollars that you had available for obligation. It could have been used in an emergency for specifics rather than a blanket reservation.

Secretary MCNAMARA. The same thing is true of the figure I gave you, Mr. Chairman.

I am just giving you the figure that is commonly termed "unpaid obligations."

Mr. PASSMAN. I asked about the amount of funds on hand unobligated.

If we add to that unobligated amount as indicated on page 12 of the book, the $25 million that you allocated to the program you justified for fiscal year 1963, but which you funded out of 1962, that would give $89.2 million in the unobligated status.

I have a specific reason for bringing that matter up. While I was presenting the bill to the full committee, the telephone in the booth was ringing and letters were being slipped under the door. I think this

one, signed by the Secretary of State and the Secretary of Defense—that is, Messrs. Rusk and McNamara—was slipped under the door. I quote:

> Military assistance.—The $585 million cut from the $1,885 million requested by the President would, in fact, reduce by more than 50 percent the amount available for improving the forces of key threatened allies on the flanks of NATO and in southeast Asia whose resources are inadequate. This is so because $1 billion must, in any event, be used to maintain existing forces and meet fixed charges. Thus these cuts would mean quite literally that NATO and Far East countries would not achieve adequate military forces at the very time when both areas confront a crisis in confidence, and when NATO has agreed on the need for a firm posture to meet the Berlin situation. The cuts in this category in particular could all too easily be interpreted—among our allies in the entire free world, and in the Kremlin and Peiping—to mean that U.S. will and resolve have weakened.

Of the $89 million, $64 million went out unobligated and some went from 1962 to finance the 1963 program on Friday, June 29.

Secretary McNAMARA. There was unobligated in the normal, but not the legal, sense of the word $2.7 billion at the end of fiscal year 1962.

Mr. PASSMAN. What do you mean, "normal sense"?

Secretary McNAMARA. Because this amount of money had not all been obligated by the services. The services actually obligate the funds on the basis of reservations. The funds are actually expended only upon proof of delivery. In any event we had not obligated $64 million at the end of fiscal year 1962, not because we didn't need it but because the program had changed so drastically that we couldn't in an efficient fashion properly reserve or obligate it in fiscal year 1962. I think that is to be expected when the program is changed substantially from what we recommend and when the congressional action is as late as it is, normally well after the fiscal year has begun. It is a tremendous burden on those who must be responsible to completely recast the program and then to make the reservations before June 30. I think the fact we did not use the $64 million should be an indication that we are not following the practice you alleged past administrations has followed of just throwing money away at the end of the year in order to use it.

Mr. PASSMAN. Let us say it is just coincidental of many years, that on June 30, or the day before, they obligate these funds. That is not the first time it has happened. To me $89.2 million is a sizable sum.

Secretary McNAMARA. I think the record should be clear that we didn't reserve $89 million on June 29. We reserved only $25 million of the $89 million you mentioned. The very fact that we didn't reserve the other $64 million is the best possible evidence of our intention not to waste any of the appropriation. That $64 million was returned to the Treasury.

Mr. PASSMAN. Did you know it was on hand?

Secretary McNAMARA. I know what we have unreserved in this account every day. Here is the most recent report I have on this subject [indicating].

It is very simple to keep track of what we reserve and what we don't reserve. We knew we had the $64 million, there is no question about that. We were not willing to waste it and hence we returned it to the Treasury.

Mr. PASSMAN. I am only pointing out that some of the assertions in your letter were not valid as far as I am concerned, when you finished

the year, as in previous years, with substantial obligated funds on hand.

General Wood. Could I make one clarifying remark on this?

Mr. Passman. Yes.

General Wood. My military assistance comptroller advises me that at the top of the page we are discussing it says "military assistance, including military assistance sales"—$40 million was in the credit assistance revolving fund which we can't use for anything else. We asked for reappropriation of the other.

Mr. Passman. $25 million?

General Wood. Yes, sir.

Mr. Passman. There is a figure of $62.2 million, a figure of $89 million. There is one of the Secretary of $2.7 million and yours is $25 million.

We are not trying to cripple any program. All we can go by is the record. There have been inaccuracies, and there have been overestimates, and we have had to deal with the situations.

Personally, I just want what is right to prevail. Always, I am going to try to find out what is needed, not what is wanted. The record will show that there is an asking price and a taking price. As for myself, I am trying to find out what the taking price is. There is certainly a limit to the load our country can carry.

Secretary McNamara. Mr. Chairman, I am happy to respond to your questions. I think at any time the executive department requests a budget as we are here of $1,405 million it is appropriate, and as a matter of fact it is essential, that probing questions be asked with respect to it. But I completely disagree with your conclusion that this Nation with a gross national product of over $500 billion cannot afford any amount that is necessary to properly defend itself against what has been, and what is today, and what I believe will continue to be, a Communist drive for world domination.

I submit that the $1,405 million we are requesting for military assistance will provide more protection to this Nation than any other $1,405 million in the entire $50-odd billion Defense budget. I think in a total budget of somewhat over $50 billion, it is a tight budget. We have taken every effort to make it so. I fully accept your point that none of us are infallible. Certainly I am not infallible and I don't believe those I associate with are infallible. No doubt there are some errors in the $50 billion, but I don't believe that a flat arbitrary cut is the way to determine the nature of those errors. I don't believe that it is possible today to say whether there are errors and particularly I don't believe it is possible to say where they are. I think only hindsight will show what portions of the $50 billion could perhaps have been left out without adverse effect on our military security.

But in any event, I will say that if the Congress feels it necessary for some reason not clear to me to reduce the amount of money that we are spending on national security below the level that is required for that purpose, then I would say take the money out of other portions of the Defense budget, but don't take it out of the military assistance.

Mr. Passman. Thank you, Mr. Secretary, and of course some of the other people will say, "Take it out of the military and not out of the economic aid." We hear that kind of story every year, too.

CLASSIFICATION OF COUNTRIES WITH MILITARY ASSISTANCE PROGRAMS

You are aiding some countries that we cannot even mention publicly. If a person should ask me if we have aid for a particular country and we do not have aid for that country, would I be violating security to say, "No, there is no aid in this bill for this country"?

Secretary McNAMARA. I presume not, although I would have to think more of the particular situation.

Mr. PASSMAN. If there is no aid in a country—let us say, do you know of any nation we are not giving military aid to today, any advanced free world nation?

Secretary McNAMARA. Mr. Chairman, I would rather not deal with hypothetical cases. If you will give me the name of the country——

Mr. PASSMAN. We are in at least 58 countries, I believe, with the MAP. How about Iceland?

Secretary McNAMARA. I don't see any reason why we shouldn't say we have no aid program for Iceland.

Mr. PASSMAN. Suppose a person says, "All right, do you have any money in here for Indonesia and ———"? Then what would I say?

Secretary McNAMARA. I thought this was exactly what you were leading up to, and I think it would be a mistake to say——

Mr. PASSMAN. What am I supposed to do, say nothing or say "No"? I am not going to question why you do these things. If we start wearing a star stamped on our forehead, I will know there is a reason for it.

Secretary McNAMARA. Mr. Chairman, I can tell you exactly why I think it is a very good answer.

(Discussion off the record.)

Secretary McNAMARA. I think that is a good answer as to why we haven't said we have an aid program for Indonesia. We are the beneficiaries.

Mr. PASSMAN. We hope that we are.

Secretary McNAMARA. We know we are.

Mr. PASSMAN. Do you really know that to be a fact, Mr. Secretary?

Secretary McNAMARA. Yes; I do know we are.

Mr. PASSMAN. Again, let us hope so.

REDUCTION IN APPROPRIATION REQUEST

Anyway, arbitrary cuts are never in order, and that is not the kind of cuts this committee makes. The record supports, very well, the validity of the actions we have taken, except that probably we have not gone far enough.

Mr. Gary?

Mr. RHODES. Would the gentleman from Virginia yield?

Mr. GARY. I yield.

Mr. RHODES. I believe, Mr. Secretary, you didn't say if we had to cut, to cut the economic rather than the military. I believe you said if there has to be a cut it should be in the domestic Defense appropriation.

Secretary McNAMARA. I did, indeed, say it exactly as you have indicated.

Mr. PASSMAN. What did you say, sir?

Secretary McNamara. I said very clearly that we have a defense budget of somewhat in excess of $50 billion; that I believe it is a very tight budget; and that we have made every effort to make it so. But, I said, in any event, there is no $1,405 million in the entire $50-odd billion defense budget that is more important or contributes more to our national security than the $1,405 million we are requesting for military assistance. Therefore, if the Congress for some reason believes it essential to cut the defense budget, which is in excess of $50 billion, it would be to our national advantage to cut those portions other than the military assistance portion, rather than the military assistance portion.

Mr. Gary. You meant in other parts of the defense budget?

Secretary McNamara. That is quite correct.

Mr. Andrews. Will the gentleman yield?

Mr. Gary. Yes.

Mr. Andrews. You told the Defense Subcommittee we could not cut that $53.7 billion bill without seriously affecting the defense of this country.

Secretary McNamara. Yes, sir, because I have said——

Mr. Andrews. It looks like we are in a box. Apparently we can't cut anywhere.

Secretary McNamara. I think I also said to your Defense Subcommittee that if a cut were to be made in the total $53.4 billion new obligation authority requested, which included $1.4 billion for military assistance, we placed a higher priority on the $1.4 billion for military assistance than we did on the other funds in the defense budget. Therefore, whatever cut Congress thought should be made should first be taken against the nonmilitary assistance portions of the defense budget. Someone else asked me that question and I gave the same answer.

Mr. Andrews. I believe I said there was a lot of talk going around that the defense budget could be cut and should be cut approximately $6 billion.

Secretary McNamara. That is correct, you did.

Mr. Andrews. So I conclude that it is your opinion that neither of these budgets—this foreign military assistance and the domestic defense budget—can be cut without seriously affecting the security of this Nation.

Secretary McNamara. I do feel that way, Mr. Andrews, but I recognize that Congress not only has the responsibility but certainly the right and privilege, to review our judgments and that it may arrive at a different judgment as to the total amount that should be spent on defense. I think that is quite right and proper and it should exercise that judgment and authority. But if it does, as I say, I hope that it will apply the cut, whatever cut it thinks necessary, in other than the military assistance portion of the defense budget.

Mr. Andrews. Mr. Secretary, you told the Defense Subcommittee that the original request for funds for the Defense Department was approximately $67 billion.

Secretary McNamara. That is correct, sir.

Mr. Andrews. You cut that preliminary request down to $53.7 billion?

Secretary McNamara. That is correct, sir.

INITIAL MAP SUBMISSION TO BUDGET BUREAU

Mr. ANDREWS. The budget before this subcommittee for foreign military assistance is $1,405 million. Could you tell me what the original request for this budget was and how much you cut it? If you can't do it now, supply it for the record.

Secretary MCNAMARA. I would like to supply it for the record accurately. I will give you my impression now. General Wood says $1.7.

Mr. ANDREWS. You cut the original estimate in your shop by $300 million?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. Please insert in the record for the past 8 years, fiscal years 1956 through 1963, the amounts the Bureau of the Budget reduced the MAP below the military requests?

Secretary MCNAMARA. If the information is available, yes, sir.

(The information requested follows:)

Appropriation legislation—Reduction in military assistance program budget request during the period fiscal year 1956 through fiscal year 1963

[In millions]

Fiscal year—	Request submitted to Bureau of the Budget	Executive branch request	Appropriation
1956	(1)	$1,442.2	$1,022.2
1957	$3,024.8	3,000.0	2,017.5
1958	2,500.0	[3] 1,900.0	1,340.0
1959	1,950.0	1,800.0	1,515.0
1960	2,000.0	1,600.0	1,300.0
1961	2,346.8	2,000.0	1,800.0
1962	(2)	1,885.0	1,600.0
1963	1,700.0	1,500.0	1,325.0
1964	1,477.0	1,405.0	

[1] Not available.
[2] Request to Bureau of the Budget was combined with other assistance and the military assistance portion was not separately identified.
[3] Executive branch request was later revised to $1,600,000,000 to match the authorized level.

NECESSITY FOR DEFENSE EXPENDITURES

Mr. GARY. Mr. Secretary, I want to say I thoroughly agree with you that this country is threatened by a nation whose sole objective is world domination and it is a ruthless and unprincipled nation. I well remember that in 1947 I visited in Europe with one of the committees of Congress and when I returned I said to my people—and I made several speeches on the subject—that the thing that impressed me most during the trip was the fact that regardless of where we went, what country we were in, whether it was England, Germany, Spain, France, Greece, or Turkey—and we visited all of those countries—that in each of those countries there were unmistakable evidences of the fact that the rulers of the Soviet Union had embarked upon a course of world domination and that nothing short of that would satisfy them. And I have certainly not seen anything since that time to change that opinion. As a matter of fact, it has been strengthened by the events that have taken place since 1947. I think the threat is

more real today than it has ever been before because Soviet Russia is better prepared to launch an attack on this country.

On the other hand, I realize that we have a very serious fiscal problem. We have a debt today—yesterday we voted to increase the debt ceiling—we have a debt today of approximately $300 billion. We have in addition to that an unbalanced budget and no prospects for balancing the budget for several years and I think we have balanced it only 6 years in the last 30. I think that problem also is very serious. And of course we have to balance one against the other.

Now, I want to vote for every dollar for the national defense that is necessary. I don't want to vote for one penny more than is necessary.

UNOBLIGATED AND UNRESERVED FUNDS, 1962 AND 1963

What were your unobligated funds at the end of the last fiscal year?

Secretary McNamara. In the military assistance program?

Mr. Gary. In the military assistance program, yes.

I am referring to the year ending June 30, 1962.

Secretary McNamara. I will give two figures. I am not sure which one it is you wish. We had unpaid obligations and reservations of $2.7 billion as of June 30, 1962. We had $64 million which shows as unobligated of which $40 million was associated with repaid amounts on credit sales which couldn't be used for other than financing future credit sales. There was, in addition to the $40 million, $24 million which could be used for any purpose, which we didn't obligate or reserve, if you will, during fiscal year 1962 because we didn't think we could do so efficiently.

Mr. Gary. That much reverted to the Treasury?

Secretary McNamara. That is correct and we asked that the $25 million which reverted be reappropriated in fiscal year 1963. The $40 million did not revert to the Treasury but remained available to us for financing credit sales and we used it for that purpose in fiscal year 1963.

Mr. Gary. What do you estimate will be your unobligated balance at the end of the fiscal year which ends June 30 of this year?

Secretary McNamara. We estimate $26.5 million of funds available for any purpose, financing credit sales or grant aid. Now, you may well ask why, if we have been hurt by a cut of $175 million in fiscal year 1963 budget, we have $26.5 million unobligated or unreserved at the end of the fiscal year. The answer is simply that in the normal course of business it is absolutely impossible to efficiently calculate to the last dollar, so that at the last day of the year we have no funds left over. I think if we did come out with no funds left over you would have a perfect right to assume that we had just forced the obligation even though the need might not have been great. We don't allow that approach and therefore we anticipate we will have roughly $25 million left over. I think that is about right.

General Wood. And generally might I add that arises in the generic line items. It is not tied to specific items of equipment but is funds for training, and for crating, packing, handling and transportation, where we never know until the books are balanced at the end of the year how much has been used for training, and what our costs for transportation will be.

Mr. GARY. I am glad to know that you do have some amount left over, because that is evidence to me that you are not obligating these funds at the end of the year just to save them. I have had some experience with that. I have been in the executive branch of the Government myself and I have heard people in office say, "We have so much money left over. We must buy so and so. If we don't the money will revert to the Treasury and they will not give us as much next year."

Mr. PASSMAN. Will the gentleman yield?

Mr. GARY. Yes; I will be glad to yield.

Mr. PASSMAN. We have had that experience and of course they did obligate $25 million out of this on June 29, on Friday before the fiscal year closed the following day, but that was just coincidental.

Mr. GARY. They did not obligate all of it, however. They had an unobligated balance.

Mr. PASSMAN. Had you not obligated that amount on June 29, the day before the fiscal year closed—the 1962 funds on the 1963 justification—then you would have had, using your figures, $90 million, the $40 million plus $50 million?

Secretary MCNAMARA. That is right. If we hadn't obligated what we did on June 28 or 25 or 29, we would have had another figure. But we obligate money every day. Therefore, the $25 million reservation on the 29th of June is not an indication that we force obligations or force reservations in order to sop up unused funds and prevent them from reverting to the Treasury.

Mr. PASSMAN. I said it was coincidental. However, I have the same type of trouble that Mr. Gary does in trying to reconcile such things.

Thank you, Mr. Gary.

CUBAN SITUATION

Mr. GARY. Now, Mr. Secretary, we were speaking of the Soviet threat. I think the American people generally are very much alarmed over the threat in Cuba. I wonder what you could tell us about that.

Secretary MCNAMARA. Mr. Gary, the threat in Cuba is not a military threat in the strict sense of the word. It is a serious threat of potential subversion of the established governments in the hemisphere and is no less a threat, therefore, simply because it is not strictly military. I say it is not strictly military because Cuba today has no capability for projecting its military force or influence elsewhere in the hemisphere. This is because they don't have the means of transporting that military force beyond its shores in any significant quantity.

Mr. GARY. Are you satisfied in your own mind that all offensive weapons have been removed from Cuba?

Secretary MCNAMARA. Yes, sir; I am and if I may go completely off the record——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. GARY. This is on the record:

In an informal talk with you and Gen. Maxwell Taylor on yesterday while the committee was in recess I believe General Taylor said that he had the same views that you did and that he was convinced in his own mind that there were no offensive weapons in Cuba.

Secretary McNAMARA. I heard him say that in the conversation to which you referred. Moreover, he has expressed similar thoughts in my presence on other occasions when we discussed this matter with the Joint Chiefs of Staff.

Mr. GARY. I yield to Mr. Minshall.

Mr. MINSHALL. We discussed this at great length as you will remember in our Defense Subcommittee.

Secretary McNAMARA. I do, indeed.

Mr. MINSHALL. I still receive reports that there is a lot of night activity going on in Cuba, we have no way of checking this through U–2 flights that take place during the daytime. Accordingly isn't there a strong possibility that they might bring in missiles and other military equipment in there at night and place it in these caves or other concealed locations. Whether they could be as large strategic weapons as were there before is left to conjecture but they could be some other type of missile that could at least reach the Florida coast.

Secretary McNAMARA. Mr. Minshall, may I go off the record?

Mr. MINSHALL. Yes; we can assume such missiles could be put in firing position in a matter of minutes.

(Discussion off the record.)

Mr. GARY. My next question—I want this on the record, Mr. Secretary.

Is it not true that a great many of these rumors that are being spread about missiles and offensive weapons in Cuba come from the refugees who want to get us in a war with Cuba so that they can get back to their island?

Secretary McNAMARA. I think almost certainly some percentage of the rumors are initiated by people who have a self-interest in the problem. Yes, I do. I don't know the percentage, however.

Mr. GARY. They want to force us to drive Castro out of Cuba so they can go back there. Isn't that true?

Secretary McNAMARA. I am certain that motivates some of the people who initiate some of the rumors.

Mr. GARY. To that extent they have a self-interest in the problem.

Secretary McNAMARA. That is correct and our problem is to separate the rumors into the categories of those initiated by persons with self-interest, and those reflecting the truth as the informant sees it.

Mr. GARY. What is the situation with reference to ship movements going into Cuba since January 1963?

Secretary McNAMARA. The ship movements into Cuba from the free world dropped very substantially in the first quarter of this year compared to the first quarter of last year. I think that the rate in the first quarter of this year probably would have been on the order of 20 percent of the rate of free world ship movements to Cuba in the first quarter of last year.

Mr. GARY. Now, to return to offensive weapons for Cuba, they would have to be transported from a great distance, would they not?

Secretary McNAMARA. Yes.

Mr. GARY. They could not be sneaked in at night without first having been transported across the seas?

Secretary McNAMARA. That is correct.

Mr. GARY. Are you watching the ships that go into Cuba for offensive weapons?

Secretary McNAMARA. Yes, sir, we do watch the shipping.

Mr. GARY. That is the way you detected the offensive weapons initially, was it not?

Secretary McNAMARA. We detected the offensive weapons initially by noting movements along the roads and emplacements at specific locations of offensive weapons. We had watched the movement of ships and correlated the possibility that the ships were carrying offensive-type weapons with some of these rumors and subsequent road movements. This lead to targeting specific photographic reconnaissance missions against particular areas where we subsequently located offensive weapons emplacements.

Mr. GARY. I understand that.

I recall we had a briefing at the time that the crisis was pending and they showed us pictures of the vessels that were taken.

Secretary McNAMARA. That is correct.

Mr. GARY. And with suspicious cargo on board, which finally led to the conclusion that the offensive weapons were there.

Secretary McNAMARA. That is correct.

Mr. PASSMAN. Mr. Natcher?

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. NATCHER. How many countries are participating in the military assistance program at the present time, Mr. Secretary?

Secretary McNAMARA. Could I give the figure for fiscal year 1964's program? I happen to have it readily available and would be very happy to add up the figures for fiscal year 1963.

Mr. NATCHER. All right.

Secretary McNAMARA. There are a total of, I believe, 62 for fiscal year 1964. Of that total number 11 countries, infrastructure and international headquarters account for 75.8 percent of the program. An additional 26 will receive approximately an additional 15.8 percent of the funds and 25 of the countries will receive about 1 percent of the funds. The 25 include 5 receiving less than $50,000 apiece and 20 receiving less than $2 million apiece, a total of $16 million for the 25. I was curious myself and added these up.

Mr. PASSMAN. Would the gentleman yield?

Mr. NATCHER. I yield to my chairman.

Mr. PASSMAN. I think there are about 70 nations. I had to look at it a dozen times to believe it. I am speaking of fiscal year 1963. I will say I take it that we have gone into 70 nations with the military program and since we are going to have to answer the question, one part of the record is going to show 65, one part is going to show 67. If you will, reconcile the differences. If there have been two additional nations, you may wish to list them.

Secretary McNAMARA. We will be very happy to.

(The information requested follows:)

A total of 62 countries are listed as recipients of the proposed fiscal year 1964 military assistance grant aid. In addition the presentation book includes an African area program with a notation that probable military assistance programs for three countries is anticipated. Specific dollar amounts are not attributed to these three countries for fiscal year 1964. A total of 70 countries are included in the fiscal year 1963 grant aid program.

Mr. NATCHER. How many countries are there in the world at the present time, Mr. Secretary?

Secretary MCNAMARA. I cannot answer——

Mr. NATCHER. There are 114 or 116, I believe.

Secretary MCNAMARA. It is around 120. I am not absolutely certain.

Mr. FLYNT. As of yesterday if was reported that there were 111 nations in the United Nations.

Mr. PASSMAN. If you pick up Monaco and the Vatican and some of the principalities, or if you subtract those that are not really nations, you are in a lot of nations.

NON-U.S. PROCUREMENT WITH MAP FUNDS

Mr. NATCHER. Mr. Secretary, of the amount requested for fiscal year 1964 in the military assistance program how much, if any, will be expended abroad for materials, equipment, services, or for any purpose?

Secretary MCNAMARA. About $270 million of the total amount will be spent abroad, which is in turn offset by expenditures in this country induced by the military assistance program of something on the order of $452 million for a net favorable effect on our balance of payments associated with the military assistance program of about $182 million.

Mr. NATCHER. Percentagewise, is this amount increasing each year?

Secretary MCNAMARA. No, sir, I think it is decreasing. We have a very strict control over our foreign exchange expenditures now throughout the Department, both those foreign exchange expenditures financed by the military assistance program and also those foreign exchange expenditures financed by other parts of the Defense program. As a result of this I think there has been a decrease percentagewise and I think there will continue to be a decrease percentagewise of the portion of the military assistance program spent outside the United States.

Mr. NATCHER. Thank you, Mr. Secretary. That is all, Mr. Chairman.

Mr. PASSMAN. Mr. Flynt?

MILITARY ASSISTANCE IN LATIN AMERICA

Mr. FLYNT. Mr. Secretary, as of the present time there are 19 countries in Latin America where we are presently furnishing military assistance. I take that from page 205 of the information furnished to us.

In that connection on either Monday or Tuesday of this week it was reported that officials of the Agency for International Development—realizing you are not responsible for that Agency—have instructed their officials in these 19 countries to threaten withdrawal of AID support to any Latin American country which lends support to anti-Castro Cuban refugees. Are you familiar with that report?

Secretary MCNAMARA. I am not familiar with it though I would doubt the veracity of it. Since I am not familiar, I cannot speak to the point.

Mr. FLYNT. It was reported in the current issue of the U.S. News & World Report (May 20, 1963).

Secretary MCNAMARA. I would be very happy to check.

(Information supplied is as follows:)

REPORTED INSTRUCTIONS ON LATIN AMERICAN AID

No instructions have been given to Embassy, AID or MAAG officials to threaten withdrawal of aid to any Latin American country which lends support to anti-Castro Cuban refugees.

Mr. FLYNT. The question I was going to ask, do you know of any such instruction or any similar instructions which have been issued to military assistance personnel in 19 Latin American countries?

Secretary MCNAMARA. I know of none and I feel certain there has been none.

General Wood might wish to comment further.

General WOOD. I know of none.

Secretary MCNAMARA. I would be very happy to check if you wish, or the committee may wish to check directly with the State Department and the AID agency on the truth of the other report.

Mr. RHODES. Will the gentleman yield?

Mr. FLYNT. I will be glad to.

Mr. RHODES. Is it possible for such instructions to have been issued without one of you knowing it?

Secretary MCNAMARA. It is not possible for any instruction to have been issued to the military assistance missions in those countries without us knowing.

Mr. RHODES. Thank you.

Secretary MCNAMARA. Unless it is just simply an error. We make errors but I don't believe we have made one here.

DEFENSE-CIA COORDINATION

Mr. FLYNT. In that connection following up a question asked by Mr. Rhodes, are there any, are there any further efforts being made, known to you or General Wood, by officials of any other agency to bypass you in giving information to military assistance personnel—and I am referring again specifically to the Latin American countries. Have you had any reports of CIA officials giving instructions or seeking to give instructions to military assistance personnel without clearing it through you?

Secretary MCNAMARA. None whatsoever.

General WOOD. No.

Secretary MCNAMARA. We have very close relationships with CIA and it is inconceivable to me that they would intentionally give instructions to any of our military assistance personnel, or for that matter to any Defense Department personnel, without proper clearance with me or some responsible party in the Department.

Mr. FLYNT. In the event that there have been—I am not saying that there have been or that there will be—but if you should develop at a future date that such instructions have been given and received and the individuals concerned who are responsible to you either directly or through General Wood, and if this information were not reported

to you within certainly a reasonable period of time, would you take action to withdraw them from those assignments?

Secretary McNamara. May we go off the record just a second here so I don't mislead the committee?

Mr. Flynt. Yes.

(Discussion off the record.)

SUBVERSIVE THREAT IN LATIN AMERICA

Mr. Flynt. We can go back on the record now.

The primary reason for these questions and statements which I have just entered and which have been discussed both on and off the record is that I certainly agree with you that the primary threat to the United States and to the Western Hemisphere that exists in Cuba today is not primarily military in its nature, but rather that it is serving as the basis for schools and other forms of instruction in insurgency methods to individuals known or believed to be hostile to the government of their home country, constantly in attendance in these Communist-controlled, often times Russian-controlled insurgency schools that are being conducted in Cuba.

We have reports that the number of Latin American citizens are increasing in numbers each month. There are also reasons to believe that the number of instructors may also be increasing.

In this connection are you intensifying through the military assistance program the efforts to jointly train Army personnel in these—in all or part of these 19 Latin American countries in counterinsurgency measures, including but not limited to counterinsurgency instruction?

Secretary McNamara. Yes, we are.

(Discussion off the record.)

Mr. Flynt. Thank you very much.

Mr. Passman. Mr. Rhodes?

Mr. Rhodes. Mr. Secretary, would it be possible to fly PERSHING type missiles into Cuba?

Secretary McNamara. May I go off the record?

Mr. Passman. Yes.

(Discussion off the record.)

Mr. Rhodes. On the record.

U.S. TRAINING OF YUGOSLAVIAN

Mr. Secretary, we have a student at Fort Leavenworth who is a Yugoslavian.

Secretary McNamara. I understand so.

Mr. Rhodes. I was there in December. I did not meet this gentlemen formally but I do understand that he is a pretty well indoctrinated Communist by his own admission, and that it is a matter of pride to him. My question is this: I can see some use in having people from nations which are neutralist, although I doubt that there is as much advantage to that as some say, to a school as sensitive as Fort Leavenworth, but I cannot for the life of me see why we should tolerate an out-and-out Communist as a student there.

Secretary McNamara. First, we don't finance it. They pay the costs. Second, he is not exposed to any classified information. Third,

this does allow us to maintain some tie with Yugoslavia, and allows him to become acquainted with Western ideas.

(Discussion off the record.)

Mr. RHODES. I just sort of wonder if we aren't being a little naive about it. I recognize the value of having friends in the armed services of as many countries as we possibly can, but when you send a hard core Communist student in I doubt if he goes back with anything but some information which might be helpful to the government and probably as thoroughly indoctrinated in communism as he was before.

Secretary MCNAMARA. I think we must constantly be on the lookout for the possibility that he will be exposed to classified information and return it to his government.

Mr. RHODES. Fort Leavenworth being the type school it is, it is very difficult to make sure there would not be any information which is valuable, even though not classified, which would be divulged.

Secretary MCNAMARA. I think that is a fair statement. We therefore have taken extraordinary precautions to prevent that. I am told by those responsible that they see no danger in his presence there.

MAP MISSILE PROGRAM

Mr. RHODES. Mr. Secretary, will there be any further programs under the military assistance program involving JUPITER and THOR missiles in military assistance countries?

Secretary MCNAMARA. No. We have no plans for any such programs.

Mr. RHODES. Will there be any programs under military assistance which will have to do with any other types of missiles? I am thinking particularly of the proposal about which we have read in the papers concerning the possibility of a multilateral nuclear force under NATO.

Secretary MCNAMARA. The plans for that haven't advanced to the point where they could be related directly to military assistance. Certainly the contributions of the major Western European powers or their participation in the multilateral force would be expected to be financed by those nations.

Mr. RHODES. Including the vehicle or the craft or whatever it might be?

Secretary MCNAMARA. Including whatever is involved.

It would be expected they—I am speaking of the major Western European powers—would be expected to pay their share of the total cost of the system to the extent of their share of participation.

Mr. RHODES. So as of now we do not need to expect this type of multilateral atomic force to be financed under the military assistance program?

Secretary MCNAMARA. In general, no.

(Discussion off the record.)

ASSOCIATION WITH DISARMAMENT AGENCY

Mr. RHODES. We have a disarmament agency within the Government which bothers a lot of people, including me. One of the things

I would like to ask about it is this: They are in the business of disarming; you are in the business of arming. How much consultation is there between you?

Secretary McNamara. There is considerable consultation between us. The Joint Chiefs have representing them in this field of activity a special group in the Joint Staff that specializes in this. Maj. Gen. Dale O. Smith from the Air Force is the Joint Staff officer specializing in this work for the Joint Chiefs. There is a special group in the International Security Office of the Defense Department that also specializes in it.

General Taylor, the Chairman of the Joint Chiefs, and I are members of a group known as the Group of Principals, which includes the Secretary of State and the Director of the Disarmament Agency, who review all Government proposals in this field before final action is taken upon them. So there is very active participation by the Defense Department in consideration of the disarmament proposals.

Mr. Rhodes. You do not feel there is any chance that they might disarm you out from under your national security?

Secretary McNamara. I certainly do not, sir.

Mr. Rhodes. This ought to be off the record.

(Discussion off the record.)

WESTERN EUROPEAN WAR PLANS

Mr. Rhodes. Mr. Secretary, I read in the paper, I think it was 2 or 3 days ago, that forecasts have been changed as far as the possibilities of conventional war in the Western European area are concerned. Where we used to plan for a 90-day conventional war, as I understand it we are now planning for a 30-day type conventional war; is that correct?

Secretary McNamara. No, sir. Those newspaper reports that you referred to, report specifically in the Washington Post by Flora Lewis and in the New York Times by Sidney Grewsum, were completely erroneous reports of conversations held in London between Admiral Mountbatten, Mr. Thornycroft, Mr. Getsa, General Taylor, and myself. It is interesting to note that Grewsum and Lewis are man and wife and they were not two independent reports, therefore——

Mr. Rhodes. So this report is completely false?

Secretary McNamara. That is correct.

Mr. Rhodes. I am glad to hear it in a way, in another way I am sorry because I thought perhaps we may have found some concrete way of cutting down the military assistance program if this were so.

Secretary McNamara. No, sir.

Mr. Rhodes. That is all, Mr. Chairman.

Mr. Gary. Mr. Conte?

ALLEGATIONS OF MAP WASTE

Mr. Conte. Mr. Secretary, yesterday's hearings brought out there is one country where there were excessive aircraft to the number of pilots available.

Secretary McNamara. I recall that allegation.

Mr. CONTE. Last year that was brought up in debate, in full debate on page 1905–1 of the Congressional Record for last year. I stated that—

Information furnished for the record on March 28, 1962, hearings before this subcommittee did show a shortage of pilots qualified to fly two types of new jet aircraft in the country in question.

This information also indicated a fact that the required number of pilots for these aircraft were engaged in the formal transition training from older, slower type planes. As of June 30 of this year—

that is 1962—

qualified pilots have completed training and been assigned to all these aircraft except one. This remaining shortage will be more than met from the fiscal 1963 pilot training program.

Has that been met?

Secretary MCNAMARA. Yes, it has been.

Mr. CONTE. So that there is no situation today where you have more planes than pilots?

Secretary MCNAMARA. To my knowledge there is no situation today where there are more planes than pilots.

Mr. CONTE. Also, so that the record will be straight—I am not defending the program entirely, because in a program of this size there is bound to be some abuses—but there was a question raised in regard to a rifle and a half for each individual.

This accusation was based on an error in the congressional presentation document that the country in question showed the total cumulative program included 1,947 rifles, with a MAP-supported force of only 1,200 men. This latter figure should have been 2,200 men. This corrected information was provided for the record on March 29, 1962, last year. Have you been able to analyze and confirm that?

Secretary MCNAMARA. The conclusion is valid. In no country of the world in which we are supplying military assistance are there more rifles than men.

CONCENTRATION OF MILITARY ASSISTANCE

Mr. CONTE. Mr. Secretary, what part of this military assistance appropriation is budgeted for countries on the bloc periphery, and which countries are allied with the United States?

Secretary MCNAMARA. About 63 percent is budgeted for countries on the bloc periphery.

Mr. CONTE. Would you name those countries or is that classified?

Secretary MCNAMARA. Yes; Korea, the Republic of China, South Vietnam—I think, for this purpose, we should include Thailand, because it is subject to such a severe threat—Iran, Turkey, Greece, and Pakistan. I have left out India because it is a new element of the program and because we have not yet developed a detailed program for fiscal year 1964 for India, but I think that might also be included.

MILITARY ASSISTANCE TO INDIA

Mr. CONTE. I notice in the Clay report that they encourage military assistance to India, provided they can settle their differences with Pakistan.

Secretary McNamara. Or be assured that the military aid that is furnished would not be used against Pakistan.

Mr. Conte. Be used against Pakistan?

Secretary McNamara. Yes, sir; that is correct.

Mr. Conte. They would set up a counterbalance.

Secretary McNamara. We should not contribute to an arms race with Pakistan.

Mr. Conte. In that part of the world?

Secretary McNamara. Yes.

Mr. Conte. Would you care to elaborate on that?

Secretary McNamara. Yes. I think we recognize the serious threat to India of the Communist-Chinese invasion of last year and the possibility that that would be repeated in the future. We also recognize the threat to the balance of power in the subcontinent were China to invade India again, to the extent it did, and continue the invasion as it well might have last fall. A completely successful Communist invasion would completely shift the balance of power, not only in the subcontinent, but in the rest of southeast Asia and have waves of adverse effect into the Pacific area. Therefore, the preservation of India's independence is of great importance to our national security.

Mr. Conte. Several of these bloc countries that you mentioned under the periphery of the bloc, such as Formosa, I visited there about 5 years ago, and Thailand—these countries have outstanding air forces, do they not, and military forces?

Secretary McNamara. They do, indeed. I think it is fair to say that the Taiwanese Air Force is one of the best air forces in all of Asia.

Mr. Conte. Thailand——

Secretary McNamara. Thailand's Air Force is also a fine air force.

EFFECT OF CUTS IN APPROPRIATION REQUEST

Mr. Conte. When you were talking about the cuts, as a result of the cut made last year, that certain cuts were made in Turkey and Greece, could you be a little more specific? Could you tell us what those cuts were?

Secretary McNamara. Yes. The largest cut in the Greek program was a cut ——— in ammunition below the levels thought necessary by the commanders. There were other cuts that, perhaps, I can submit.

(The following information was submitted for the record:)

The congressional reduction of the fiscal year 1963 military assistance program from the $1.5 billion requested to $1.325 billion and emergency actions such as those in India and Vietnam curtailed the funds available to meet worldwide military assistance requirements. As a result, important force improvement projects had to be deleted from the fiscal year 1963 program. In many cases these deletions were deferrals which merely continued a trend of deferrals resulting from reductions in previous years. Many countries on the borders of the Sino-Soviet bloc face Communist forces which are being progressively modernized. Unplanned obsolescence resulting from protracted deferrals of military assistance requirements can only concede qualitative superiority to bloc forces. In many cases, the MAP equipment being deferred is not only for modernization but for replacement of equipment which is either obsolete or worn out.

The cumulative effects of these deferrals on individual countries is indicated by the classified cable regarding Greece and Turkey which Secretary McNamara

read to the committee on May 15, 1963. Similar situations prevail in other military assistance recipient nations close to the border of the bloc, such as Pakistan, Korea, the Philippines, and the Republic of China.

(In addition to the reductions in the fiscal year 1963 program made by the Congress, the ship loan legislation proposed by the administration did not pass. This meant that some of the deferrals from the fiscal year 1963 program—which might have been necessitated by the fund reduction—were also made necessary by the failure of this legislation. These deferrals were as damaging to the military posture of MAP recipient nations as deferrals related to the fund limitations alone.)

Examples of the specific impact of the program changes associated with the reanalysis of the program after the congressional reduction included:

Aircraft.—Total reduction of 151 aircraft, including tactical fighters, light transports, and jet trainers.

Ships.—Total reductions, *not associated with ship loan legislation*, of 1 submarine, 1 destroyer, 11 mine warfare vessels, 2 patrol craft, 1 destroyer escort, 1 APD, and a variety of minor vessels.

Vehicles.—The number of vehicles was reduced for several countries. In addition, vehicles were deleted from the program for all Far Eastern countries as a result of the amendment prohibiting purchase of vehicles in Japan.

Ammunition.—Ammunition programs were reduced in several countries which are considered to have inadequate stock levels of ammunition.

In terms of their effect on the posture of major allies the deferrals made from the fiscal year 1963 program as proposed to the Congress include:

Greece.—The total program for Greece was reduced by more than $7 million. Major deletions occurred in ammunition and ammunition components and electronics and communications equipment.

Turkey.—The reduction in the Turkish program eliminated sorely needed communications equipment, continuing the already serious situation in communications.

Republic of China.—Twenty-five trainer aircraft were deleted from the program as well as light tanks, ammunition, and missiles. Ships and associated equipment were deferred, seriously reducing planned capabilities in ASW and mine warfare, thus indirectly forcing deferral of an opportunity to reduce the burden on the U.S. 7th Fleet.

Korea.—In addition to a variety of deletions in Army programs which caused an across-the-board reduction in planned improvements in Army capabilities, the entire ASW and mine warfare program for Korea was again deferred. None of the ships in this program required the proposed ship loan legislation which did not pass.

Mr. MINSHALL. Was that for their basic loads, stock levels, or was this for practice ammunition?

Secretary MCNAMARA. This was for ammunition to build them to minimum stock levels.

We simply cut that out. This will have to be financed in a future year.

Mr. MINSHALL. How much of a supply do they have?

Secretary MCNAMARA. That varies by types. I would like to supply, for the record, the type of ammunition.

(Information supplied to the committee is classified.)

Mr. MINSHALL. I understand we plan now to have only a 30-day war in Europe.

Secretary MCNAMARA. We discussed that a moment ago.

Mr. MINSHALL. I am sorry. I had to attend a rollcall on the floor of the House.

Secretary MCNAMARA. I will repeat the point I made that that was a completely erroneous newspaper report of conversations in London. It is interesting to note that while there were two newspaper reports, they were written by man and wife, Sydney Grewsum in the New York Times and Flora Lewis in the Washington Post.

Mr. PASSMAN. Who made the decision to cut back ——— in the ammunition for Greece?

Secretary MCNAMARA. This was recommended by the military assistance section of the International Security Office.

Mr. PASSMAN. Not by the Congress?

Secretary MCNAMARA. No, but because of the cut of $170-odd million made by the Congress.

Mr. PASSMAN. You could not have financed the ——— in ammunition out of the $25 million that was going to lapse and the $25 million that you placed against the 1963 justifications?

Secretary MCNAMARA. No, sir.

Mr. PASSMAN. You could not have?

Secretary MCNAMARA. Not and taken account of the other demands upon the program.

Mr. PASSMAN. If the Congress does not appropriate the $25 million, it will lapse, will it not?

Secretary MCNAMARA. That is correct.

Mr. PASSMAN. You could have programed ——— for ammunition out of it, could you not?

Secretary MCNAMARA. Not without inefficiencies in the administration of the program.

Mr. PASSMAN. You answered it.

Thank you very much, Mr. Conte.

Mr. CONTE. That accounted for ———.

Secretary MCNAMARA. Yes, and there were other cuts. Perhaps I can run through them quickly. There were ———.

Mr. CONTE. You do have to leave some money in the fund or the pot to have some elbowroom, do you not?

Secretary MCNAMARA. Yes. It is absolutely impossible for us to schedule to the last dollar unless we are to run the risk of wasting funds. As I have said, neither General Wood nor I nor any other responsible member of the Department's leadership would reserve funds on that basis.

Mr. PASSMAN. The gentleman wants the record correct, I am sure. The destroyer legislation did not pass the Congress, did it?

General WOOD. That is correct.

Mr. PASSMAN. Thank you, General Wood.

General WOOD. We had to eliminate all the ships required——

Mr. PASSMAN. I just wanted the record correct.

Secretary MCNAMARA. The record is correct.

Mr. PASSMAN. It is now. You said destroyers and you did not say the legislation had not passed.

Secretary MCNAMARA. It is correct that the Greek military assistance budget was cut ———.

MILITARY ASSISTANCE TO AFRICA AND LATIN AMERICA

Mr. CONTE. Mr. Secretary, I strongly support the military assistance, as some of my colleagues have in the past. I am somewhat disturbed about continuing military hardware, giving military hardware to African countries and to some Latin American countries. I expressed this fear 5 years ago when I first came on this committee in regards to Latin America. At that time I expressed the belief that

I thought maybe we could have some central defense force in Latin America such as NATO and pool all the resources for the common defense of the hemisphere rather than giving, say, Chile or Ecuador, Peru, any of the countries in Latin America or Africa military hardware which could set up another Castroite Communist country. I wonder if you have any feeling on that.

Secretary McNamara. Yes, I do. I think there is considerable merit to your position. In the case of Africa—dealing with it first—in north Africa we are proposing military assistance in fiscal year 1964 beyond training assistance in only three countries, Ethiopia, Libya, and Morocco, and in those three the announced military assistance is associated with ———. In the case of the rest of Africa there is no large hardware program proposed at all.

In the case of Latin America, where it was mentioned a moment ago we have military assistance programs for 19 countries, the total amount for all 19 is $77 million and of that total of $77 million about $20 million is for training. Therefore, the hardware program for the total of Latin America is on the order of $56 million. That hardware program is directed primarily to what I would call "maintenance of order" equipment, which I think any sovereign nation would have to have on hand.

There are a few exceptions to the point I have made. There are very few jet aircraft involved and a few other items that would fall outside this category of "maintenance of order" equipment. Generally speaking, however, our hardware program for Latin America is held to a minimum—I think $56 million for 19 nations is quite small. Even within that minimum it is directed almost exclusively to the type equipment needed for the maintenance of internal order, which I think any sovereign state must provide for.

Mr. Conte. In going through the justifications, though, you find some countries like Chile and Peru where we have given them F–86 aircraft.

Secretary McNamara. Yes. As I said there were a few exceptions, very, very few indeed. I have forgotten the total number of jet aircraft. It would be on the order of eight.

Mr. Conte. In all countries?

Secretary McNamara. Something like that. I think that is certainly an exception to the statement I made.

Mr. Gary. Will the gentleman yield to me?

Mr. Conte. Surely.

Mr. Gary. I have to review an Armed Forces Day parade in Richmond today, so I am going to ask you to excuse me.

Thank you, gentlemen.

CLAY COMMITTEE RECOMMENDATIONS

Mr. Conte. Mr. Secretary, in regard to the Clay report, generally speaking, the Clay report is very much in accord with your presentation here and about the only area of major difference that I see is that the Clay report recommends a reduction of the military assistance program to $1 billion over a 3-year period where you recommended a $1 billion program over a 5-year period.

Secretary McNamara. Yes, sir; and I am not certain that even that is a proper statement of the difference. I am not certain when the 3 years starts. In one case it refers to 3 years and in another case to a few years, so I am not even certain there is this much difference. But in any event as relates to 1964 I think General Clay and the members of his committee would fully support the military assistance program we have presented to the committee. I know that they accepted the statement I made to them that we propose to reduce it to $1 billion—we said at least by fiscal year 1968.

MANSFIELD REPORT ON VIETNAM

Mr. Conte. Going back to the Mansfield report, even though they criticized, and rightly so, the leadership in Vietnam they said:

> Present political practices in Vietnam do not appear to be mobilizing the potential capacity for able and self-sacrificing leadership on a substantial scale—

which is true, and yet they continue on by saying:

> Yet, such a mobilization is essential for the success of the new strategy and hence the survival of South Vietnam and the freedom within South Vietnam.

In other words, they criticize the leadership there and the conditions but they also recommend that we continue our efforts in that part of the world.

Secretary McNamara. I think that is very clear, Mr. Conte, from the report.

Since the Mansfield committee visited South Vietnam at the end of the last calendar year, progress has been made to extend democratic principles into the political leadership of the nation, particularly at the hamlet and village level.

Mr. Conte. I have no further questions.

Mr. Passman. Did the Clay report recommend that certain nations now receiving military aid be eliminated in the future?

Secretary McNamara. It indicated that certain nations not now receiving it, should not receive it, and certain nations receiving it now, as time permitted, should be eliminated in the future, but it didn't recommend they be eliminated for fiscal year 1964.

Mr. Passman. Did they comment on reducing the 1964 program?

Secretary McNamara. They gave indications both in the report and elsewhere of their support of the fiscal year 1964 program.

Mr. Passman. Did the Executive and the military have contact with the Clay Committee during their deliberations and prior to the writing of the report?

Secretary McNamara. I had no contact with the committee during——

Mr. Passman. I said members of the Defense Department and representatives of the Executive.

Secretary McNamara. I had no contact with the committee during the writing of the report, but both I and members of the Defense Department appeared before the committee, at the committee's request, to express our views on the military assistance program and answer their questions.

SUCCESS OF MILITARY ASSISTANCE PROGRAM

Mr. MINSHALL. Mr. Secretary, do you believe the objectives of the military assistance program since it was first started in 1950 have been fulfilled?

Secretary MCNAMARA. I believe that the basic objective of the military assistance program is to assist other nations to assist themselves in defending both their own security and the security of the whole free world of which we are part of.

Mr. MINSHALL. The reason I asked my question is in your statement on page 3 you said:

> The paramount objective of the military assistance program is, of course, to maintain and develop effective—

and I emphasize the word "effective"—

> military forces in friendly nations.

Now, we have spent some $32 billion on this program since it was first initiated back in 1950. We have spent nearly $100 billion on our entire foreign aid program for 70 or more nations—but I just wonder in view of some of the events that have taken place in some of these countries throughout the past 13 years if we do have effective military forces in these nations. You said you could only look at this program in retrospect and hindsight.

As you look at this program in hindsight and retrospect, do you believe our military assistance program has been effective?

Secretary MCNAMARA. I do, indeed, sir. I think it is the primary reason why the Communist advance in Asia, and particularly the Middle East has been stopped, and in many cases turned back. Iran is a good illustration, as are Taiwan and Thailand. We provided military assistance to Iran and as a result of that military assistance, in my opinion, Iran is free and independent today and not under Communist domination. I think this is true of many, many other countries. So, I think, the primary objective has been realized.

Mr. MINSHALL. Then you look upon the military assistance program as having developed effective military forces within these countries for local control rather than to prevent external attack, is that it?

Secretary MCNAMARA. I would say to prevent attack. Without the military force developed with U.S. assistance the governments in some countries would probably have accommodated themselves to the overt or covert pressures upon them from the Communist bloc.

Mr. MINSHALL. I have visited a lot of these countries, through various trips I have taken and whether it be in Turkey, Iran, or South Vietnam and many others, but after talking to many of these people and seeing what I have, I have become a little bit disenchanted with the program.

Secretary MCNAMARA. I think if we were to eliminate the military assistance program—I think cut it off completely—within 5 years you would find ——— under Communist domination.

MAP WASTE AND INEFFICIENCY

Mr. MINSHALL. I am not one of those foolish enough to believe that no military assistance, no economic aid, is necessary, but I do think

there has been a lot of waste and extravagance in the program and that is why I have always voted against it in the past. I think my numbers are growing in the Congress and I think it is making people like you become a little bit more alert about it. I think it will make Mr. Bell do a more efficient job because he knows there are rising objections and we reflect in the Congress the feelings of the people back home. That is why we are so sensitive to it.

Secretary McNamara. I think you are quite right in emphasizing the potential waste in any program as large as this—particularly a program which depends for its application upon participation of foreign nationals. In countries in which logistical systems have not developed either in private or public organizations as effectively as they have here, there is bound to be some waste and there are bound to be some errors, and there certainly have been in the military assistance program.

I reported last year either to this committee or to some other committee of Congress interested in the subject upon experience in South Korea. There was no question but what there had been a diversion from the military assistance program to the civilian economy, an unwarranted diversion. Our military assistance chiefs there worked with the National Government to correct it with considerable success. I myself have talked to the Korean leader when he was over here and I also talked to the military assistance chief in Korea about it. Both of them assured me, and we have since documented their assurance, that steps were taken to prevent waste that at times had occurred in the past.

Similar improvements have been duplicated elsewhere.

General Palmer, for example, and more recently General Wood have themselves paid considerable attention to this. We have set up an internal audit staff within the Department to make audits supplementing the audits of the General Accounting Office. So I think we are aware of the problem you cite. It has been a real problem but it is less so today.

MAP IN LATIN AMERICA

Mr. Minshall. Do you believe we are maintaining our maximum effectiveness with our military assistance program in Latin American countries?

Secretary McNamara. I think the program in Latin American countries is very worthwhile, particularly after the shift from emphasizing equipment to be supplied to them for use in hemispheric defense to equipment to be supplied to them to maintain stability——

Mr. Minshall. Do you mean civil action programs?

Secretary McNamara. No, to maintain stability in the sense of providing small arms, training and mobility to assist in counterinsurgency actions within their country. It is a very wise shift, indeed.

Mr. Minshall. What is the effect of the Cuban situation? Is it being used as a base for exportation of communism and/or overt aggression, subversion, and propaganda by all means? What effect does that have on these various Latin American countries?

Secretary McNamara. I think it increases the need for emphasizing counterinsurgency training as part of the military assistance program. As I responded a moment ago to another question on this subject, we

are placing increasing emphasis upon counterinsurgency equipment and counterinsurgency training.

Mr. MINSHALL. Do you believe Cuba is being used as a base for exportation of communism today?

Secretary MCNAMARA. I think it is quite clear it is being used as a base for training of subversive agents who return to their Latin American nations and endeavor to move their nation toward Communist domination.

Mr. MINSHALL. That is all I have, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Minshall.

You were referring to the number of nations for the total program or just the military, when you said 75?

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We have been in at least 101 of 113 nations since World War II.

Mr. MINSHALL. Programs we have had at one time or another?

Mr. PASSMAN. Programs are going on in all of them as far as I know, with the exception of about seven.

SITUATION IN INDONESIA

I am reading here from an AP Jakarta, Indonesia, dispatch:

RED CHINA'S LIU, SUKARNO KISS, CONDEMN WEST

SUKARNO SAYS CHINA WILL SEE FALL OF WEST

JAKARTA, INDONESIA, April 19 (AP).—President Sukarno today called Communist China and Indonesia "the pillars of the new emerging forces" and predicted the two nations will see the day when "the old established forces" will collapse.

Sukarno spoke at a state banquet given for him by Communist Chinese President Liu Shaochi of Red China who ends a 9-day visit to this country tomorrow. In turn Liu referred to Indonesia and Red China as comrades in arms.

Sukarno refers to nations in Asia and Africa and the Communist bloc as "new emerging forces." He lumps most of the West under the "old established forces" description.

Did you happen to see this article?

Secretary MCNAMARA. I saw the allegation to which you referred.

Mr. PASSMAN. Is this an accurate account and does it cause you concern?

Secretary MCNAMARA. I cannot tell whether it is an accurate account.

Mr. PASSMAN. If it is, would it cause you concern?

Secretary MCNAMARA. It would, but I would repeat what I said yesterday, that through the military assistance program we have maintained a relationship with Indonesia that it would not be possible to maintain without it and Indonesia has not come under the domination of the Communist bloc.

This I think is a very big gain for a very small price.

Mr. PASSMAN. Let us hope it turns out that way. I wish I could share your optimism.

Secretary MCNAMARA. May I further add on the last point you made, Mr. Chairman, that 11 countries' infrastructure and international headquarters account for 75.8 percent of the military assistance budget for fiscal year 1964. So it is quite clear that we are concen-

trating military assistance, rather than spraying it widely throughout the world.

Mr. PASSMAN. Let us hope for the best. I am afraid our money is going to run out.

Thank you, gentlemen.

We shall recess until tomorrow at 1 p.m.

ADDITIONAL INFORMATION SUPPLIED

(NOTE.—The following information was supplied subsequent to Secretary McNamara's appearance before the committee and in response to interrogation beginning on p. 111:)

MILITARY ASSISTANCE COMMITMENTS

In order to attain various U.S. policy objectives, responsible officials of the executive branch of the U.S. Government have made certain specific arrangements with officials of other governments which will require future military assistance appropriations, in addition to the funds appropriated in the past, to fulfill. In each case, these arrangements are expressly subject to the availability of annual congressional appropriations. The following general categories indicate the rationale for undertaking specific commitments:

(*a*) Commitments which were made with the understanding that recipient countries would increase their defense budgets and, in some cases, increase their purchase of U.S.-produced military end items and components.

(*b*) Commitments relating to the U.S. share of continuing multilateral military activities, including NATO infrastructure, the weapons production program, and International Military Headquarters.

(*c*) Commitments essential to the undertaking of jointly agreed bilateral programs which will increase the longrun effectiveness of indigenous armed forces and improve the utilization of MAP-provided materiel.

(*d*) Commitments to secure or retain essential base and operational rights. (If we are to maintain throughout the period certain essential bases, additional commitments will probably have to be undertaken during the period shown.)

Commitments as described above will require the following funding during the period fiscal year 1964 through fiscal year 1968:

[In millions of dollars]

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Total, fiscal year 1964–68
Europe	171.9	99.1	98.6	48.2	14.5	432.3
Near East-south Asia	255.9	95.3	87.3	45.1	43.5	527.1
Far East	28.8	32.0	11.5	1.2	.2	73.7
Total	456.6	226.4	197.4	94.5	58.2	1,033.1

Additionally, there will be costs associated with delivering goods and services programed under fiscal year 1963 and prior appropriations. Inas much as countries have now been informed of plans for the delivery of these goods and services, funds for the packing, crating, handling, and transportation costs associated with delivery of the fiscal year 1963 and prior undelivered balance should be made available. This is estimated to cost $151.7 million in fiscal years 1964–66, at which time all will have been delivered.

Country and activity requirements by year are shown in the classified annex.

EQUIPMENT AND SUPPLIES IN SERVICEABLE CONDITION

(The following information was supplied in response to interrogation beginning on p. 122:)

Military assistance equipment and supplies in serviceable condition in 44 recipient countries

[All figures are as of June 30, 1962. Dollars in thousands]

(1)	Total delivered (2)	Still in country inventory		Still in serviceable condition	
		Amount (3)	Percent of (2) (4)	Amount (5)	Percent of (2) (6)
Worldwide	$21,224,886	$13,675,915	64.4	$13,134,981	61.9
Europe	11,095,348	7,081,974	63.8	6,834,957	61.6
Near East and Africa	3,529,391	2,414,351	68.4	2,358,772	66.8
Far East	6,222,778	3,870,580	62.2	3,643,282	58.5
Latin America	377,369	309,010	81.9	297,970	78.9

STATEMENT OF DIRECTOR OF MILITARY ASSISTANCE PROGRAM

WITNESSES

GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE

W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, ISA

COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA

COL. CLYDE M. DILLENDER, JR., U.S. ARMY, LEGISLATIVE AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE

LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA

ALLEN F. MANNING, PROGRAM OFFICER, MILITARY ASSISTANCE AID

STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID

JOHN T. CONROY, OFFICER IN CHARGE, SPECIAL MILITARY POLITICAL AFFAIRS, STATE

Mr. PASSMAN. Gentlemen, let us continue.

We have with us at this time Gen. Robert J. Wood, Director of Military Assistance. He succeeds General Palmer in that position.

General Wood, we are pleased to have you before the committee officially as the new Director of the military assistance program.

If you have a statement to make to the committee we shall be glad to hear from you at this time, sir.

General WOOD. Thank you, sir. I would like to make this opening statement.

Mr. GARY. General, as a representative of Chesterfield County and the city of Richmond, just across the river from Petersburg, Va.,

where you were born, I am delighted to welcome you before our committee.

I participated last Thursday in an armed services parade in Richmond and General McLaughlin was there. He spoke very complimentary of you and asked to be remembered to you.

We in Virginia are very proud of your record, sir, and I am glad to see you in this important position at this time because I think you will do a fine job.

STATEMENT BY GEN. ROBERT J. WOOD

General WOOD. Thank you, sir.

Mr. Chairman and members of the committee, with your concurrence, the presentation of the program proposed for fiscal year 1964 will follow the pattern established in prior years. Following my discussion of overall requirements and objectives, the regional directors, International Security Affairs, will present more detailed testimony concerning individual country and regional programs in their respective areas of responsibility. After that, the Military Assistance Comptroller will testify with respect to the nonregional portions of the proposed fiscal year 1964 military assistance program.

Mr. PASSMAN. I do not wish to interrupt you, sir, but if your Comptroller is here and he has an important statement, we shall certainly hear it. I want you to know that you will not need to abbreviate anything, sir.

General WOOD. Thank you, sir.

First, however, I would like to say that everything I have learned since assuming this position last fall—through study, visits overseas, and the backstopping of an able and dedicated staff—convinces me that military assistance is sound in concept, that its accomplishments are greater than its shortcomings, that it generates valuable dividends for our national security and for the foreign policy of the United States and finally, as an adjunct to our defense budget, dollarwise, that it is a bargain.

In this series of presentations, we shall present and explain the facts and figures which are your primary interest. We hope that on the basis of these facts you will also share our conviction that the past accomplishments and the ongoing objectives of the military assistance program fully justify continuing support at an order of magnitude adequate to permit its optimum use as an instrument of national policy in the conduct of the cold war, and to contribute to readiness for hot war should it come. And although I am aware, Mr. Chairman, that you and your committee are exceptionally knowledgeable with respect to military assistance operations, I hope that you will afford me and the others to follow me the opportunity to offer any assistance which may facilitate your deliberations.

The presentation book before you today follows the general pattern of previous years and is very similar in format to the 1963 edition. With the committee's permission, I shall place pages 3, 12, 13, and 16 in the record as exhibits A, B, C, and D, respectively, to this statement. I also would like to insert two additional exhibits, E and F, attached to this statement, to which I shall be referring subsequently.

The first is a list of countries for which grant aid is programed, and the second is an analysis of the unexpended balance.

Mr. PASSMAN. Without objection, those pages will be inserted in the record at this point, sir.

(The exhibits follow:)

EXHIBIT A

Military assistance—Annual program comparison by category

[In millions of dollars]

	Fiscal year 1964, proposed	Fiscal year 1963, as of Mar. 19, 1963	Fiscal year 1963, congressional	Fiscal year 1962, actual
I. By category, total	1,530.0	1,566.7	1,729.6	1,832.0
Essentially fixed charges	370.3	356.5	395.1	330.5
Infrastructure	77.0	62.0	82.0	56.1
International military headquarters and agencies	12.9	12.9	12.9	12.3
Training	112.3	109.4	139.2	108.6
Supply operations	142.9	147.1	135.0	128.4
Administrative expenses	25.0	24.9	25.0	24.5
Other fixed charges	.2	.2	1.0	.6
Force maintenance	533.5	541.9	566.5	544.1
Spare parts	207.1	233.8	204.6	173.0
Attrition, training ammunition and missiles, repair and rehabilitation of equipment	219.0	170.2	209.7	260.3
Special maintenance programs	10.0	20.2	50.0	19.5
Other consumables	97.4	117.7	102.2	91.3
Force improvement	626.2	668.3	768.0	957.3
Aircraft	148.4	231.1	205.9	327.2
Ships	97.4	44.7	109.5	106.8
Tanks, vehicles, and weapons	50.6	72.2	76.1	110.3
Missiles	41.9	44.4	61.3	175.8
Electronics and communications	60.2	53.7	71.5	71.2
Special programs	126.5	61.7	58.8	.4
Construction	47.4	88.0	69.0	58.0
All other	53.8	72.5	115.9	107.6
II. By area, total	1,530.0	1,566.7	1,729.6	1,832.0
Europe	229.3	237.8	314.4	370.6
Africa	24.5	33.2	37.6	34.4
Near East and south Asia	444.7	442.5	422.9	411.1
Far East	671.9	685.3	830.7	848.7
Latin America	77.3	70.6	77.0	72.1
Nonregional	82.3	97.3	47.0	95.1

NOTE.—Excludes credit financing under sec. 508 FAA.

Exhibit B

Military assistance (including military assistance sales)—Summary status of funds, 1950–64, showing amounts available for obligations and expenditures, obligations/reservations, expenditures and yearend balances

[In millions of dollars]

Fiscal year	Available for obligations/reservations					Obligations/reservations	Unpaid obligations/reservations brought forward	Total available for expenditure (cols. 6, 8)	Expenditures	Unobligated balances returned to Treasury	Unexpended balances continued available		
	Unobligated balance brought forward	Appropriation	Net transfers	Reimbursements	Total (cols. 2, 3, 4, 5)						Unobligated (cols. 6, 7, 11)	Unpaid obligations/reservations	Total (cols. 12, 13)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1950	(1)	1,314.0	----------	0.1	1,314.1	1,101.0	(1)	1,314.1	51.7	----------	213.2	1,049.3	1,262.4
1951	213.2	5,222.5	----------	.9	5,436.5	4,676.9	1,049.3	6,485.8	934.2	----------	759.7	4,791.9	5,551.6
1952	759.7	5,744.0	−478.1	1.7	6,027.2	5,591.2	4,791.9	10,819.2	2,385.9	----------	436.1	7,997.2	8,433.2
1953	436.1	4,219.8	−123.7	2.0	4,534.2	2,512.1	7,997.2	12,531.3	3,953.1	−116.2	1,905.9	6,556.2	8,462.0
1954	1,905.9	3,230.0	−12.5	1.6	5,125.0	2,383.7	6,556.2	11,681.1	3,629.5	−318.7	2,422.5	5,310.5	7,733.0
1955	2,422.5	1,192.7	−249.7	7.1	3,372.6	3,163.2	5,310.5	8,683.0	2,297.2	−175.5	33.9	6,176.4	6,210.3
1956	33.9	1,022.2	−6.0	8.1	1,058.2	848.7	6,176.4	7,234.7	2,620.1	−14.0	195.5	4,405.1	4,600.6
1957	195.5	2,017.5	----------	4.5	2,217.5	1,664.5	4,405.1	6,622.6	2,356.3	−14.2	538.8	3,713.3	4,252.1
1958	538.8	1,340.0	−25.0	2.3	1,856.1	1,828.3	3,713.3	5,569.4	2,189.8	−6.3	21.5	3,351.8	3,373.3
1959	21.5	1,515.0	----------	27.8	1,564.3	1,512.2	3,351.8	4,916.1	2,368.1	----------	52.1	2,495.9	2,548.0
1960	52.1	1,300.0	+31.2	26.0	1,409.3	1,358.4	2,495.9	3,905.2	1,635.4	----------	50.9	2,218.9	2,269.9
1961	50.9	1,800.9	−15.2	17.6	1,853.3	1,786.9	2,218.9	4,072.2	1,466.2	−8.3	58.1	2,539.6	2,597.7
1962	58.1	1,600.0	−23.0	14.6	1,649.7	1,585.4	2,539.6	4,189.3	1,404.6	(2)	64.2	2,720.4	2,784.6
1963	64.2	1,325.0	----------	45.0	1,434.2	1,407.7	2,720.4	4,154.6	1,795.0	----------	26.5	2,333.1	2,359.6
Cumulative 1950–63	(1)	32,842.8	−902.0	159.2	(1)	31,420.3	(1)	(1)	29,087.1	−653.3	(1)	(1)	(1)
Deduct: amount used for economic programs	(1)	839.1	68.6	----------	(1)	906.0	(1)	(1)	906.0	1.7	(1)	(1)	(1)
Balance: Military assistance programs	(1)	32,003.7	−970.6	159.2	(1)	30,514.3	(1)	(1)	28,181.1	−651.5	(1)	(1)	(1)
1964 (estimated)	26.5	1,405.0	----------	65.6	1,497.1	1,472.1	2,333.1	3,830.2	1,515.6	----------	25.0	2,289.6	2,314.6

[1] Not applicable.
[2] Less than $50,000.

NOTE.—Amounts may not add to totals due to rounding.

EXHIBIT C

Military assistance program—Programs and funds

[All dollar values are in millions]

(a)	Annual programs				Estimated deliveries/expenditures from fiscal year 1950–63 programs		
	Proposed, fiscal year 1964 (b)	Cumulative, fiscal years 1950–63 (c)	Fiscal year 1963, as of Mar. 19, 1963 (d)	Fiscal year 1962 (e)	Fiscal year 1963 (f)	Cumulative through June 1963 (g)	July 1963 and after (h)
I–A. Grant aid program	$1,530.0	$30,378.1	$1,566.7	$1,832.0	$1,771.4	$27,979.8	$2,398.3
(a) Less program using President's contingency fund not funded through MAP		−15.0				−15.0	
(b) Less prior year programs canceled and reprogramed in year shown			−97.3	−240.7			
(c) Less estimate of prior year programs to be canceled; specific items not yet identified	−125.0	−135.2	−135.2				−135.2
(d) Adjusted for value of deliveries for which expenditures not processed as of July 1, 1963					−30.9	−25.4	+25.4
I–B. Grant aid funds	1,405.0	30,227.9	1,334.2	1,591.3	1,740.5	27,939.4	2,288.5
(a) New obligational authority	1,380.0	31,821.7	1,310.0	1,600.0			
(b) Reappropriations	25.0		24.2	14.3			
(c) Transfers		−970.6		−23.0			
(d) Returns to Treasury		−651.5					
(e) Reimbursements		+28.3					
II. Credit financing funds	92.1	312.9	100.0	58.4	54.5	241.7	71.2
A. Under sec. 508 FAA	92.1	230.2	100.0	58.4	54.5	159.0	71.2
(a) New obligational authority	25.0	99.3	15.0				
(b) Unobligated balance brought forward	1.5		40.0	43.8			
(c) Transfers							
(d) Returns to Treasury							
(e) Collections	65.6	130.9	45.0	14.6			
B. Under sec. 103(c) 1st sentence MSA 1954, as amended		82.7				82.7	
(a) New obligational authority		82.7				82.7	
(b) Unobligated balance brought forward							
(c) Transfers							
(d) Returns to Treasury							
(e) Collections							
III. Military assistance funds (IB and II)	1,497.1	30,540.8	1,434.2	1,649.7	1,795.0	28,181.1	2,359.6
(a) New obligational authority	1,405.0	32,003.7	1,325.0	1,600.0			
(b) Reappropriations, unobligated balance brought forward	26.5		64.2	58.1			
(c) Transfers		−970.6		−23.0			
(d) Returns to Treasury		−651.5					
(e) Reimbursements—collections	65.6	159.2	45.0	14.6			

NOTE.—Amounts may not add to totals due to rounding.

EXHIBIT D

Military assistance program—Grant aid summary

[All dollar values are in thousands]

Categories	Annual programs				Estimated deliveries/expenditures from fiscal year 1950-63 programs		
	Proposed, fiscal year 1964	Cumulative fiscal years 1950-63	Fiscal year 1963, as of Mar. 19, 1963	Fiscal year 1962	Fiscal year 1963	Cumulative through June 1963	July 1963 and after
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Total	$1,529,988	$30,378,072	$1,566,666	$1,831,979	$1,771,364	$27,979,797	$2,398,275
Aircraft	243,187	6,168,827	355,020	397,700	273,388	5,544,254	624,573
Ships	115,826	1,790,660	55,030	118,225	93,684	1,590,450	200,210
Tanks, vehicles, and weapons	169,263	6,763,407	126,880	222,531	200,649	6,552,315	211,092
Ammunition	87,590	3,969,634	70,571	88,934	82,581	3,895,138	74,496
Missile systems	50,111	1,389,465	64,769	206,375	145,044	1,065,082	324,383
Electronics and communications	100,357	1,875,625	89,488	107,960	116,523	1,720,268	155,357
Other equipment and supplies	151,474	2,358,789	196,435	171,957	239,583	2,136,450	222,339
Construction	47,379	470,168	87,961	58,007	54,734	371,236	98,932
Repair and rehabilitation	27,295	549,411	46,152	60,138	63,846	442,464	106,947
Supply operations	142,893	1,770,026	147,074	128,398	134,606	1,737,107	32,919
Training	112,266	938,771	109,390	108,609	115,000	883,891	54,880
Other services	282,347	2,333,289	217,896	163,145	251,726	2,041,142	292,147
Administrative expenses	25,000	306,822	24,927	24,500	24,750	298,440	8,382
Infrastructure	77,000	944,876	62,000	56,146	95,000	789,899	154,977
International military headquarters and agencies	12,885	83,526	12,900	12,284	13,670	76,227	7,299
Mutual weapons development program	1,500	285,359	1,500	8,053	13,292	254,619	30,740
Weapons production projects	7,355	126,882	4,875	6,344	20,753	125,129	1,753
Nutrition surveys		1,713	15	345	93	1,697	16
U.N. support in Korea	849	53,012	1,378	1,782	1,393	52,782	230
Materiel contol technician teams	7,787	40,820	17,368	18,848	16,132	24,215	16,605
Office of Inspector General	200	836	200	230	200	836	
Other special projects and services	149,771	489,443	92,733	34,613	66,443	417,298	72,145

EXHIBIT E

Grant aid countries

Country	Program indicated by X			
	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	
			Proposed program for	Training only
	(65)	(70)	(65)	(11)
Belgium	X	X	X	
Luxembourg	X	X	X	X
Denmark	X	X	X	
France	X	X	X	
Germany	X	X	X	X
Italy	X	X	X	
Netherlands	X	X	X	
Norway	X	X	X	
Portugal	X	X	X	
Spain	X	X	X	
United Kingdom	X	X	X	
Cameroon	X	X		
Congo		X	X	
Dahomey	X	X		
Ethiopia	X	X	X	
Ghana	X	X	X	
Ivory Coast	X	X		
Liberia	X	X	X	
Libya	X	X	X	
Mali	X	X	X	
Morocco	X	X	X	
Niger	X	X		
Nigeria	X	X	X	X
Senegal	X	X	X	
Tunisia	X	X	X	
Upper Volta	X	X		
Afghanistan	X	X	X	X
Greece	X	X	X	
India		X	X	
Iran	X	X	X	
Iraq	X	X	X	X
Jordan	X	X	X	
Lebanon	X	X	X	
Pakistan	X	X	X	
Saudi Arabia	X	X	X	
Syria		X	X	X
Turkey	X	X	X	
Yemen		X	X	X
Cambodia	X	X	X	
China, Republic of	X	X	X	
Japan	X	X	X	
Korea	X	X	X	
Laos	X	X	X	
Philippines	X	X	X	
Thailand	X	X	X	
Vietnam	X	X	X	
Argentina	X	X	X	
Bolivia	X	X	X	
Brazil	X	X	X	
Chile	X	X	X	
Colombia	X	X	X	
Costa Rica	X	X	X	
Dominican Republic	X	X	X	
Eduador	X	X	X	
El Salvador	X	X	X	
Guatemala	X	X	X	
Haiti	X	X	X	
Honduras	X	X	X	
Mexico	X	X	X	X
Nicaragua	X	X	X	
Panama	X	X	X	
Paraguay	X	X	X	
Peru	X	X	X	
Uruguay	X	X	X	
Venezuela	X	X	X	X
Country A (Indonesia)	X	X	X	
Classified country B	X	X	X	
Classified country C	X	X	X	X
Classified country D	X	X	X	
Classified country E		X	X	X

EXHIBIT F

Undelivered balance as of June 30, 1963 (grant aid only)

[Dollar amounts in millions]

	Undelivered grant aid program estimated at June 30, 1963		Estimated year of delivery			Anticipated recoupments and adjustments
	Quantity	Amount	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 and after	
Aircraft		$624.6	$272.6	$271.5	$80.5	
F-104	237	286.8	122.2	123.1	41.5	
F-5	85	80.2	17.9	62.3		
C-130	4	8.8		8.8		
T-37B	67	10.1	9.3	.8		
SA-16	7	8.4	8.4			
Helicopters	93	27.1	21.0	6.1		
Minor aircraft, spares and components		203.2	93.8	70.4	39.0	
Ships		200.2	96.6	71.1	27.5	$5.0
Destroyers	1	5.0		5.0		
Destroyer escorts	3	21.9		15.9	6.0	
Submarines	5	13.0	7.0	3.0	3.0	
Patrol craft	28	35.7	16.7	14.0	5.0	
Mine craft	28	66.7	35.5	23.2	8.0	
Ship overhauls		8.5	8.5			
Minor vessels, spares and components		49.4	28.9	10.0	5.5	5.0
Missiles		324.4	170.1	84.1	56.2	14.0
Hawk		126.1	61.9	38.1	26.1	
Nike		86.6	45.1	21.8	19.7	
Tartar		15.2	14.4	.8		
Terrier		20.2	16.1	4.1		
Other missiles		76.3	32.6	19.3	10.4	14.0
Tanks, vehicles and weapons		211.1	137.9	50.4	17.8	5.0
Light tanks	83	4.4	3.1	1.3		
Medium tanks	949	8.5	8.5			
Personnel carriers (M-113)	378	11.7	11.7			
Trucks, ¼ ton	4,289	7.3	3.7	3.6		
Trucks, cargo, 2½ ton	6,428	32.1	21.2	10.9		
Trucks, dump, 2½ ton	2,220	11.1	8.5	2.6		
Howitzer, 105 millimeter	145	2.0	2.0			
All other vhicles, weapons, spares and components		134.0	79.2	32.0	17.8	5.0
Ammunition		74.5	52.5	18.0	4.0	
Electronics and communications		155.4	66.8	38.0	35.6	15.0
Other equipment and supplies		222.3	141.7	44.4	25.8	10.4
Construction		98.9	44.9	31.2	22.8	
Repair and rehabilitation		55.5	34.0	21.5		
Supply operations		32.9	32.9			
Training		54.9	42.8	2.7	4.4	5.0
Infrastructure		155.0	77.0	70.0	8.0	
Mutual weapons development program		30.7	8.2	8.5	10.0	4.0
All other		106.5	62.0	25.5	19.0	
Total		2,346.9	1,240.0	736.9	311.6	58.4

NOTE.—Excludes military assistance sales (reimbursement) account.

FISCAL YEAR 1963 PROGRAM

General Wood. I should like to refer briefly to the program for the current fiscal year 1963. We are currently implementing a fiscal year 1963 program in the amount of $1,581.7 million on the basis of the following resources:

	Millions
Fiscal year 1963 appropriation	$1,325.0
Reappropriation carryover from fiscal year 1962	24.2
Estimated recoupments in fiscal year 1963	232.5
Total obligational authority	1,581.7

Of this total obligational authority, increase in credit sales above the amount available from collections has required the use of $15 million for credit assistance, leaving $1,566.7 million available for grant aid. This grant aid figure appears on page 3 of the presentation book.

In accordance with the provisions of section 634(d) of the Foreign Assistance Act of 1961, as amended, the changes made in the fiscal year 1963 military assistance program since presentation of the proposed program to the Congress last year are set forth on pages 4 through 9 of the presentation book. The majority of the deletions are accounted for by the reduction in the amount of funds appropriated by the Congress; by the amount required to fund the program for India (which was not anticipated in our presentation last year); and by the fact that no "ship loan" legislation was enacted by the Congress.

FISCAL YEAR 1964 PROGRAM

The amount requested by the President for the fiscal year 1964 military assistance program is, as you know, $1,405 million in new obligational authority (which, I am certain the committee will recognize, is the lowest amount requested since 1950). This amount is $95 million less than that requested last year ($1,500 million), but $80 million more than that finally appropriated ($1,325 million). Even so, total fund availability for fiscal year 1964 is estimated to be $27 million less than that with which we are working in the current fiscal year. The comparative figures are as follows:

[In millions]

	Fiscal year 1963	Fiscal year 1964
New obligational authority	$1,325	$1,405
Recoupments	233	125
Reappropriations	24	25
Total obligational authority	1,582	1,555

Total obligational authority of $1,555 million for fiscal year 1964 depends, of course, upon the granting of our request that the unobligated/unreserved balance from fiscal year 1963 be continued available in fiscal year 1964. This unobligated/unreserved balance consists of whatever remains in the various direct citation accounts when the books are closed at the end of the fiscal year. Our estimate, as stated before, is $25 million. Because it is impossible to predict exactly how

much money will actually be spent for training spaces, shipping costs and from other accounts allocated for expenditure by the three military departments, and further suballocated by them, it is inevitable that certain funds remain unobligated in each of these accounts. The precise amount cannot be ascertained until the books have been closed and balanced.

It is estimated, however, that from this source, $25 million will remain unobligated at the end of fiscal year 1963. The following figures indicate that, in recent years, the unobligated balance has been in a comparable order of magnitude:

Fiscal year—	*Millions*
1959	$30.6
1960	23.6
1961	14.3
1962	24.2

Expenditures in fiscal year 1964 are presently estimated at $1,515.6 million, and the unexpended balance as of June 30, 1964, at $2,314.6 million. You will find these figures on page 12 of the presentation book (exhibit B).

The amount made available from recoupments as a result of price changes, cancellations, and slippages is expected to be roughly $100 million per year. A detailed reexamination of the entire military assistance program in fiscal years 1962 and 1963 enabled us to obtain an additional $273 million which brought the total recoupments for the 2 years up to $473 million, approximately $50 million less than General Palmer had estimated last year. But we do not anticipate that much more than $100 million in recoupments will be obtained in fiscal year 1964.

Our estimate is $125 million, which, in my opinion, is an optimistic estimate. That is shown on page 13.

Now, as to the scope of the proposed fiscal year 1964 military assistance program, I'd like to point out that over $1 billion—or nearly 70 percent—will go to nine countries which are continguous to the Communist bloc or closely exposed to the Communist threat. These countries are: Korea, Vietnam, Thailand, and the Republic of China in the Far East; and Turkey, Greece, Iran, India, and Pakistan in the Near East and south Asia areas. They form the outposts of U.S. forward strategy along the Iron and Bamboo Curtains. None of these countries can afford to equip and maintain, without assistance, the forces required for their self and the common defense; and all are vitally important to free world security.

The program we are presenting for fiscal year 1964 proposes military assistance for 65 countries.

I would like to say here, the Secretary gave a quick answer of 67, but I determined with him that he was counting programs and he counted infrastructure and NATO headquarters as 2 countries, and 65 is the number in the book. This is 5 less than the number which received assistance in fiscal year 1963; 18 of the 65 countries will receive no equipment; 11 of those 18 receive only training, while the remaining 7 are programed to receive training and the costs associated with the delivery of equipment programed in prior years. Exhibit E lists the countries for which grant aid is proposed in fiscal year 1964.

Pages 14 and 15 of the presentation book set forth a grant aid summary, by country, including nonregional programs, of the proposed fiscal year 1964 military assistance program. For each line of these pages, there is an amplifying backup section in the following body of the volume.

The next page in the book, page 16, shows in the first seven lines, equipment and supplies included in the proposed program. The total of these figures is $918 million. It is estimated by the military departments that 36 percent of this amount will be used for equipment and supplies coming out of stock, while 64 percent will represent new procurement. In addition, it is estimated that excess defense articles, as defined in section 644(g) of the authorizing act, with an original acquisition value of more than $48 million, will be furnished for the cost of rehabilitation.

BALANCE OF PAYMENTS

The balance-of-payments problem is a source of concern to all elements of the U.S. Government. I want to stress the fact that the military assistance program, per se, does not contribute to our adverse balance of payments. Over 80 percent of funds available is spent in the United States. Even excluding direct cash sales of U.S. manufactured military equipment by our military departments, which are partially the result of the efforts of our MAAG's and missions, purchases by foreign governments directly attributable to military assistance "pump priming" in themselves have a sizable impact—and a favorable one—on our balance of payments. For example, the fiscal year 1963 program alone generated MAP-related purchase amounting to $87 million more than the $265 million oversea expenditures for military assistance during the same period. And, in fiscal year 1964, we estimate that the comparable figure will rise to $182 million. These figures show, as I said, that the net effect of our military assistance program on the U.S. balance-of-payments position is a favorable one.

COST EFFECTIVENESS

The productivity of our investment in military assistance can be assesssed in many ways, depending upon whether the criterion is national security, U.S. foreign policy, the health of the economy, or the general welfare. One of the most exact means of measurement clearly reveals the validity of that investment in terms of all four of those criteria. It is the "cost of soldiers" comparison which, although familiar, still commands the respect of those who are interested in getting the most for every taxpayer's dollar.

The slightly more than $1 billion worth of military assistance which goes to the 9 peripheral countries I have already mentioned makes it possible for them to maintain a total military strength of over 3½ million men who help us draw the first line of our own defense far from our own shores. The soundness of our investment in equipping and training such Allied troops is apparent in the fact that it costs far less to provide this vital manpower for free world defense than it does to maintain U.S. fighting men.

Pay and allowances, subsistence and clothing, costs the U.S. military an average of approximately $4,000 per man per year. The same cost for a soldier from the nine key countries in question aver-

ages out to 11 percent of that figure—$430 to be exact. In other words, the free world gets nearly 10 Allied soldiers for the cost of 1 U.S. soldier. And, even more important, the United States accomplishes its forward strategy without a drain on American manpower so drastic as to impair the health and progress of the national economy, and to disrupt the lives, education, and careers of millions of young Americans. I submit again, this is a bargain program.

UNEXPENDED BALANCE

The MAP reservation account, which was established as a result of the initiative of this committee, and authorized by section 108 of the Mutual Security Appropriations Act of 1956, as a means of controlling military assistance appropriations, has safeguarded the integrity of MAP funds, in that the military departments are reimbursed only upon receipt of documentary proof of delivery of the goods and services ordered. In approved military assistance programs, and in MAP orders issued to the military departments, major items are specifically identified, while secondary items—spare parts, consumables, et cetera—are stated in general terms as program categories and in total dollar amounts, without item identification or unit cost.

The lapse of time between the issuance of MAP orders, with the accompanying reservation of funds, and the date of delivery which results in the actual expenditure of the reserve funds, varies according to the availability of items, to procurement leadtime, to the capacity and schedules of rebuild facilities, and to priority requirements to equip U.S. forces.

This system, although established to safeguard the integrity of MAP funds, causes the military assistance program to have a substantial amount of appropriated money in the unexpended balance or "pipeline." The fact of the matter, however, is that 70 percent of this unexpended balance is accounted for by long leadtime items such as ships, aircraft, tanks, and complicated electronics and communications equipment, which have been ordered to meet valid MAP requirements but have not yet been delivered. The leadtime for ships may be as much as 4 or 5 years, while for aircraft, it usually runs from 18 months to 3 years.

Accordingly, both the MAP order system and the length of leadtime make it inevitable that the unexpended balance in this program remain proportionately large. The remaining 30 percent, in general, represents short leadtime items in the current year program. Exhibit F to this statement is an analysis of the unexpended balance.

MANAGEMENT OF THE PROGRAM

In the past, the military assistance program has been managed almost entirely on a manual basis. That is, we have used adding machines and typewriters to prepare most summary reports for control and management purposes. The volume of detailed data from both the U.S. and recipient countrys' logistic systems has made this a very difficult task, insofar as the timeliness and accuracy of the data are concerned.

Consequently, we are improving management by improving methods used in the administration of the program to include the installa-

tion of a centralized data-processing system through which all MAP data pertaining to requirements, costs, deliveries, and so forth, will flow.

New procedures will be instituted beginning with fiscal year 1964 which will provide more administrative flexibility and increase our capability to respond to changes in the program dictated by the constantly shifting international situation.

This improved system, including automatic data-processing procedures should be fully operational by fiscal year 1965.

SALES

As I mentioned earlier, direct sales of U.S. military equipment by our military departments to foreign governments are in part a result of the efforts of our MAAG's and missions. Page 23 of the presentation book shows the extent of such purchases from the services under section 507 of the Foreign Assistance Act of 1961, as amended, and previous Mutual Security Act legislation. Cumulative orders from fiscal year 1950 through fiscal year 1963 total over $4.3 billion, of which amount $2.8 billion worth will have been delivered by June 30, 1963.

When the military assistance program was presented to the Congress last year, it was estimated that, in fiscal year 1963, direct sales would approximate $600 million; but this is proving to be an underestimate because they have actually amounted to over $1 billion. For fiscal year 1964, we estimate that direct sales will exceed $1.1 billion. These sales under section 507, as well as those for which credit assistance is provided under section 508, add to the favorable impact on the balance-of-payments problem which I mentioned earlier.

With respect to credit assistance sales, as is shown on page 21, the cumulative orders for fiscal years 1955 through 1963 are $311 million, of which $239 million will have been delivered by June 30, 1963.

An essential element of the Department of Defense effort to help relieve the national balance-of-payments problem has been the establishment of a liberal policy with respect to credit financing. Accordingly, we take the position that no sales which are otherwise in the national interest should be refused because of lack of credit assistance; and we have welcomed all legitimate sales opportunities on the assumption that the required cerdit assistance could be obtained from one or more of the credit sources available to the executive branch for this purpose.

CONCLUSION

In conclusion, and to summarize, the single basic reason for the military assistance program is that it serves the national interest by promoting the security, foreign policy, and general welfare of the United States. It has made possible the creation and maintenance of a free world common defense posture which greatly facilitates the accomplishment of our own forward strategy at a cost of both money and manpower far less than that of protecting our international security interests with American forces alone. Until the Communist threat recedes, it appears to me that we must continue to make optimum use of military assistance as a key instrument of national policy. This program is an integral part of the total defense effort of the United

States; and, as such, it is as deserving of support and adequate appropriations as any other element of that total effort.

Mr. Chairman, that concludes my statement.

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. Thank you very much, General Wood.

I think I am correct in stating that for fiscal 1963, 70 nations are receiving some type of military assistance from us. Is that correct, sir?

General WOOD. Yes.

Mr. PASSMAN. In my opinion, if we ever calm down and consider what commonsense would dictate, we would almost have to write a unanimous report that it is self-defeating that the United States has permitted itself to get into 70 of the other 112 nations of the world with a military aid program.

If I remember correctly, last year the people who justified this program, that some say we have ruined every year by our reductions, stated there was a military program in 58 nations and that 7 more were under consideration, which would bring it up to a total of 65. Am I making a statement of fact?

General WOOD. Yes, sir. That is what the record shows.

SECURITY CLASSIFICATION OF MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. The record now shows we are in 70 countries with the MAP. Evidently we did not "wreck" the program too badly.

Could we have for the record the names of the five nations, in addition to the seven more than the 58, into which you have gone with some type of military aid program?

General WOOD. We have added to the list of countries for fiscal year 1963 these countries: The Congo, India, Syria, Yemen, and ———. I should tell you, Mr. Chairman, that since this book was printed, the decision has been made to add another country for which the program is not finalized.

Mr. PASSMAN. We hope it is not Indonesia.

General WOOD. It is Jamaica.

Mr. PASSMAN. I think they have had their freedom down there about 7 months, have they not?

General WOOD. About that, since August of 1962.

Mr. PASSMAN. Certain nations are getting military assistance, and the information is classified and you cannot even mention the names of the nations. I do not want to be facetious, but sometimes I wonder how much trouble they have in hiding the Communists while we are unloading the military equipment, so they will not know it is coming in? It is a violation of security even to name the country, so it is either that we are ashamed to let people know how stupid we are in giving aid to such countries or else we think we can keep the Communists from finding out we are giving their friends aid. Which one is it? It is one or the other, is it not?

General WOOD. I think the nature of the Communists is such that it is pretty difficult to hide things from them. I do not think we make any effort to hide deliveries from them.

Mr. PASSMAN. Then it must be that we are ashamed to let the American people know the names of the nations to which we are giving this aid? It is one or the other. If the other nations know about it, from whom are we hiding the secrets?

General WOOD. I think that has been discussed before, sir.

Mr. PASSMAN. We know that it has, but I am asking you the question, General Wood. You are the new Director of Military Assistance, and Secretary McNamara is busy doing a lot of other things just at this time, I am sure. I can withdraw the question or I can push for an answer. You cannot hide it from the Communists. Is it that we are trying to hide is from the American people who are putting up the money?

General WOOD. I do not think so, Mr. Chairman.

Mr. PASSMAN. Please tell us what it is all about, then.

General WOOD. Let me say, in the first place, I am not a maker of policy. I am the general manager of this program.

Mr. PASSMAN. Yes, but I thought you might be in a position to discuss this matter.

General WOOD. All I can say is what decisions have been made. In the case of the countries to which you are referring, the statement reads:

> The existence of military assistance programs for these countries is classified.

Mr. PASSMAN. Right, sir.

General WOOD (reading):

> Military assistance is provided to them on a sales basis, and disclosure that part of this assistance is actually grant aid would create internal and external difficulties.

Mr. PASSMAN. What difficulty is it going to create for us for somebody to find out we are giving country X military assistance?

General WOOD. That, I guess, is something you should address to the State and AID people, sir.

Mr. PASSMAN. We have asked them, and they apparently do not know. If we have an aid program in country A, as long as we do not indicate the amount of the program or the type of equipment they are getting, why should it be classified information? Where are we violating anything that would affect the security of this country by naming the country?

General WOOD. You are reading my lines. I would like to declassify everything we do. I also wish that I could publicize this to the American people and the Congress.

Mr. PASSMAN. Then you do not favor withholding the names of the countries getting aid, sir?

General WOOD. From a personal standpoint?

Mr. PASSMAN. Yes.

General WOOD. No, sir.

Mr. PASSMAN. But from the standpoint of the security of our country?

General WOOD. I bow to the wisdom of the State Department.

Mr. PASSMAN. You bow to the wisdom of the State Department. I shall not press it. However, we are into 70 nations, and we have some of them as A, B, C, D, E, F. The State Department does not

want to say what type of aid, how much they are getting, grant aid, pay aid, or any other type, or whether you give them popguns or shotguns. You cannot even use the name of the nation. If that violates any type of security, then I just wish somebody would come up with the answer.

Mr. FLYNT. General Wood, you named five countries a while ago.

General WOOD. Yes, sir.

Mr. FYLNT. Are they the same five countries which would appear on page 2 of exhibit E as classified countries, A through E?

General WOOD. No, sir; they are not the same. The five there I can list for your information, sir.

Mr. FLYNT. The reason I asked is that I would like to have that in just a minute, and if you want it off the record, that is all right; but four of the countries you did list are shown in the country column on the earlier pages of exhibit E.

General WOOD. One of the five listed at the bottom of the page as being classified is ———. The other four are ——— and Indonesia.

Mr. PASSMAN. How about Haiti? You have a military program for Haiti in fiscal 1963. Have you suspended that temporarily?

General WOOD. Yes, sir. Materiel deliveries were suspended on June 29, 1962.

Mr. PASSMAN. You show they are also being programed for fiscal 1964, do you not?

General WOOD. Yes. Of course, no deliveries will be made ———.

PROLIFERATION OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. Sir, I refer to page 5 of your statement. I think I have heard the statement that a woman could not be a little pregnant. She is either pregnant or not. Once the seed is planted, it is expected to grow, is it not?

General WOOD. In the case of pregnancy, I think so.

Mr. PASSMAN. I would say by experience, the foreign aid program is a little bit more permanent than pregnancy.

Some of these things start with popguns and the first thing you know they have Sherman tanks. It says that 70 percent of the aid will go to nine countries. It follows, nevertheless, that the MAP is in 70 countries, and the question is whether you can or cannot hold it down. Only the future will determine to what extent we shall limit aid to some of the new countries which are receiving aid now. Is that a statement of fact?

General WOOD. I think it certainly is, but I assure you that our plans are not to increase them. Particularly in the little countries in Africa we do not want to start an arms race. We believe they need something for internal security and civic action. We are not even creating MAAG's in those countries. We intend to keep the program at a low level.

Mr. PASSMAN. How did they maintain internal security before we got there, before they got their independence and before there was an aid program?

General WOOD. Of course, before they were independent they belonged to some other country, in general. They were colonies.

Mr. PASSMAN. Who was taking care of them then?

General Wood. In general, the colonial governments, which had their own troops there. In many cases those "metropoles," are still assisting them.

Mr. Passman. I wish we could pick out one nation and leave it alone and let it tend to its own business for a while, and see how it works out. The way it is going, we are in practically all the nations now. I have received a new schedule showing the number of nations increased to 126 and 111 of them are getting foreign aid. As quickly as there is a new nation we are in with an aid program.

General Wood. We have only three or four here.

Mr. Passman. They told us last year 58 nations with the possibility of 65 would be receiving military assistance, and then you come back with 70. They do not pay much attention to Congress if there is something they want to do. Even if it is specifically spelled out in the law, they will find ways to circumvent it.

PROCUREMENT IN UNITED STATES

We have been told that every nation on the face of the earth, past and present, earns either dollars or convertible currencies, in varying amounts, from their exports. Is that your understanding?

General Wood. I am not competent to speak to that, Mr. Chairman.

Mr. Passman. Thank you very much, sir. The reason I asked that question is that the AID people are trying to sell this aid program to the American people by saying that 80 percent of the entire appropriation is spent in the United States. But they do not go on to explain that when the goods are shipped out and the ships pull away from our shores—it is a one-way street, everything going out and nothing coming back. Where do they send those invoices for payment? Down to the U.S. Treasury, of course, out of the taxpayers' till.

To the extent that we give our aid, this process releases to these nations the dollars they earn from their exports to buy gold or speculate or buy securities, and they are building up some large gold reserves.

You also had 80 percent in your statement, with relation to purchases in the United States. I did not know whether there was any relationship between your claim that 80 percent of the money is spent in the United States with the AID propaganda.

General Wood. No, sir. As a matter of fact, I did not know the AID figure.

Our figures, of course, are based on equipment that we buy in this county, which gives business to American industry and jobs to Americans.

Mr. Passman. When this material is shipped out of the United States, do the invoices go to the recipient nations for payment out of their earnings, or do they go down to the Treasury to be paid?

General Wood. Of course, I am talking about the grant aid.

Mr. Passman. So, the invoices are sent to the Treasury, are they not?

General Wood. For payment out of this appropriation, yes, sir.

Mr. Passman. Do you agree, sir, if that is the way to make prosperity, we could triple the AID program and put three times as many people to work and have three times as much prosperity?

General WOOD. Not being an economist, I could not argue with you.

Mr. PASSMAN. You have gone two-thirds of the way with me. You are an economist up to this point, General.

General WOOD. It depends on what the country can afford.

Mr. PASSMAN. The invoices go down to the U.S. Treasury to be paid for out of the taxpayers' till, and not out of the recipient nations' funds?

General WOOD. That is true.

PROCUREMENT FROM MILITARY STOCKS

Mr. PASSMAN. That makes the point.

You state on page 6:

It is estimated by the military departments that 36 percent of this amount will be used for equipment and supplies coming out of stock, while 64 percent will represent new procurement.

Would you give us a brief description of some of the stock items?

General WOOD. This category includes items which the services are using and have stocked in their inventories, things like certain types of artillery and rifles, certain types of aircraft.

Mr. PASSMAN. Ammunition?

General WOOD. Ammunition, of course. Other items they do not have in stock or, while the items may be the same as they need, they have already bought only enough for their stock. So, new procurement is required to meet military assistance requirements.

Mr. PASSMAN. Can you give us the type of ammunition that is usually considered a stock item? Is it all types?

General WOOD. No, sir. It varies by caliber, and I shall give you some figures on that.

(The information requested follows:)

The following types of ammunition, appearing the fiscal year 1964 military assistance program, are usually considered as stock items:

Cartridge, caliber 38, pistol
Cartridge, caliber 30, carbine
Cartridge, caliber .30, rifle, machinegun, automatic rifle
Cartridge, caliber .50, machine gun
Cartridge, 20-millimeter, aircraft cannon
Cartridge, 40-millimeter, antiaircraft
Cartridge, 57-millimeter, recoilless rifle
Cartridge, 60-millimeter, mortar
Cartridge, 75-millimeter, recoilless rifle
Cartridge, 76-millimeter, tank
Cartridge, 81-millimeter, mortar
Cartridge, 90-millimeter tank
Cartridge, 105-millimeter, artillery
Cartridge, 106-millimeter, recoilless rifle
Cartridge, 4.2-inch, mortar
Cartridge, 155-millimeter, artillery
Cartridge, 8-inch, artillery
Rocket, 3.5-inch, antitank
Rocket, 2.25-inch, aircraft
Rocket, 5-inch, aircraft
Rocket, 2.75-inch, aircraft
Shell, 3-inch, Navy gun
Shell, 5-inch, Navy gun
Bomb, 100-pound.
Bomb, depth, 325-pound
Bomb, 500-pound
Bomb, 750 pound
Bomb, practice
Depth charge
Mine, antipersonnel
Mine, antitank
Mine, Navy
Torpedo, Navy
Demolition kit
Demolition, shaped charge
Grenades, smoke/incendiary
Grenades, explosive
Rocket, HONEST JOHN (practice)

However, it should be noted that there are 74 different types of ammunition involving 20 calibers which are not available from service stocks and can only be furnished from new procurement.

Mr. PASSMAN. Ammunition orders, as such, would be placed by the Defense Department. That would be considered a stock item; would it not?

General WOOD. Yes, sir; if the services have a sufficient stock to supply it.

Mr. PASSMAN. It would be a stock item. You would not specifically place an order for ammunition for guns and rifles that we have just for one country. It would be placed as a large order; would it not?

General WOOD. That is right.

Mr. PASSMAN. In all probability, small arms ammunition would be considered a stock item?

General WOOD. I would say it depends upon the status of the stock at the moment, but I am certain that the statement in general is correct.

Mr. PASSMAN. If there should be any necessity to make an allocation out of your ammunition stock, do you have to reach a certain dollar point for it to be economical to make an allocation? If you have a list of 70 nations, each one of them needing ammunition, could you make an allocation of $5 million for country X and do it just as economically as you could make it for country C for $20 million, if it is a stock item?

General WOOD. I think so, sir. Of course, the departments themselves do the contracting. If the item is already on hand in service stock, the size of the buy does not affect unit cost. Where new procurement is required unit price decreases as the quantity bought increases.

EFFECT OF CUT IN APPROPRIATION REQUEST

Mr. PASSMAN. We heard the Secretary of Defense the other day. When we would get down in short rows, where there is not enough room to turn around, he began at times to shoot from the hip. You had sufficient money in the 1962 appropriation to fund items that you were justifying for 1963, which is a pretty good indication that you had more money than you needed in that fiscal year. The Secretary never would admit it, certainly not, but on the day before the last day of the fiscal year—Friday, June 29—a substantial allotment was made out of 1962 funds for the 1963 program that they were justifying in the Congress. We began to ask the Secretary about some of it. He said we had harmed the program last year. I remember two or three items, one in particular, $——— worth of ammunition to Greece. He said it would not have been economical to give them $——— of ammunition out of the unobligated funds. Since it is a bookkeeping entry, and we knew that, we let the Secretary get it in the record.

Then another claimed deficiency was the destroyers—the ship program—which I do not believe the Congress even passed. I thought I would let the record show that when you start shooting from the hip, you are likely to hit anybody.

FIRMNESS OF MAP PRESENTATION

What is a concrete program? Does that mean something firm?

General WOOD. I think the adjective in my knowledge of English indicates it means a firm program.

Mr. PASSMAN. Last year the Department said we have 58 countries in the military program and we may go to 65, but they went to 70. They shifted all over the lot. Congress passed a law specifically stating that you cannot do certain things, but they made up their minds to do it, anyway. Webster does not agree with the Secretary that it is very concrete, which means something stable, hard, and firm.

General WOOD. May I add something on that?

Mr. PASSMAN. Please do.

General WOOD. Certainly when we present a program to you such as the one shown in this book, it includes details for each country showing the specific items planned to be purchased from the funds requested. It is detailed as to generic line items such as spare parts and training. Of course, the first thing that has happened to this program in the past is that the Congress in its wisdom appropriated less than the amount requested. That, of course, requires a reexamination of the program on a priority basis. The Joint Chiefs are asked to comment on the question:

Now that the program is being reduced, what programs do you want to change, what items must be dropped or changed?

Then, second, during the year, as you know, since we do not control other governments, various things happen which eventuate in decisions to fund other programs or to change the previously approved funding. We have already mentioned India, which we did not anticipate. I would not say another India might occur in the next year, but I would not say it would not. Who knows? Our estimates on Vietnam and Thailand proved to be less than what was needed. In that area we are essentially assisting in fighting a war, we are putting in what is needed.

The only way you can get money, of course, is to change somebody else's program. From that standpoint, the program by its very nature can never be as concrete as one's personal checkbook.

Mr. PASSMAN. We appreciate your frankness, General. We are dealing with what are described as "illustrative" programs here, are we not?

General WOOD. I would say "illustrative" is just as erroneous as the adjective "concrete."

Mr. PASSMAN. We do appreciate your frankness. But these people say this is an "illustrative" program, speaking of foreign aid. They say, "You appropriate so much money for so many nations, for certain projects. However, we have the right to substitute an entirely different set of projects. We have the right to spend this money in nations completely different than the ones we are justifying.

So, it is "illustrative," as they say. Can you do these things under the military program? Can you shift it? You say you want this for country X. If you decide later you do not want to give country X the aid but you want to give it to country B, and you decide not to give it to them in popguns but in shotguns or whatever you describe, you have that right under this program, have you not?

General WOOD. Not personally.

Mr. PASSMAN. When I say "you," I am talking of the Government.

General WOOD. The Government; yes, sir.

Mr. PASSMAN. I think that is about what they say they do. They do just about whatever they want to when they get the money.

Since you referred to the cuts made by the Congress, may I say I think we all know that if the executive branch could get all the original figure requested, the public debt might be $2 trillion.

REDUCTIONS IN APPROPRIATIONS REQUESTS

In just the past 8 years during which it has been my privilege to serve as chairman of the subcommittee, the Congress has reduced the Executive's requests for foreign aid by $6,582,937,000. The reductions, percentagewise, have been just about the same, perhaps a little bit more, on the military side than on the economic side. For the military program, for fiscal 1956, my first year as chairman of the subcommittee, the Executive asked for $1.125 billion. We cut that by $420 million and appropriated only $705 million. Even so, they wound up with more money than they could spend, and some of it lapsed.

For fiscal 1957, they requested $3 billion for the MAP. The Congress appropriated $2,017,500,000, a reduction of $987,500,000. They still had money they could not use. In fiscal 1958, the Executive requested $1.6 billion. Congress appropriated $1.340 billion, reducing the estimate by $260 million. In fiscal year 1959, the MAP request was for $1.8 billion. The appropriation was $1.515 billion, a reduction of $285 million. In fiscal 1960, the budget estimate was $1.6 billion. The Congress appropriated $1.3 billion, a reduction of $300 million. For 1961, the Executive requested $2 billion for military aid. The appropriation was for $1.8 billion, a reduction of $200 million. For fiscal year 1962, the MAP request was $1.885 billion; $1.6 billion was appropriated, a reduction of $285 million. Last year, for fiscal 1963, the military assistance request was for $1.5 billion. The Congress appropriated $1.325 billion, a reduction of $175 million.

Now the totals: During 8 years the Executive requested $14.510 billion for military assistance. The Congress appropriated $11,602,500,000, a net reduction of $2,907,500,000.

That is the amount of the reduction the Congress, in its wisdom, made. Then again we find they had sufficient money to move the program into five nations they did not even justify in the prior year, to fund a future year's contract out of something that had not yet been justified to Congress because it was for fiscal 1963.

General WOOD. Let me make one comment.

Mr. PASSMAN. Please do.

EFFECT OF APPROPRIATION REDUCTION

General WOOD. Of course, much of this is B.W., which means "before Wood." I am really familiar only with the details of 1963 and 1964.

Let me say in the overall sense, there is a real problem in doing what we have planned to do if we do not get the money requested. I will give you an example. At page 173, the ———. Due partly to the congressional reduction, partly to the need for India and Vietnam, you notice in the lower part of the page, under fiscal year 1963, column D, there are practically no items furnished ——— during

1963. The amount which we were able to make available to this country was essentially for force maintenance. That means that the items which now show in 1964 formerly were in 1963. All we could do was to defer them to another year, because we feel and the Joint Chiefs of Staff still feel that country needs that equipment.

Mr. PASSMAN. The ——— have made a lot of progress in the overall GNP and their stability has substantially increased even over a year ago, has it not?

General WOOD. That is certainly true.

Mr. PASSMAN. You said in your statement that the presentation of the program for fiscal year 1964 will follow the pattern established in prior years. I thought I would indicate to you some of these aspects of the pattern that has been followed. Let me show you now how this thing works out.

General WOOD. I am quite aware of that.

Mr. PASSMAN. We, too, want to follow a similar pattern.

General WOOD. I hope you do not, sir.

Mr. PASSMAN. Let us turn to the Republic of China. They told us last year they wanted $111,000 for construction in the Republic of China. We gave them so much money. Here is what they spent or obligated: ———. That is what we got into by being too liberal. You cannot blame them for trying to find a place to spend it.

How about looking at the record and let us see if I am correct on that assertion. If so, we will take a brief recess to get mail out and a few things like that. Let us see if I am right on that one.

They requested $111,000 for construction, but they were able, with a full kitty, to obligate $———. Am I correct on that one?

General WOOD. You are certainly correct on what was obligated.

Mr. PASSMAN. I want to be correct on both of them or none.

General WOOD. I do not have that.

Mr. PASSMAN. Do you not get the idea of what we get into when you say we are going to follow the pattern established in prior years?

General WOOD. I will ask the Far East expert when he comes up to tell you why that is true.

Mr. PASSMAN. I will bet you they will have a reason.

General WOOD. I hope so.

Mr. PASSMAN. Gentlemen, we shall now adjourn until tomorrow afternoon at 3 o'clock.

TUESDAY, MAY 21, 1963.

MILITARY AID TO YUGOSLAVIA

Mr. PASSMAN. The committee will come to order.

General Wood, last year the appropriation bill spelled out the will of the Congress with regard to aid to Communist countries in no uncertain terms. I refer specifically to section 109(a) of the Foreign Assistance Appropriations Act of last year, and I quote:

> No assistance shall be furnished to any nation, whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended, for any arms, ammunition, implements of war, atomic energy materials, or any articles, materials, or supplies, such as petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war, contained on the list maintained by the Administrator pursuant to title I of the Mutual Defense Assistance Control Act of 1951, as amended.

And now from section 109(b):

> No economic assistance shall be furnished to any nation whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended (except section 214(b)), unless the President determines that the withholding of such assistance would be contrary to the national interest and reports such determination to the Foreign Affairs and Appropriations Committees of the House of Representatives and Foreign Relations and Appropriations Committee of the Senate. Reports made pursuant to this subsection shall be published in the Federal Register within seven days of submission to the committees and shall contain a statement by the President of the reasons for such determination.

Section 109(a) is specific and to the point. It does not give the Executive the right to make a determination. Only in matters of economic aid, under section (b), does the President have such right.

General Wood, as this is your responsibility as administrator of the military program, would you tell us how the Executive, or the Defense Department, justifies the $2 million in sales assistance for Yugoslavia?

General WOOD. First, I believe I am correct, Mr. Chairman, in saying that the law you are quoting—correct me if I am wrong—is the appropriation act of last year. Is that correct?

Mr. PASSMAN. Fiscal 1963; that is correct.

General WOOD. It refers to funds appropriated in 1963. Is that correct?

Mr. PASSMAN. You are making an appropriation out of the funds made available in the same act that I have referred to, and it is prohibited. We are not dealing with the fiscal 1964 program. We are dealing with the fiscal 1963 program.

General WOOD. You are not speaking to the $2 million in 1964.

Mr. PASSMAN. I am speaking of the $2 million in the 1963 program.

This matter was forwarded to the committee by a letter from Mr. Lester E. Gordon, Deputy Assistant Administrator for program, AID.

Mr. SCHEINMAN. I wonder if I could offer some assistance.

Mr. PASSMAN. Yes; but I wish to proceed briefly.

Under this legislation, such assistance is prohibited, and Mr. Bell himself so states.

General WOOD. I just want to clarify the issue. You are speaking, not to the proposed 1964 program, but to a recent Presidential determination on the 1963 program.

Mr. PASSMAN. Yes, sir.

General WOOD. It is my understanding that the President utilized——

Mr. PASSMAN. I want to ask you this, and then you give an explanation. You have been justifying $2 million for 1964, but you now are canceling out that proposal and reverting to fiscal 1963 under the President's determination. Is that correct?

General WOOD. At the time we printed the book, we put in the $2 million proposed for 1964, but in recent days the President made a determination to go ahead in 1963.

Mr. PASSMAN. On what basis does he arrive at that determination? What section of the law?

General WOOD. It is my understanding he used section 614 of the Foreign Assistance Act of 1961, as amended.

Mr. PASSMAN. Right after your statement I want to read again. We could save a lot of money by abolishing the Congress if this is the way they are going to run the show.

SECTION 109(A) OF FOREIGN ASSISTANCE APPROPRIATION ACT OF 1963

I am reading verbatim from the public law, section 109(a):

No assistance shall be furnished to any nation whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended, for any arms, ammunition, implements of war, atomic energy materials, or any articles, materials, or supplies, such as petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war, contained on the list maintained by the Administrator pursuant to title I of the Mutual Defense Assistance Control Act of 1951, as amended.

Then, when it is carried to the Director, and I am reading now from a secret document, page 2.

(Off the record.)

Mr. PASSMAN. This section of the law is just as tight as the Congress could make it.

Mr. SCHEINMAN. I believe under section 614(a), the President is given the right to authorize assistance within specified ceilings notwithstanding any of the provisions of any appropriation act, if he determines such assistance is important to the national security.

Mr. PASSMAN. How do you explain Mr. Bell's statement?

Mr. SCHEINMAN. Mr. Bell advised the President that this assistance would fall under section 109 and, therefore, he had to exercise his power under 614(a) and waive the provisions of both section 620(f) and section 109. Section 109 may be waived under the provisions of 614(a).

Mr. PASSMAN. This law was passed subsequent to 614(a).

Mr. SCHEINMAN. Yes, Mr. Chairman, but the language of section 614(a) permits the President to make this waiver, notwithstanding any appropriation act appropriating funds under the Foreign Assistance Act of 1961.

Mr. PASSMAN. Does the law give the President that right, or does he assume it?

Mr. ANDREWS. The law gives him that right.

Mr. PASSMAN. That is what I want to find out.

Mr. ANDREWS. There is no need in putting that section of the law in the record is there?

Mr. RHODES. Let us put it in the record.

SECTION 614 OF FOREIGN ASSISTANCE ACT OF 1961

Mr. ANDREWS. Section 614: Special Authorities:

(a) The President may authorize in each fiscal year the use of funds made available for use under this Act and the furnishing of assistance under section 510 in the total amount of not to exceed $250,000,000 and the use of not to exceed $100,000,000 for foreign currencies accruing under this Act or any other law without regard to the requirements of this Act, any law relating to receipts and credits accruing to the United States, any Act appropriating funds for use under this Act, or the Mutual Defense Assistance Control Act of 1951, title 22, United States Code, section 1611, and the following, in furtherance of any of the purposes of such Act when the President determines that such authorization is important to the security of the United States, not more than $50,000,000 of the funds available under this subsection may be allocated to any one country in any fiscal year.

How much is involved in the question the chairman asked you about, General Wood?

General WOOD. $2 million.

Mr. PASSMAN. Of course, there has been another opinion. I am not going to argue the point of law. They proposed that this $2 million would be out of the 1964 appropriation, but subsequent to the printing of the books, they changed their plans and now are funding it out of the 1963 appropriation. If this law supersedes the 1963 language, then this part of the act is just superfluous and should not have been in there, and we have just been kidded along the way.

Mr. ANDREWS. That is right. That would be my interpretation.

Mr. PASSMAN. We were told specifically last year, in accepting this compromise, that it would positively prohibit the President from allocating any funds to any country whose government is based upon the theory of communism.

Mr. ANDREWS. I would like to read in the record at this point section 109(a) of last year's appropriation bill:

> No assistance shall be furnished to any nation whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended * * *.

Then I would like to read into the record section (d)(3) of section 301 of Public Law 87-565, which amends section 620 of the Foreign Assistance Act of 1961 by adding subsection (f). Subsection (f) reads as follows:

> No assistance shall be furnished under this Act, as amended, to any Communist country. * * * For the purposes of this subsection, the phrase "Communist country" shall include specifically, but not be limited to, the following countries:

It lists among other countries, Federal People's Republic of Yugoslavia.

There is no question, Mr. Chairman, that the Yugoslav Government was covered by section 109 of the appropriation act.

Mr. PASSMAN. Then you think we are on safe ground in our language.

Mr. ANDREWS. As much as you can be, because you are referring to section 620 of the Foreign Assistance Act of 1961, as amended, in your reference to countries which are declared by law to be, for the intent and purposes of the Foreign Assistance Act, Communist countries.

The question recurs as to whether or not section 614 of the Foreign Assistance Act of 1961 supersedes and overrides section 109 of the appropriations bill. If that be true, then you are just wasting time putting limitations in the appropriations bill, in my opinion, and that should be brought to the attention of the House when the Foreign Aid Assistance Act is up for debate later.

Mr. FLYNT. General Wood, do you know whether or not an Executive order was issued setting forth that the President had made a determination that this $2 million for Yugoslavia was important to the security of the United States?

General WOOD. Yes, sir. I do not have the paper with me, but I think that is the paper which the chairman was quoting from.

(Off the record.)

Mr. PASSMAN. If the time has come when the Congress, through an appropriations act cannot specifically deny funds for a project, then we have indeed abdicated to the Executive.

Mr. ANDREWS. What is the date of that Executive determination?

Mr. PASSMAN. May 14, 1963.

We were told last year, speaking for the committee, that such a transaction as this would be in violation of the law as drafted. It was the intent, and it was acknowledged that it was the intent, to prohibit the Executive from making an allocation to a country whose government is based upon the theory of communism.

Mr. ANDREWS. And it spells out the countries.

Mr. PASSMAN. We were supported in that position by the fact that this had been under consideration for some time, but it had been projected into a subsequent fiscal year and did not deal with fiscal 1963. However, the determination has been made, and we will have to govern ourselves accordingly.

Mr. ANDREWS. Mr. Chairman, may I ask who classified this Presidential determination as "Secret"?

General WOOD. I would say the State Department, sir.

Mr. ANDREWS. Why?

General WOOD. I am unable to answer that, sir.

Mr. ANDREWS. I have not read it, but I cannot conceive of any reason for that classification.

Mr. MINSHALL. Mr. Andrews, you and I have seen on the other subcommittee things that are classified "Secret," "Top Secret," "Confidential" that you read the same day in the Saturday Evening Post or the Washington Evening Star. Some of these things are classified for "political" reasons and not for our national security.

Mr. ANDREWS. I can see why a determination to help Yugoslavia in the face of specific directions on the part of Congress, both the legislative committees and the Appropriations Committee, would serve a useful purpose to be classified as "Secret."

Mr. MINSHALL. It is a self-serving classification.

Mr. ANDREWS. I would like to know by whom this was marked "Secret," and the reason for it.

Mr. PASSMAN. Will you supply that information for us? We were told yesterday, I think, General Wood, that military assistance in these nations is a State Department decision.

General WOOD. Yes.

Mr. PASSMAN. If it is a State Department military program we are running under the Foreign Assistance Act, the record should show that.

Mr. SCHEINMAN. The provision of section 620(f) stating the manner in which the President waives this provision and makes certain findings and reports to Congress, sir, goes on to say that it may not be waived unless the President makes a prompt report to the Congress that the assistance is vital to the security of the United States and the recipient country is not controlled by the international Communist conspiracy.

Mr. ANDREWS (reading):

*** * * unless the President finds and promptly reports to Congress (1) that such assistance is vital to the security of the United States.**

Whoever prepared this determination for the President to sign just followed the statute.

Mr. SCHEINMAN. I think that is what is required by the law, sir.

Mr. ANDREWS. I know it is required by law.

The recipient country is not controlled by the international Communist conspiracy.

That is stated here, and the individual followed that language.

My point is that the Congress has specifically designated the Yugoslav Government as being a Communist country as defined here in section (f) of 619, as a "Communist country," in quotation marks. In other words, the Congress has decided, according to my interpretation of this statute, ipso facto, that Yugoslavia is a Communist country within the meaning of this act.

Mr. PASSMAN. Furthermore, the Yugoslavs themselves say that it is a Communist country with a Communist form of government. Is that correct?

Mr. SCHEINMAN. That is correct.

(Off the record.)

Mr. ANDREWS. The Congress has made a determination in a statute that a certain country is a Communist country.

Mr. RHODES. It goes back to the points that were left as a loophole. The President can report to Congress, as he did, (1) that such assistance is vital to our security, and (2) the recipient country is not controlled by the international Communist conspiracy. There is the difference. That is the reason I put in this other amendment, section 109, because of the fact that under the previous law, aid was to be denied only to nations which are a part of the international Communist conspiracy. My amendment to deny aid to Communist governments of any kind, was aimed at Yugoslavia, which admits to being Communist but denies being a part of the international Communist conspiracy. I did not realize at the time that the authorizing legislation had previously nullified the whole thing.

Mr. ANDREWS. I think the whole matter ought to be brought to the attention of the legislative committee.

Mr. PASSMAN. As far as I am personally concerned, perhaps it is a blessing in disguise that they changed it from a proposed 1964 item to a 1963 item, because maybe the matter can yet be corrected.

Mr. RHODES. It takes a great amount of cynicism to strike down section 109(a), even with the existence of the language in section 614, when section 108 and 109(b) show that the Congress knew perfectly well how to give the President a loophole if the Congress wanted the President to have a loophole. We did not want him to have a loophole as far as military assistance was concerned, and we did not provide one. The administration went behind it and found one, anyway.

Mr. ANDREWS. Mr. Chairman, I think the record ought to show that the Congress on two occasions tried to stop the sale of military supplies and other critical materials to Communist countries, and it defined as Communist countries, among others, Yugoslavia, and that an effort was made in the Foreign Aid Assistance Act of 1961, as amended, to stop such sales. Also the Appropriations Committee in section 109 attempted to stop those sales. Nevertheless, sales have been negotiated for military hardware under the authority of a Presidential determination dated May 14, 1963, under the provisions of section 614 of the Foreign Assistance Act of 1961, as amended, and the determination permitting such sales was marked "secret" and cannot be put in the record at this point.

Mr. PASSMAN. I should like to request, General, that if you will, you get us a statement from the State Department as to why this is a secret item. As it is, it places us in the position of being unable to explain anything. It is a complete gloss over. They have sewed up our mouths. We want a letter addressed to the committee or to Mr. Cannon, giving the specific reason this has gone in as a secret item, so the committee may handle itself as it should in marking up the bill. I believe the Congress will support the committee even if we finally have to cut this so low that they do not have funds to do such things as this, and the American people would back the Congress.

(Off the record.)

(The information requested follows:)

CLASSIFICATION OF YUGOSLAV DETERMINATION

On May 14, 1963, the President made the necessary findings under section 620(f) and a determination and authorization under section 614(a) of the Foreign Assistance Act of 1961, as amended, to permit cash military sales to Yugoslavia for dollars. Notice of this action was given on May 15, to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives. On May 21 officials of the Yugoslav Government were informed of the President's decision. The appropriate congressional leaders have been informed that the Presidential determination of May 14 is now unclassified. The text of the determination follows:

THE WHITE HOUSE,
Washington, May 14, 1963.

PRESIDENTIAL DETERMINATION No. 63–20

MEMORANDUM FOR THE ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Subject: Finding under section 620(f) and determination and authorization under section 614(a) of the Foreign Assistance Act of 1961, as amended, permitting military sales to Yugoslavia

In accordance with the recommendation in your memorandum of April 18, 1963, I hereby find, pursuant to section 620(f) of the Foreign Assistance Act of 1961, as amended (hereinafter referred to as "the act"), that (1) sales of defense articles and services to Yugoslavia are vital to the security of the United States; (2) Yugoslavia is not controlled by the international Communist conspiracy; and (3) such sales will further promote the independence of Yugoslavia from international communism.

Also in accordance with the recommendation in your memorandum of April 18, 1963, I hereby (1) determine, pursuant to section 614(a) of the act, that authorization of the use of up to $2 million of funds made available for military assistance under the act for sales of defense articles and services to Yugoslavia without regard to the provisions of section 620(f) of the act and section 109(a) of the Foreign Aid and Related Agencies Appropriation Act, 1963, is important to the security of the United States; and (2) authorize, pursuant to section 614(a) of the act, the use of up to $2 million of such funds for this purpose without regard to the specified provisions of the act and the appropriation act.

You are requested on my behalf to give notice of these actions, pursuant to sections 620(f) and 634(d) of the act, to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives.

(Signed) JOHN F. KENNEDY.

Mr. MINSHALL. This phony classification is certainly a mockery and unnecessary.

Mr. PASSMAN. Certainly it is. As was established yesterday, in one of the Far Eastern countries they are classifying the fact that they are getting aid simply because either we are ashamed of it and do not want the American people to recognize our stupidity, or else they have some plan to hide the Communists in that country while they are

unloading the ships and, therefore, will not know they are getting aid. Or we are ashamed of the program. It would have to be one of these reasons or the other.

NATURE OF COMMODITIES SOLD TO YUGOSLAVIA

Mr. ANDREWS. May I ask one further question about this equipment and material, General Wood. Where did it come from?

General WOOD. I can tell you what it is, sir. It is almost entirely spare parts for American aircraft and vehicles previously provided to the Yugoslavians. In general, I think it is not from surplus stocks, but requires procurement, because the aircraft and the vehicles for which the parts are being supplied are out of production. The aircraft, I know, are F–86 aircraft.

Mr. ANDREWS. How would you finance it?

General WOOD. It is financed on a credit sales basis, I understand we are to be repaid almost immediately by the country getting it.

Mr. ANDREWS. In dollars?

General WOOD. That is right.

Mr. PASSMAN. Let me say that we gave Yugoslavia in military assistance—I say this because you mentioned sales—$693,856,000, and the grand total of our generosity to that country was in the neighborhood of $2,496,700,000. Then, Yugoslavia on December 27, 1957, much to our Nation's amazement, stated that all military aid to Yugoslavia would be cut off as of that date. Is that your understanding of it, General?

General WOOD. Yes, sir. I was going to say——

Mr. PASSMAN. If I may finish.

The spare parts now no doubt would be for the military equipment that we gave to Yugoslavia before the Yugoslavs themselves said, "We don't want any more military aid." Is that correct?

General WOOD. Yes. I was only going to say, as you have said, that the grant aid was discontinued after 1958.

Mr. PASSMAN. By the request of the Yugoslav Government.

General WOOD. I think that is correct; yes, sir.

As you say, these parts will enable the equipment previously furnished to continue to operate.

Mr. PASSMAN. They must have had some reason for saying, "We don't want any more military assistance from the United States," and insisting it be cut off as of that date. What has happened in the interim that would prompt us now to go back in and furnish parts for an aircraft, the uses for which we certainly do not know?

General WOOD. Although they asked that grant aid be stopped in 1958, they requested the authority to continue to purchase these parts on a cash basis this year.

Mr. MINSHALL. We delivered, if I remember correctly, some 400-odd aircraft in the period between 1952 and 1957. Are all these aircraft still operational in Yugoslavia, or have they shipped some of these to other countries? Do we know?

Mr. PASSMAN. Yes, do we have any information as to the number of aircraft that we previously gave to them which are operational?

General WOOD. I do not know whether we do or not, sir.

Mr. PASSMAN. Do we have any information which would indicate whether or not they transferred some of these aircraft to other nations to which we would not give military equipment?

General WOOD. I think it is unlikely, but I do not know. I will determine if such information is available.

Mr. MINSHALL. I think we delivered a total of 405 airplanes. Is that right?

General WOOD. I will supply that. I am sure we have that information.

(The information supplied for the record is classified.)

Mr. PASSMAN. It has already been stated that this is a State Department military program, and not the Defense Department's military program. I would like to see you people take it back over, especially when the record indicates that we are creating trouble in a lot of these new countries when we give them guns. If you gave them popguns and chinaberry balls, it would be all right, but when you also give them bullets, it makes it dangerous.

General WOOD. May I say one thing, sir?

Mr. PASSMAN. General, you may say anything you have in mind.

General WOOD. I just wanted to point out for the record, for what it is worth, that although grant aid was stopped in 1958, we have made——

Mr. PASSMAN. 1957.

General WOOD. The last deliveries were in 1958—we have made sales over the years totaling $10 million up through 1963, as shown on page 23.

Mr. PASSMAN. We know that, General. We tried to stop that with legislation, but we did not succeed, evidently.

Mr. ANDREWS. You have one in May of 1963.

General WOOD. Yes, sir.

Mr. ANDREWS. As long as this section 614 remains in the Foreign Assistance Act of 1961, the Congress cannot stop this country from doing business with Communist countries. Is that not correct, General?

General WOOD. I would say as long as the President determines, under the passages that you have read in section 620, first, that such assistance is vital to the security of the United States and, second, that the recipient country is not controlled by international Communist conspiracy, et cetera——

Mr. MINSHALL. In other words, if he made that determination, he could ship things to Cuba. Is that your interpretation of the act?

Mr. ANDREWS. Any country.

General WOOD. If he said that Cuba was not under the international Communist conspiracy. I doubt if he could say that. But in the case of Yugoslavia, I think you would agree there is a question as to whether it takes orders from the Soviet Union or not. Certainly, Tito has made the point innumerable times that his course of action is independent.

Mr. ANDREWS. Let me read the countries mentioned by Congress.

General WOOD. Yes. I saw them here.

Mr. ANDREWS. Yugoslavia is in that category. Mr. Minshall asked you about Cuba. These are the countries that the Congress designated:

For the purpose of this subsection (f) of section 620, the phrase "Communist countries" shall include specifically, but not be limited to, the following countries: People's Republic of Albania; People's Republic of Bulgaria; People's Republic of China; Czechoslovak Socialist Republic; German Democratic Republic (East Germany); Estonia; Hungarian People's Republic; Latvia; Lithuania; North Korean People's Republic; North Vietnam; Outer Mongolia; Mongolian People's Republic; Polish People's Republic; Rumanian People's Republic; Tibet; Federal People's Republic of Yugoslavia. * * *

That is the one we are talking about in this particular case, and the act continues, as follows:

Cuba; Union of Soviet Socialist Republics.

Mr. PASSMAN. General, you mentioned about Yugoslavia not taking orders from Russia. It would appear that Red China is not taking all the orders from Russia, either. Would you agree with that?

General WOOD. Yes. I think that is true.

Mr. PASSMAN. The first thing you know, they will say they are no longer allied with Khrushchev's brand of communism and, therefore, under this reasoning, they would be eligible. I think the Congress should tighten this thing up without delay.

FIRMNESS OF PROGRAM REQUESTED OF CONGRESS

What was the amount of the fiscal year program of military aid to India, sir?

General WOOD. 1963?

Mr. PASSMAN. Yes, sir.

General WOOD. The figure is $60 million, but I was looking for the page. Page 135.

Mr. PASSMAN. What was the amount of funds involved in the ship loan legislation the Congress did not pass?

General WOOD. I do not have that readily handy, sir. It was on the order of $25 million.

Mr. PASSMAN. So, $60 million for India, $25 million for the ship loan, $25 million for the F–5 aircraft, $25 million unobligated. That adds up to $135 million that they found in the military assistance appropriation last year that they did not contemplate, and that does not include the $40 million special that is in military. This "concrete" program is just about as loose as a cotton-field goose.

WASHINGTON STAR ARTICLE ON AID TO YUGOSLAVIA

Mr. NATCHER. General, did you happen to read the article on the front page of the Evening Star on Monday, May 20?

General WOOD. No, sir.

Mr. NATCHER. Mr. Chairman, you would be interested in this. This article is on the front page of the Washington Evening Star, Monday's paper. The title of it is "Aid Helps Yugoslavia Steady Unstable Area."

(The article referred to follows:)

TITO IS ANCHORMAN—AID HELPS YUGOSLAVIA STEADY UNSTABLE AREA

(By Crosby S. Noyes, European correspondent of the Star)

BELGRADE.—In Yugoslavia, it may be communism with a difference, but it is still communism.

No one can walk around this city, draped with red flags marked by the hammer and sickle and plastered with Socialist slogans, without being very much aware of the fact. No one can listen to a speech by any Yugoslav leader without being persuaded of his devotion to Marx and Lenin.

No one can talk about the possibility of improving relations between Yugoslavia and the United States without taking the Communist factor fully into account.

OUTLOOK VERY DIFFERENT

For a nominally nonalined neutralist country, Yugoslav leaders talk with distressing regularity out of the Eastern side of their mouths. However, cordial they may be in their dealings with American diplomats, their outlook on world affairs in general is radically different from ours. In the United Nations, Yugoslavia's vote is cast at least 60 percent of the time with the leftist group of neutralist nations with the Soviet Union and against the United States.

In this respect, President Tito himself is something of a special problem.

His speech to the neutral nations conference in Belgrade in 1961 defending Russia's renewal of nuclear testing and containing kindly references to the East German Communist regime, raised hackles throughout the West. His triumphal visit to Moscow last winter where he was lionized by Premier Khrushchev did nothing to endear him or his country to Washington.

STANDING IN MOSCOW IMPORTANT

As one of the very few remaining Yugoslav leaders who got his training in Leninist Russia, Tito clings to the traditional Communist verbiage more strongly than his younger colleagues. There is no doubt whatever that his standing in Moscow is infinitely more important to him from an emotional standpoint than his standing in the West. His reception by Khrushchev amounted for him to a final rehabilitation and, in effect, an official admission that it was the Russians and not he that had been responsible for the break in 1948.

All this, inevitably, has had a disturbing effect on relations between Yugoslavia and the United States in the past. Beyond any doubt there will be more problems in the future. In Washington and elsewhere honest men may ask themselves what the West has accomplished here after 13 years of effort and nearly $2 billion of aid. Some, in exasperation, may decide that Yugoslavia deserves to be written off and treated like a full-fledged member of the Communist bloc.

And yet so far as most qualified observers are concerned this would be a huge and inexcusable mistake.

SEEN AS NET ASSET

In his book on "Socialism and War," Edvard Kardelj, senior vice president of the Yugoslav Federal Executive and one of Tito's certain successors, suggests that "when making an objective analysis, one should * * * not allow slogans or political declarations to conceal insight into the real substance of things." Or, as American Ambassador George Keenan puts it more simply, "What's important is not what these people say, but what they are."

If this rule is observed, Yugoslavia, by any standard of measurement, emerges as a net asset to the West. And what has been achieved here with Western help far too valuable to be thrown away in a fit of political pique.

To state the obvious, what the West has received for its support and effort is the conduct of an independent country over a 13-year period. It has achieved political stability in an area whose traditional instability has been a breeding ground of war for many generations.

It has encouraged in Yugoslavia a wise policy of calm quiet and orderly relations with all of its neighbors to the West. The borders with Austria, Italy, and Greece are wide open for a free exchange of persons, goods, and ideas.

BIG INFORMATION PROGRAM

Radio broadcasts to Yugoslavia from the West are unjammed. Newspapers and magazines circulate freely. The United States operates an information program here on a scale that is unthinkable in any other country of the Soviet bloc. Ironically enough, the only Iron Curtain that exists here is between Yugoslavia and its fellow Communist neighbor, Albania.

At the same time, the country's military posture remains completely independent. Yugoslavia is a member neither of the Warsaw Pact nor the Comicom—Eastern Europe's version of the Common Market. Its independent behavior and successful development set an instructive example for other members of the Soviet bloc. Above all, Yugoslavia is a living manifestation of the fact that a country may be Marxist without being a satellite of the Soviet Union or serving its political purposes.

And beyond this, Yugoslavia is something more.

If one looks at this country for what it is, and resists the temptation to lump all Communists together for mass condemnation, it is clear enough that common slogans and quotations from Marx cover a very large spectrum of political and social attitudes within the Communist world. The simple fact is that the contradictions which separate the Yugoslavs from say the Communist Chinese are a good deal more fundamental than the contradictions which divide Yugoslavia from the West.

EXERT GREATER INFLUENCE

It would be an exaggeration perhaps to describe the system in Yugoslavia as liberal. The Yugoslavs themselves prefer the word "progressive" in contrast to the "reactionary" outlook of their Chinese comrades. Yet it is no exaggeration at all to say that communism as it exists here is unique. And that in the historical development of communism throughout the world Yugoslavia may well exert the greater influence in the long run.

When it comes to the internal system a certain degree of caution is advisable. For an outsider—or for that matter for the average Yugoslav—it is hard to say exactly how the system works. What one can say with reasonable assurance is that Yugoslavia has gone further in the process of decentralization both in political control and in the control of the means of production than any other Communist country in the world.

This principle of decentralization is firmly written into the new Yugoslav Constitution adopted this spring. Though it assures Tito's position as President of the country for the rest of his life—he is now 70—it also assures that no one in the future will exercise the same amount of personal leadership. Presidential terms are fixed by law as in the United States to two 4-year terms. Less important positions are fixed except in special circumstances to single 4-year terms.

ALLOWS FOR DEBATE

Though, as in all Communist systems there is only one party, there is room in the Yugoslav political setup for very considerable dissention and debate. The process, as one observer describes it, operates more like that of a board of directors who agree on objectives but argue over ways and means of achieving them.

The new Constitution provides, among other things, for four separate houses of Parliament which, together with a Federal chamber, legislate in specific fields of economics, education and culture, social welfare, and health, and political organization. Some American political theorists see in this system a possible improvement on our own system of congressional committees.

Apart from its central political organization, the all pervading authority of the normal Communist state is notably subdued in Yugoslavia. Police activity is restricted and political prisoners are few. Within limits, freedom of expression is tolerated and legal protections for the individual are being increased. Religious freedom is guaranteed by the Constitution and, after a brief experiment in collectivization of farms, 84 percent of agricultural property is now privately owned.

In the economic organization of the country, the principle of decentralization, in theory at least, goes even further. Under the general blueprint of successive 5-year plans, control, and development of industrial enterprises—from beer factories to hotels to iron mines and railroads—lie in the hands of separate workers' collectives. Workers councils name their own directors, raise their own money and, again in theory at least, decide on the distribution of profits.

ENCOURAGES MERGERS

Once again, a degree of caution is necessary. Most certainly the Central Government through its control of central banks and other mechanisms exerts a very real degree of control over a system which otherwise might come close to anarchy. It encourages mergers between competing enterprises, discourages foreign competition and generally sees to it that the economic development of the country conforms with the overall plan.

Even so, however, in a country approximately the size of North Dakota there are some 29 separate railroad systems. If it continues in its present tendencies the economic organization of the country will inevitably lead to what one observer describes wryly as the "restoration of many features of a capitalist economy" with the single proviso of collective ownership.

It is not, however, simply the nature of its internal development or the fact that Yugoslavia has managed to dispense with some of the more disagreeable aspects of communism that sets it at the other end of the spectrum from a country like Communist China. For more fundamental in this regard is Yugoslavia's attitude toward the non-Communist world. And most specifically, the attitude of its leaders on the issue of peace and war.

This is, of course, the great issue that divides the Communist world today. It lies at the heart of the Chinese charge that the Yugoslav leaders are revisionist, while they, the Chinese, are the true disciples of Marx and Lenin. It is the basis for the growing dispute between China and the Soviet Union upon which the whole future of the Communist movement depends. And in this dispute Yugoslavia plays in its own right a singularly important and prophetic role.

In its approach to the non-Communist world, as in its internal development, Yugoslavia has been on the side of pragmatism as opposed to dogma since Stalin's day.

"You must understand," a Yugoslav intellectual explained to me, "that when we speak of 'capitalist' we are speaking of the system as we knew it—as it existed here and in Eastern Europe before the war. In many ways it was almost like the capitalist system that Marx wrote about in the 19th century. We realize, of course, that it does not much resemble the system in Western Europe or in the United States today."

CHAMPIONED COEXISTENCE

Thus when a leader like Mr. Kardelj speaks of the disintegration of capitalism, he is speaking of the dissolution of a system which, for all practical purposes, has long since ceased to exist. His own revisionism consists of the bold assertion that "since the time of Marx and Lenin the world has continued to change, that capitalism has changed in many features, and that socialism too has changed in many features—these changes, of course, taking place in two different directions."

Thus also, since the days of Stalin, the Yugoslavs have championed the idea of active coexistence with the West, rejecting the idea of the forcible imposition of the Communist system on other countries and the Chinese theories about the inevitability of war between the socialist and capitalist worlds. Peace, in the Yugoslav book, is in the elementary interest of socialism as it is in the elementary interest of humanity as a whole.

All this, of course, is quite incompatible with the whole basis for Chinese doctrine and policy. From their point of view it represents a fatal heresy and a very real threat to their own position of power and influence within the Communist world. With Soviet Russia edging cautiously in the direction of a similar revisionism of its own, the stakes are enormous. And the interest of the West in the outcome of the struggle is no less than that of the countries directly involved.

General, that story was written by a right able newspaperman connected with the Evening Star here, by the name of Crosby S. Noyes.

DECISION TO EXTEND MILITARY ASSISTANCE TO YUGOSLAVIA

Mr. MINSHALL. What concerns me is the response to my query to the general. He seems to condone this shipment to Yugoslavia.

General, you defended yourself on the record. I wish you would clean it up any way you want. Otherwise, you are likely to take the George Anderson route.

General Wood. Let me call this to your attention. I know you know it. The section in this legislation which is overriding in everything we do in the Defense Department is paragraph (c) in section 622, which says:

> Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance programs authorized by this Act, including but not limited to determining whether there shall be a military assistance program for a country and the value thereof.

Mr. Passman. We recognize that fact, sir.

General Wood. As I said before, I am not a policymaker. I bow to the decisions of the State Department in the field of foreign policy. I would rationalize the decision on the basis that in any of these countries which is run by essentially one-man rule—and to some extent Indonesia is a parallel case—there is still a considerable sentiment and belief among the people which is not necessarily hostile to the West.

Mr. Minshall. Castro is one-man rule.

General Wood. All of these individuals will sometime pass from the political scene. In Yugoslavia particularly, I am informed that the younger generation of leaders are not trained in the Marxist doctrine as Tito has been trained. One sentence you read in that passage reflects that fact, Mr. Natcher.

I think, as you know, and those of us in the military feel it very strongly, we are in a conflict with this ideology which is interminable. Any particular area where we can hope to lay the groundwork for better relations in the future which will help us in the eventual outcome is a bet which we should not neglect considering. To take action is something else, but we should consider it.

So far as Yugoslavia is concerned, I would think at least keeping some window to the West open is worth while.

(Off the record.)

Mr. Passman. I broke a leg one time trying to reach the end of the rainbow down in a plum orchard. I had always been told there is a pot of gold at the end of the rainbow. After a shower, I would take out. I broke a leg trying to beat my sister, who was running with me, to the end of the rainbow to get the gold first.

The fact of the business is that the State Department military people have put us in 70 nations with the MAP.

Mr. Minshall. You are not hoping the general breaks his leg, are you?

Mr. Passman. I am just saying that is their wishful thinking. Sukarno looks pretty healthy to us.

Mr. Andrews. He was recently elected President for life.

Mr. Passman. The Communists are in power in Indonesia. They have the largest bloc. Now they have elected Sukarno for life. I expect Sukarno may know a little bit more about those people than these soldiers down in the State Department, and Sukarno thinks they are loyal to him and they are serving at his pleasure.

People with that kind of thinking are tearing up our economy.

Mr. Minshall. I do not think the general went down to the plum orchard. I think he went to the rose garden.

Mr. Passman. But you have heard the old story about the pot of gold at the end of the rainbow and how the kids cut across the field trying to get there, and when they got there the rainbow had moved.

If I could borrow the imaginations of some of the policymakers for just 1 day, maybe I would be a little bit happier.

I yield to the gentleman from Alabama.

Mr. ANDREWS. I want to say, in my opinion, General Wood is a great American and a good soldier, and I am sure he is carrying out the provisions of section (c) of section 622. He was not in the policy-making department when this decision to do business with Yugoslavia was made.

If possible, Mr. Chairman, I would like to find out who the salesman for the U.S. Government was in connection with this sale of military equipment to Yugoslavia.

Mr. PASSMAN. You will please supplement the previous request with this request to find out the name of the salesman who made the sale and, if you can inform us of the amount of his commission, we would like to know that, too.

(The information requested follows:)

In response to the question "who the salesman for the U.S. Government was in connection with this sale of military equipmen to Yugoslavia," it is stressed that no U.S. official has taken any initiative whatsoever in this matter. The initiative for these sales originated in all instances with Yugoslavia, and the decision to make sales of spare parts was a policy determination made by the President acting within the terms of the Foreign Assistance Act of 1962. A number of U.S. agencies are involved in processing these requests and all sales are made pursuant to an agreement relating to the purchase by Yugoslavia of military equipment, materials, and services. (Exchange of notes at Belgrade, August 25, 1959, entered into force August 25, 1959. 10 UST 1474; TIAS 4301; 357 UNTS 87.)

Mr. NATCHER. Mr. Chairman, with your permission, I would like to have this article in its entirety inserted in the record at the point that I read a portion of it.

Mr. PASSMAN. Without objection, it will be inserted in its entirety.

MILITARY ASSISTANCE TO INDIA

General Wood, have you restocked the supplies and equipment for our U.S. forces that you supplied to India? When I say "you," I am speaking of the military assistance program.

General WOOD. Of course, as you know, we issue orders to the military departments to supply the equipment which, if it comes from their stocks, they are authorized——

Mr. PASSMAN. You debit the military assistance with the money credited to the defense appropriation?

General WOOD. That is right.

Mr. PASSMAN. Have you restocked the supplies of equipment for our U.S. forces that you supplied to India? If not, give us the details as to when you intend to do so and the reasons for the delay.

General WOOD. That is up to the Department. I do not know the exact status of whether it has been restocked or not.

Mr. PASSMAN. Will you get us some information on it? It is my understanding there is some worry in the Defense Department as to why there has been so much delay in restocking. We want that information. We hope you will provide it to us.

General WOOD. Yes, sir. I will get it for you, sir.

(The information requested follows:)

Military equipment and supplies provided under the military assistance program for India have been supplied under the following limiting criteria:

(*a*) Without detriment to U.S. Army requirements.

(*b*) Without diversion from any other MAP recipient for which programs already exist.

Funds to reimburse the Army supply agencies are available to those agencies immediately upon shipment of the materiel from the supply source. Whether or not the materiel is immediately replaced depends in each case upon the Army stock position and its worldwide requirements on a case-by-case basis as related to the authorized stock position of the item in question.

The Air Force is not aware of any problems involved in restocking the materiels furnished India during the present fiscal year. Necessary stock replenishment is being accomplished under normal buy program procedures. No difficulty has been encountered.

BUDGET BUREAU REVIEW OF MAP BUDGET

Mr. PASSMAN. Did you receive a cut in the MAP estimate submitted to the Bureau of the Budget?

General WOOD. We submitted to the Bureau of the Budget $1,480 million, which was the amount in the President's initial budget request. The President amended that subsequently, as you know, to reduce it to $1,405 million.

Mr. PASSMAN. So, you did not receive any cut from the Budget Bureau?

General WOOD. No, sir.

Mr. PASSMAN. May I say for the record that the foreign aid agency for many years received the Budget Bureau's approval for every dime they requested. Four or five years ago I asked, "Has the Budget ever reduced your request?" The reply was, "No; never."

The following year they submitted an estimate to the Bureau so high that the budget would cut them, and from that date since, I understand they ask higher requests so the Budget Bureau will cut them.

That is why, when the question was asked a day or two ago about budget reductions, I asked that the information be given over a period of years, so we could show the agency really received preferred treatment for many years.

General WOOD. I was personally present at the meeting of Mr. McNamara and Mr. Bell when the Budget Bureau accepted the figure we presented.

Mr. PASSMAN. I suppose they knew the Congress would very likely cut it, and they would get a sufficient margin in there so, when we reached an agreement between asking price and taking price, they would still have enough funds in the military to do some of the kinds of things they did with the excess funds they had in 1963.

MAP CIVIC ACTION PROGRAM

Civic action projects, fiscal 1963, amount to what?

General WOOD. Civic action programs are misleading in amount. I would like to say a few words on that, if I may, sir.

We estimated that roughly $58 million in the fiscal year 1963 program was related to civic action. The reason I say the figures are misleading is because we program bulldozers, trucks, and similar equipment for units, such as an engineer battalion. This equipment

is useful for many years in civic action programs, though it would appear in our estimates for only 1 year.

Mr. PASSMAN. We understood that fact.

General WOOD. In contrast, AID funding related to civic action, such as the consumables and materials to build the roads is required every year.

I think the amount of money expended for equipment being used for civic action in fiscal year 1963 is greater than this $58 million, which we show for the fiscal year 1963 program alone.

There were no funds in fiscal year 1963 for civic action specifically for Korea. There was $3 million in fiscal year 1962.

That equipment bought in 1962 was used in 1963, it will be used in 1964 and 1965.

Mr. PASSMAN. Let us hope 5 years from now, too.

Give us the amount.

General WOOD. $58,860,000.

CHANGES IN JUSTIFICATION MATERIAL SUPPLIED COMMITTEE

Mr. PASSMAN. General, who is responsible for stripping these books and taking out valuable information which had been presented to the committee earlier but has now disappeared?

General WOOD. I will take the responsibility for changes we made.

Mr. PASSMAN. I am not asking about changes. My question is, who stripped the book of complete pages dealing with projects, for which you substituted revised pages dated May 6.

General WOOD. We substituted pages, first, due to errors in the book when it was printed.

Mr. PASSMAN. Does it mean errors such as construction of schoolhouses out of military assistance, or engaging in reforestation and irrigation?

General WOOD. No, sir; errors in figures.

Mr. PASSMAN. Can you return those pages to these books and mark on there "figures revised"?

General WOOD. Yes, sir.

Mr. PASSMAN. Please return those pages. If we miss other pages we will bring it to your attention.

General WOOD. There is no information which you cannot have.

Mr. PASSMAN. Then why were the pages taken out of the book, General?

General WOOD. Because we felt the presentation was better as amended.

Mr. PASSMAN. It simply denies this committee information dealing with irrigation, reforestation, schoolhouses——

General WOOD. I don't know the specific pages to which you refer, sir.

I am unable to find the reforestation item.

Mr. PASSMAN. Bring down the pages you had in the book the other day and I will find them for you.

General WOOD. Thank you, sir.

Mr. PASSMAN. We want those pages put back in the book or a letter stating why that cannot be done, and any other information which has been stripped.

General Wood. There is no attempt on my part to deny you information you need, Mr. Chairman. Let us get that clear.

Mr. Passman. We need that information.

General Wood. Any information you want you can have.

Mr. Passman. You could have indicated on the page that the figures were inaccurate. Several projects were listed about which we asked a lot of questions. At a subsequent date when we had questions to ask, that page was missing from the book.

We have a valid complaint there, sir.

If you will return the pages at some subsequent date we shall get into the projects I want to ask questions about.

Now, for fiscal 1964 what is your proposed civil action projects cost?

General Wood. The total, which is subject to the limitations as I explained it, is $36,293,000.

FUTURE PLANS FOR REDUCTION OF MAP BUDGET

Mr. Passman. On yesterday, or on the day before, sir, if I recall correctly, and I want to reemphasize "if I recall correctly," Secretary McNamara indicated in his general statement that he expected the annual appropriations procurement for the military assistance program to be down about $1 billion in fiscal year 1968.

In that connection, and as indicated on page 1 of the justifications, would you submit to the committee the 5-year military assistance plan which covers, I believe, fiscal years 1964 through 1968, for each country which is proposed to get grant-military assistance in fiscal year 1964? If they envision a plan of this type it must be based upon certain statistics worked out by their statisticians.

Furthermore, if it is not too much trouble, and they have possibly given some thought to the proposal of General Clay, we would like to have the amount of the 3-year reduction and how it would be carried out.

General Wood. This is our plan at the moment, sir, which is by area.

(The information supplied for the record is classified.)

Mr. Passman. We want it by country if we may have it, sir.

General Wood. It is not yet available. Unified commands are working on it.

Mr. Passman. Will you have it before we conclude the hearings?

General Wood. No, sir; I do not think it will be available until the latter part of this year.

Mr. Passman. Take it through 1967, then, from 1963. Can you do that?

General Wood. No, sir; I can do it only on an area basis at the present time.

Mr. Passman. You arrive at the area amounts, do you not, by putting together the figures for each country?

General Wood. Only in part. We attempt to crystal ball the situation for the future, which, of course, is difficult to do accurately. At the moment we have asked the unified commanders and the Joint Chiefs of Staff to come up with their recommendations for what the future country programs might be.

Mr. PASSMAN. What we ask you for that you cannot get we can get by going into individual country programs, can we not?

General WOOD. Individual country plans are not drawn up that far in advance right now.

Mr. PASSMAN. Would not the MAAG chiefs for the countries have 5-year plans?

General WOOD. They would be based on requirements as they see them.

Mr. PASSMAN. Could we have a copy of that information, as they see it? You have to give us something to work on.

General WOOD. Toward the end of this year we should have a "guesstimate," Mr. Chairman, but it would have no official status.

Mr. PASSMAN. Could you get by without an appropriation for this year and when you get the estimates start over? Could you work with the unobligated funds until that information is available?

General WOOD. No, sir.

You know, as I explained, the unobligated balance is committed for items on order with the services, many of long leadtime.

Mr. PASSMAN. Committed until deobligated, squeezed out, or recouped.

General WOOD. Some we always hope to recoup. I estimated around $100 million a year.

Mr. PASSMAN. Or used for subsequent years' justifications, like the F–5 aircraft. You are not responsible for it, General, but those are some of the things with which we have to contend.

It will be this fall before you can supply the information which I have requested; is that correct, sir?

General WOOD. At least then; yes, sir, before we have it.

Mr. PASSMAN. Do you have a target goal as to the date it might be available?

General WOOD. As I said, I think by the end of this year we will have a better feel for it than we do now. Of course, each country program for the future is dependent on what is authorized each year and what is appropriated each year.

It will vary in detail.

Mr. PASSMAN. But you will project your requirements according to this schedule that Secretary McNamara mentioned. If you are going to work it down in 5 years to $1 billion a year, somewhere along the way you will have to arrive at the amount for each country, will you not?

General WOOD. We have to, yes, sir, as there is an objective of not more than $1 billion in 1968.

Mr. PASSMAN. Do you think the information would be available perhaps by November?

General WOOD. I would hate to set a completion date, Mr. Chairman, because the machinery of considering it is such, as you know, that I can say we will simply do the best we can.

Mr. PASSMAN. Thank you very much. Last year we asked for information. They stated it would be forthcoming, said it would take several months, or next fall before it could be completed, and we forgot to ask them what fall they were talking about.

That is a statement of fact.

We still do not have the information.

There was one instance where we requested a listing by country, by date, of equipment allocated under the program to the "kitties" carried in the right-hand corner of the book.

We thought maybe we could help you in your deobligation and recoupment program if we had that information for all countries, because we have in some parts of the program found there have been 7 or 8 years of carryover.

Finally, they consolidated about five of those accounts into a "kitty" and gave it a new name. It is just like a Mulligan stew.

PROCEDURE FOR DEVELOPING BUDGET PRESENTED TO COMMITTEE

Mr. RHODES. General, it seems to me that right here would be a good time for you to review for us as briefly as possible how you come by all the figures that are in these books.

Do you start from the field to work up or do you start from Washington and work down? Just what method do you use?

General WOOD. That is fairly well set forth on page 1, Mr. Rhodes.

Mr. RHODES. I don't think it necessarily squares with what you just told the chairman.

General WOOD. I think so. It states there "Policy objectives in order of magnitude, dollar guidelines, are transmitted to the unified command." That is the first step.

Then the unified commands transmit those data to the military assistance advisory groups of each country. They work up a program which is approved by the country team, by which I mean the ambassador and the economic aid chief and it comes back through the unified commanders to Washington. Here it is reviewed by the Joint Chiefs of Staff, my office, and the AID people, and eventually by the Secretary of Defense and Mr. Bell, and it finally becomes the program we present to Congress.

Mr. RHODES. What did the chairman just ask you for? Didn't he ask you for a report of the program in the country for the fiscal 1964?

General WOOD. A 5-year plan.

Mr. RHODES. Beginning for fiscal 1964?

General WOOD. Yes.

Mr. RHODES. Then if you cannot furnish that by country how could you have gotten these figures? Don't you have to get that first? Isn't that a building block?

General WOOD. For 5 years ahead?

Mr. RHODES. Five years ahead?

Mr. PASSMAN. We were told they had a 5-year program and out in the countries they would give us the details. In a prior year the AID people in Bangkok had requested Washington to direct them to deny the committee information, and they would not even tell us their proposed plans for the next year.

We then went over to the MAAG office, and the MAAG chief gave us the information we needed, not only on the next year's plan but for their 5-year plan.

You have been working for years on the basis of a 5-year plan, have you not?

General WOOD. Yes, sir.

Mr. PASSMAN. In the case I mentioned, they gave us considerable detail on their 5-year plan.

It occurred to me, if your MAAG chiefs in the countries have that plan, it must also be in Washington. Washington may have given it to them or they furnished it to Washington one or the other. I do not believe they would work out a 5-year plan without the concurrence of Washington.

If you cannot give us the information which has been firmed up, you might give us the tentative plans covering the 5-year program. See if that reflects Mr. McNamara's reductions.

General WOOD. Of course, it varies by country, Mr. Chairman. You know in some countries, programs are fairly stable, and there are some countries where it is not simple to make a 5-year plan.

In European countries it depends on the commitments we still have.

In countries like those in southeast Asia it is more difficult because the impetus of what is happening is not completely in our hands.

Many of the plans worked on before I came in this office were blue-sky requirement plans. Recently they have been held to more reasonable planning assumptions. The Secretary made the decision only recently to seek to bring the NOA level to $1 billion per year in fiscal year 1968.

Mr. PASSMAN. Blue sky what?

General WOOD. Requirement plans. The Secretary made the decision only in the recent past that the realities of appropriations and budgetary restrictions were such that we should aim toward a $1 billion total in 1968.

That was considerably less than any figures which had been worked on before, so all of the planning which has been done in the field has to be redone. That is exactly what they are doing now.

That is the reason I say that by the end of this year I think we will have a plan. You must realize that such plans are departmental estimates because the future is not too clear.

Some parts of it will be firmer than others. For example, in those countries which we know are on their own so far as grant-aid material is concerned. But it will be a plan on which we can work annually toward budget estimates and appropriations requests to submit to the Congress after Presidential approval.

Mr. PASSMAN. You mentioned southeast Asia. The farther away from Washington this committee gets the easier it is for us to get information.

I am looking at a program here now for one of the Far Eastern countries. They gave us their 5-year plan beginning with fiscal year 1964. We can read it into the record and you can take it out if the information is classified.

(Off the record.)

Mr. MINSHALL. Does that include ———.

Mr. PASSMAN. This is the total program, the MAAG program as they gave it to us.

You have certain operations out there financed out of the Defense Department; is that correct?

Mr. MINSHALL. That is right.

Mr. PASSMAN. This is strictly that part under the military assistance program.

We could go back into two or three other countries. I assure you that I was taking notes and the clerk was taking notes and these are the figures they gave us.

We certainly intended, sir, to ask the director of the military assistance program to give us this type of information on every country.

Then, on account of the Secretary's statement that it would come down to $1 billion in 5 years, I do not think the Secretary of Defense would be just reaching up into the sky for a figure. He must have given some thought as to how the program could be reduced gradually over 5 years, and so that the committee could make intelligent recommendations we thought we would get your tentative plans for a 5-year program.

Do you see what we want?

General Wood. Yes, sir; I see what you want. I do not think that the plans you indicated you discussed in this country would be any good to you at the moment.

Mr. Passman. Would you let us decide whether it will be good for us after you give it to us?

General Wood. I will have to say I cannot give it to you right now, sir, because I have not approved it; not only I but the Secretary has not approved it. We don't even have the recommendations of the unified commands.

Mr. Passman. How did he get those figures? Is that a sky-high view or a pessimistic one about cutting it down to a billion?

General Wood. It is a pessimistic view, I think. He caveated it as did General Clay saying he was not certain what might come up in the future.

Mr. Passman. General Clay, I think, indicated it would be 3 years.

General Wood. He said the next few years, and it was generally interpreted as 3 years.

Mr. Passman. All right, sir; thank you very much.

I know that, somehow, the people in the field have this information. It was given to us. It was also given us in Thailand.

General, after the country MAAG has submitted its country program to the unified command, as indicated in step 2, page 1, is it possible that the unified command plan may include funds for a particular country, or countries, and that the country MAAG may not know anything about this additional programing?

General Wood. I think it is possible within the procedure, yes, sir; but unlikely because I know that the unified commands have MAAG conferences when they go over all of their proposed plans before they submit their plan to Washington.

Mr. Passman. Off the record.

(Discussion held off the record.)

NATO INFRASTRUCTURE

Mr. Passman. On page 3, with regard to your fiscal year 1964 program, I note that infrastructure is proposed to receive $77 million in fiscal year 1964 as compared to $62 million in fiscal year 1963.

What is the basis for this increase of $15 million?

General Wood. The infrastructure program, as you know, is formulated in an international forum. The U.S. amount is based on an agreed upon percentage, currently 30.85 percent of the program which the NATO authorities approve.

Mr. PASSMAN. This is not intended as an indication of questioning your sincerity. We know you are sincere and that you did not have to come back into this job, and as far as I am concerned, as one American, I am grateful you are on the job.

(Discussion held off the record.)

Mr. PASSMAN. You are new, are you not, in this military assistance program?

General WOOD. That is right.

Mr. PASSMAN. This Army under the State Department?

General WOOD. Yes, sir.

Mr. PASSMAN. We have agreed this is the Army under the State Department.

Last year, for the infrastructure, they put in their request for a lot of money so they would be sure, after we worked out the asking and the taking price, they still would have left all they needed. They asked for $82 million, and this was on a percentage basis, and after they got the money they needed only $62 million.

I wonder if they will repeat on that item this year in about the same percentage?

General WOOD. It is difficult to tell.

Mr. PASSMAN. Thank you.

General WOOD. This work goes on in various countries. The bills become due when the work is completed.

Host countries have the task of doing the work in their particular countries on an international bidding arrangement, and, as you say, in 1963 not as many bills came in as were expected when the original estimate was made. In other words, the work was not completed as rapidly as anticipated.

Seventy-seven million dollars is the estimate for 1964.

Mr. PASSMAN. We are dealing with an uncertainty as to the need for funds?

General WOOD. Yes, sir.

Mr. PASSMAN. This is not one of Mr. McNamara's concrete programs, then. It could vary?

General WOOD. With a program formulated internationally where we are only 1 of 15 members——

Mr. PASSMAN. We understand, but this is not a firm and concrete program. It might vary. Perhaps the same kind of thing will happen in fiscal year 1964 as happened in fiscal year 1963. There is a possibility.

General WOOD. It might I would say if we did not pledge our share the other NATO nations wouldn't, either.

Mr. PASSMAN. It is based upon what we first pledge?

General WOOD. Based upon every nation pledging its part.

Mr. PASSMAN. If we do not pledge ours they do not pledge theirs.

General WOOD. As the leader we set the example.

Mr. PASSMAN. We pledged $82 million last year?

General WOOD. That is right.

Mr. PASSMAN. Even though——

General WOOD. It was not all needed.

Mr. PASSMAN. We led off, it was not all needed, or the others did not come up with their contribution?

General WOOD. There was no shortage on the part of anyone else, so far as I know.

Mr. PASSMAN. Is this just a rough estimate?

General WOOD. No, sir; that is the amount which is estimated. On page 5 you will notice a note on infrastructure which states the requirement for ——— systems have not reached the stage of fiscal obligation as promptly as was expected.

The NATO organization has been engaged in a technical survey of what they need in the way of aircraft control and warning. Truthfully they have not agreed on what they want to fund.

While all of them pledged part of it last year, they decided not to go ahead with the system until they could examine it in more detail.

Talking to General Lemnitzer the other day, I understood they were about in agreement and would go ahead.

Mr. PASSMAN. Thank you, General Wood. Of course, we were examining the very page which you mentioned there.

General WOOD. Yes, sir.

Mr. PASSMAN. The infrastructure is an old program which started back with the military assistance program, either in 1949 or 1950. I think at one time a Member was running for a dictionary and when it was brought out on the floor they did not have the word in Webster's. I think it was Mr. Gross of Iowa who brought that question up.

I understand the new dictionaries list infrastructure.

General WOOD. It is a French word which the NATO nations adopted because there was no simple translation of it into any other language.

To them it means the fixed facilities in a military sense such as an airbase without the airplanes and without the people. It means the buildings, runways, railroad tracks without a train, and a pipeline without oil in it.

MILITARY ASSISTANCE TO WESTERN EUROPE

Mr. PASSMAN. This is part of the $225 million grant-aid to Europe in fiscal 1964?

General WOOD. Yes, sir.

Mr. PASSMAN. We were discussing this program yesterday, briefly. Do you have airplanes as part of it, and ships?

General WOOD. Not in the infrastructure; no, sir.

Mr. PASSMAN. I am talking about the grant-aid program for Europe, the $225 million.

General WOOD. There are no——

Mr. PASSMAN. The record shows that your total request for Europe under the grant-aid military program is $229,356,000; is that correct?

General WOOD. Yes, sir.

Mr. PASSMAN. Then, when you list the items which make up this total you get into different types of hardware, do you not, and different types of airplanes and ships?

General WOOD. The different items are shown on the country sheets.

Mr. PASSMAN. And infrastructure is just one part of the total of $229 million?

General WOOD. That is correct.

Mr. ROONEY. According to Webster's new seventh collegiate edition it means "foundation, groundwork, especially the permanent installations required for military purposes."

Mr. PASSMAN. Yes. I think I said that in the new Webster's they included the word "infrastructure." Ten years ago there was not any such word in our dictionaries.

Mr. ROONEY. Of course, this is the latest dictionary.

It was merely a matter of curiosity with me.

General WOOD. You are right it was not there 10 years ago. In the early days of NATO we had trouble explaining it.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Yesterday it was noted that if the thing should go bad, and we do not anticipate that, we could bring home an airplane, a tank, or a machinegun, but you could not pick up a runway and bring that home, so it would appear about the most "concrete" phase of this military assistance grant-aid for Europe would be the infrastructure part; is that correct?

General WOOD. Yes, sir.

EFFECT OF FISCAL YEAR 1963 APPROPRIATION REDUCTIONS

Mr. RHODES. I think this points out something that is interesting. On page 3, General, under the column headed "Fiscal year 1963, congressional," which is the estimate, as I understand it, of your requirements worldwide, under tanks, vehicles, and weapons, you provide for $76.1 million.

After the appropriation process was completed you allocated $72.2 million to tanks, vehicles, and weapons worldwide.

Several days ago, when the Secretary of Defense was here, he mentioned that ——— had a very bad situation ——— because of a lack of tanks. The cuts this committee had made in the appropriations process was supposed to have caused you to go from $40 million in 1962 for tanks to $15,693,000 for tanks for that country.

To me these figures illustrate rather carefully that you got almost all the money you needed for tanks. At least those allocated for tanks worldwide were close to the amount requested, and if ——— it was because somebody decided it should be short rather than some other country. This committee did not make the decision as to allocation of funds by nation.

General WOOD. I don't recall the figures you quoted.

Mr. RHODES. Every one of them is in the book.

General WOOD. I saw the first one, $76 million.

Mr. RHODES. Look on page 55.

General WOOD. I see. I didn't realize where you had gotten them.

Mr. RHODES. $40,607,000; fiscal 1963, same item, $15,694,000.

General WOOD. If I recall the Secretary's statement, he was not specifically saying in the message he read that ——— were necessarily tied to the cut in 1963.

He was indicating the need for those items and the fact that in the past we have not been able to supply them.

Mr. RHODES. I think you will find that that colloquy came in the context of Mr. Passman's argument with the Secretary about whether or not this committee had hurt the program by its cuts.

The Secretary cited the ——— instance as an area of the world where the cuts had hurt.

Mr. PASSMAN. And I think, also, that he indicated deficiency of ammunition ———. The type of ammunition involved is a shelf item and could have been shipped without any advance price.

Another reason he gave hurriedly was that ——— were not made available because of the Ship Loan Act which Congress did not pass.

Mr. RHODES. I thought we should have this for the record.

Mr. PASSMAN. It certainly does not bear out, but, actually, it refutes, what the Secretary said.

Mr. RHODES. If ——— is short of tanks it is not because of anything this committee did.

Mr. PASSMAN. And if they are short of ammunition it is not because of anything this committee did.

Furthermore, if they are short of destroyers it is not this committee's fault or responsibility because the Congress, in its wisdom, did not pass the Ship Loan Act.

Is that your understanding?

Mr. RHODES. It is mine.

General WOOD. We didn't cut any tanks from the ——— proposed program. As you will see on page 6, where the differences are shown for each country, with a résumé of what was added or deleted, the principal changes in Turkey did not include tanks. Principal changes were with regard to aircraft and to some extent missiles.

Mr. RHODES. Then I have more difficulty in understanding what the Secretary was talking about when he was making these statements about shortages.

General WOOD. I think he was showing that the need still existed for more equipment.

Mr. RHODES. He almost had me in tears.

PROCEDURE FOR MAKING CHANGES IN PROGRAM

Mr. MINSHALL. General, I would like a little explanation of this—who determined these major changes of reduced training, and so on down the line? Who makes that determination?

General WOOD. When the MAAGs submit a program they indicate priorities. When it comes through the unified commander he sometimes amends the priorities. So do the Joint Chiefs of Staff.

In any event, what we work on when we have to reduce a program is a decision based on the military advice of those three agencies I mentioned as to what should be first deleted if a cut is necessary based on the appropriation.

INCREASE IN FORCE IMPROVEMENT CATEGORY

Mr. PASSMAN. Under the force improvement category, there is an estimate of $97.4 million, an increase of approximately $53,700,000. What is the basis for this increase?

General WOOD. Are you referring to a page I can look at, sir?

Mr. PASSMAN. Page 3 of the green book.

General WOOD. And would you repeat the question, sir?

Mr. PASSMAN. Under the force improvement category of $97.4 million there is an increase of approximately $53,700,000. What is the basis for the increase?

SHIP LOAN PROGRAM

General Wood. You note, as presented to Congress, the figure was $109.5 million. Out of that we funded only $44.7 million, partly because the ship loan legislation did not pass.

The 1964 proposed program will pick up some of those ships under the theory that the legislation will pass this year.

Mr. Passman. In the event the ship loan legislation is not passed then this item could be deleted?

General Wood. I would not say that.

Mr. Passman. It would be reduced, would it not?

General Wood. I think——

Mr. Passman. Just so I can understand it, General, we want the record to be clear.

Part of this request is based upon the hope that the Congress will pass the Ship Loan Act?

General Wood. Yes, sir.

Mr. Passman. In the event Congress does not pass a Ship Loan Act then by what amount could this particular item be reduced?

General Wood. About $12 million.

Mr. Passman. Thank you, sir.

INCREASE IN FORCE MAINTENANCE CATEGORY

What are the special programs in the force maintenance category in fiscal 1964, $126,500,000, which is an increase of approximately $64,800,000? Incidentally, this is an increase of more than 100 percent.

General Wood. The two biggest items in that which are not yet spelled out by line item support are ——— for India and $43 million for the Asian program.

ASIAN PROGRAM CONTINGENCY

Mr. Passman. The Asian program?

General Wood. Yes, sir. We are asking for $43 million this year, as we did ask last year for $100 million. We are not certain——

Mr. Passman. In effect, this is a disguised contingency, is it not?

General Wood. $43 million certainly is.

Mr. Passman. The 100-percent increase would almost fall into the category of a contingency fund, would it not?

General Wood. There is a change in the coding of items and services. The "Other supplies and equipment" item is reduced this year, items transferred to the special projects and services. We have there such things as quite a few civic action programs, for example, as a better method of coding.

FUNDS FOR MISSILES

Mr. Passman. The missile category under force improvement has an estimate of $41,900,000 in fiscal 1964. Why is this figure different from the total for missiles shown on page 29, which is $50,111,000?

General Wood. The missile section on page 29 includes both force improvement and force maintenance, sir, so in addition to the $41.9

million shown under force improvement, there are training missiles which come under force maintenance. That makes up the difference.

Would you like those amounts broken out?

Mr. PASSMAN. Yes, please.

(The information requested follows:)

Of the $50,111,000 programed for missiles in fiscal year 1964, $41,900,000 is for force improvement and $8,211,000 is for force maintenance.

F–104 AIRCRAFT PROGRAM

Mr. PASSMAN. Pages 4 through 9 indicate that the F–104G aircraft program had numerous changes for one reason or another in fiscal 1963.

Would you submit to the committee a chart showing the present status of the F–104G aircraft program which would indicate the number of planes programed to date to each country, the cost to date, and future programs for this aircraft and the proposed cost?

Also, if possible, at this time give us a brief report on the status of the F–104G cost-sharing program and the countries where we had the cost-sharing program.

General WOOD. I have part of that here, but I shall complete it for you.

There has been no change in total numbers but changes in distribution. We contemplate no F–104G aircraft purchases after this fiscal year 1964.

Mr. PASSMAN. With how many countries do you have the assembly?

General WOOD. Four countries in the European consortium—West Germany, Italy, Belgium, and Netherlands.

Mr. PASSMAN. What is the status of the Canadian 104 aircraft program, General? Does your statement apply to Canada as well as the European nations?

General WOOD. Yes, sir, but I have a paper on the Canadian program.

Mr. PASSMAN. Would it all go out with fiscal 1964? If so, you might so indicate for the record. You will provide a table on the European program, the cost of the aircraft, and so on, and include Canada in the same category.

General WOOD. Yes, sir.

(The information supplied for the record is classified.)

MAP SPARE PARTS REQUIREMENTS

Mr. PASSMAN. Going back to page 3, can you tell the committee upon what basis your spare parts requirements are formulated, sir?

General WOODS. They are formulated on a basis of experience factors. They vary by item and they vary by country.

While originally we start with our own experience factors, we find some countries have a different experience factor, based on their knowledge and their training.

In general, we program spare parts based on those factors used by the MAAG chiefs to determine what they think they need for a particular year. It is a line item which is requisitioned as needed.

We do not supply the parts, in general, until they are requisitioned.

Mr. PASSMAN. I note that the Far East area program was increased in fiscal 1963 by $11,289,000 for special classified materials in the support program for operations. Would you comment on this change in the 1963 program from the plans submitted to Congress last year?

General WOOD. You are on which page, sir?

Mr. PASSMAN. Page 8.

General WOOD. May I submit a statement for the record on that, sir?

Mr. PASSMAN. Yes, General, you may.

(Information supplied for the record is classified.)

(Discussion held off the record.)

C–47 AIRCRAFT PROGRAM IN LATIN AMERICA

Mr. PASSMAN. General, why do you need the C–47 aircraft for civic action projects in Latin America?

General WOOD. The objective there is to utilize the military units which have these aircraft rather than just training on flights which serve no useful purpose other than training. They utilize them in assisting in opening up some of the back country, bringing products in as well as products out.

This is done where there is no commercial aviation. We have made it clear in all countries we do not want to be in the position of competing with commercial aviation.

Mr. PASSMAN. How many of the Latin American countries have such a program?

General WOOD. I would like to submit that for the record, sir, because I will have to count it up.

(The information supplied for the record is classified.)

Mr. PASSMAN. Would not the same type of program be requested for Africa when they find out we were doing it for Latin America for the reason you gave there?

General WOOD. I would say that is possible.

I would say it is possible that such requests might be made.

Mr. PASSMAN. It just gives you an idea that this is never ending.

CESSNA AIRCRAFT PROCUREMENT

Mr. MINSHALL. You asked about C–47 type aircraft. I notice in looking over the list in the confidential column there is a list of aircraft there, Cessna aircraft, and so on. What are they being used for? They are shown for ———. Are these executive type aircraft or what are these?

General WOOD. They are light aircraft, the military version of the commercial type used in the United States.

Mr. MINSHALL. What are they being used for?

General WOOD. The Cessna–185——

Mr. MINSHALL. That is a good-sized airplane. It carries six people.

General WOOD. That is correct. It is a lot cheaper than military type aircraft with comparable capabilities.

Mr. MINSHALL. What do they need the aircraft for in the first instance?

General Wood. We are programing it in place of military types which cost more for the observation and light transportation capabilities required than these.

Mr. Passman. Do you have any of these Piper Cub two-place aircraft?

General Wood. This is basically that type, sir, only somewhat larger than the Piper Cub.

Mr. Minshall. I thought they were starting flying clubs down there, Mr. Chairman.

Mr. Passman. Could you land these aircraft along a small strip or, say, a fishing stream or a lake which was otherwise inaccessible to automobiles?

They are easy to land out on a little green patch?

General Wood. The type of aircraft is such that it does not need a permanent concrete runway. It can land on any improved field.

Mr. Passman. Such as small grass strips, whether it is on a river or a cotton patch?

Mr. Minshall. Are these used for reconnaissance and communication?

General Wood. When we say "observation" we mean in connection with——

Mr. Minshall. What is it for?

General Wood. Observing artillery fire, or reconnaissance.

Mr. Minshall. You wouldn't use a 185 for that, would you?

General Wood. Yes, and also as transports for military commanders.

Mr. Minshall. Why do they need a 185 to observe artillery fire?

General Wood. A light aircraft is required for that mission. The Cessna 185 is also usable as a utility transport.

Mr. Minshall. That is a waste of aircraft and ridiculous.

General Wood. I don't think you can buy light aircraft much cheaper than $18,000.

Mr. Minshall. For observation purposes you can get one much less than that of the Piper Cub variety you are talking about.

General Wood. I would hate to use the light Piper Cubs for these missions.

Mr. Minshall. You will not get a 185 for $18,000, either.

General Wood. $18,300.

Mr. Minshall. That is not a 185, then.

General Wood. A military version of it.

Mr. Passman. Off the record.

(Discussion held off the record.)

LEADTIME FOR PROCUREMENT

Mr. Passman. General Wood, you mentioned yesterday that a portion of this program is funded from shelf items, items from the stock of the military, and the other portion calls for items requiring the Defense Department to place orders for the military assistance program. What, again, are the percentages?

General Wood. I think the figures were 36 percent from stock.

Mr. Passman. 36 percent from stock and 64 from new procurement?

General Wood. That is right.

Mr. PASSMAN. What is the average leadtime on the stock items? Is it 8 weeks, 6 weeks?

General WOOD. It varies with items, I suppose. In general it is quite prompt.

Mr. PASSMAN. It is paperwork, and beyond that there is no leadtime?

General WOOD. Transportation, getting it to the port of embarkation.

Some of it comes from stock where it has been sitting for some time. It may require rehabilitation.

Mr. PASSMAN. Rehabilitation is another program; is it not?

General WOOD. It is part of such items as, for example, C–119 aircraft.

Mr. PASSMAN. Can you give us an estimate where you have had some experience? Can we say leadtime would average 60 days on stock items, as most of it is paperwork?

General WOOD. We can get you an average but I assure you it will vary with items.

Mr. PASSMAN. We know that. We only want the average. You can get some procurement delivered in 2 weeks, of course, if there is a leftover supply from a previous order.

We are trying to arrive at the average leadtime on stock items.

General WOOD. We will make an estimate for you, sir.

Mr. PASSMAN. You could not give us an estimate at this time?

General WOOD. No, sir; I would have to get it from the military departments.

(The information requested follows:)

In general, stock items include fast-moving stock fund items with a high demand rate such as spare parts, consumable supplies, and minor equipment.

Assuming that an item is in stock and available for shipment the average MAP leadtime is approximately 7 to 9 months from the beginning of the program year; i.e., July 1, to receipt of stock items by the country. This is for an item which is in stock and does not require procurement. Included in the 7 to 9 months is program consolidation and review within DOD, congressional approval and appropriation of funds, appropriation by Bureau of the Budget, State Department coordination, issuing the MAP orders, and finally shipment by the military departments.

In an overall discussion of leadtime on stock items, it must be remembered that these are the type of items for which there is a recurring requirement throughout the entire year. These items are not supplied all in one package at the beginning of each year, but are supplied based on the need to maintain the country stock level. In summary, however, the average leadtime is about 7 to 9 months.

Mr. PASSMAN. Can you give us an estimate of the leadtime on that part of the 64 percent procured by Defense for the military assistance program?

General WOOD. As I said in my statement yesterday, it varies from 18 months to 4 or 5 years in the case of ships.

Mr. PASSMAN. Of course, but we usually try to get an average. I think we agreed that some of the equipment you procure you may get in 60 days if it is left over from the previous order, depending on the type.

Would the overall leadtime taking the 36 percent in stock items and new procurement, be 6, 8, 12 months?

General WOOD. I will guess it would be closer to 20 or 22 months in the overall average, sir.

That is so particularly if you go on a dollar volume. The high cost items are the ones that take the longer leadtime—airplanes, ships, tanks, and so on.

Mr. PASSMAN. Several years ago General Palmer, after he had tussled with this program for some time, if I remember correctly, testified that the leadtime for the MAP program was approximately 18 months, and his goal was to bring it down to 15 months.

We were in hopes, therefore, that your answer might be 12 months or 15 months.

Your immediate predecessor struck an average of 18 months and he worked toward a goal of 15 months.

I wonder whether you would inform us whether he reached his goal?

General WOOD. Yes, sir; I would be happy to do so.

It has been stated previously that the average leadtime for stock item is 7 to 9 months.

There is no single direct answer to the question of an overall average of procurement of major equipment items. Leadtime depends on a number of factors such as complexity of the item, method of procurement authorized, whether the manufacturer is still in production and so forth. It cannot be stated specifically that average leadtime has been reduced from 18 to 15 months. The DOD is constantly attempting to reduce leadtime in every way possible consistent with applicable laws. As to an overall average for both stock and new procurement items, the average is still 18 months.

MUTUAL DEFENSE AGREEMENTS WITH MAP COUNTRIES

Mr. PASSMAN. Do we have a mutual defense agreement with each country that is presently receiving grant-military assistance?

General WOOD. We do not have an agreement with every country; no, sir.

Mr. PASSMAN. Is it classified as to those with whom we do not have a mutual defense agreement?

General WOOD. The overall statement is classified because it includes the names of some recipients of classified programs.

Mr. PASSMAN. I am not dealing with the overall statement. I am coming right down to specifics now. We have to get something in the record.

General WOOD. I would like to discuss that with the security people if I may, sir.

Mr. PASSMAN. Can you tell us now which countries, and then if the security people find it necessary to do so, they may delete it from the record?

Can you tell us what you have?

General WOOD. I have a paper which lists all the countries. There are columns showing collective security agreements, bilateral defense treaties, countries with no collective security arrangements, and military assistance agreements under 506(a).

Those not checked under section 506(a) do not have a military assistance agreement.

Mr. PASSMAN. Would you read them into the record?

General WOOD. Subsequently we shall examine which ones are classified?

Mr. PASSMAN. Yes, sir.

General Wood. Those which do not have a military assistance agreement under the provisions of section 506(a): Afghanistan, Argentina, ———, Bolivia, ———, Congo, Costa Rica, El Salvador, ———, Ghana, Indonesia, Iraq, Jordan, Lebanon, Mali, Mexico, Morocco, Nigeria, Panama, Paraguay, Saudi-Arabia, ———, Syria, Tunisia, Venezuela, and Yemen.

All of those I have mentioned are in the program this year.

Mr. Passman. You are reading from the 1964 list. How many in number?

General Wood. Twenty-six.

Mr. Passman. How many of the 26 require a Presidential determination before we can give them aid?

General Wood. I think all of them, if we do not have a bilateral military assistance agreement in accordance with section 506(a) of the Foreign Assistance Act. However, under the law we need a Presidential determination only where we wish to provide "defense articles."

Mr. Passman. If we should get into a shooting war and these 26 should join up with the other side, we could not accuse them of violating any mutual defense agreement, could we?

General Wood. That is right, we could not accuse them of violation of the military assistance agreements, nor could we accuse any nation under such agreements. The alliance obligation to the United States arises from separate agreements.

EFFECTIVENESS OF MILITARY ASSISTANCE PROGRAM

Mr. Minshall. Mr. Chairman, when Mr. McNamara was here, he described the military aid program as providing an effective force in these various countries.

Do you feel, General, that these are all effective fighting forces to prevent aggression in the respective countries, successful enough to counter any Soviet attack?

General Wood. As to the 70 percent of the program which has been described, those countries contiguous to the Soviet Union, I would say the Joint Chiefs of Staff could give you a better estimate than I, but I would rationalize——

Mr. Minshall. You are in charge of the program. You should know, even though you have not been aboard too long. Give us a horseback guess.

General Wood. I have visited most of the countries. I would say the objective is to put up a creditable fight if invaded to make the attacker know that he is fighting a war. If you do not have those forces, the other fellow might walk in without having to make a substantial effort. I would say in those countries, we would hope to provide sufficient time for the other free world forces to come into play.

Mr. Minshall. In most of these countries? Out of these numbers? How many did you mention?

Mr. Passman. Twenty-six.

General Wood. I am speaking of those to which we give most of our aid, who are closest to attack. I would say the great majority we are talking about are not close to overt attack. Subversion and infiltration, but not overt attack. Take any one.

(Off the record.)

Mr. Minshall. I have visited many of the countries that you listed in the testimony today. I do not know how much the situation has

improved since 2 years ago. I was very much disappointed in some of the things I saw. No antiaircraft equipment, absolutely no defense against air of any kind.

Some of their tanks were hand-me-down equipment, World War II types. They certainly could not withstand any kind of concentrated overt attack by the Soviets, even for a limited length of time.

General WOOD. Of course, it is difficult to generalize. It is better to speak about specific countries. I think particularly those that belong to regional organizations or with which we have agreements, would put up a sufficient defense to make clear to the world the nature of the attack.

I think it is not true that the majority of their equipment is now hand-me-down or wornout materiel. The last few years we have programed a considerable amount of new equipment. We are down to the point now that a very small percentage of the equipment we furnish is obsolete.

EFFICIENCY OF TURKISH ARMED FORCES

Mr. MINSHALL. How is the training of most of these units in the 26 countries you have named? In Turkey especially, how is their training as a fighting unit?

General WOOD. The Turks are very able stalwart soldiers, and I think their training is good.

Mr. MINSHALL. They are stalwart and have the will to fight, but are they able to absorb the technical training we are trying to impose upon them, radio procedures and all that?

General WOOD. It takes time. They have not produced as many specialists as we would like, but they have produced more than they ever had before.

Mr. MINSHALL. Is it adequate?

General WOOD. Adequate for what may be brought against them?

Mr. MINSHALL. Is there an adequate and effective fighting force, by training and equipment, in Turkey today?

General WOOD. Based on what they started with, I think they have a pretty good military force.

Mr. MINSHALL. Is it an effective fighting force? Do you think they can withstand any kind of Soviet attack?

General WOOD. Yes, I do, but I think they could be overcome if they alone had to face the entire Soviet military machine.

Mr. MINSHALL. Overrun how soon?

General WOOD. I was going to say it depends on what sort of force was brought against them.

Mr. MINSHALL. They would be pretty much of a pushover, would they not?

General WOOD. I would not say so; no, sir.

Mr. MINSHALL. How many days?

Mr. ROONEY. I hope none of this is on the record.

Mr. PASSMAN. We put it in the record, and then the classified portions are taken off the record when it reaches the Defense Department. We need to be able to refer to the transcript in order to be able to pick up points to handle this bill.

Mr. MINSHALL. Otherwise, the Members of Congress and the American people will be thinking we have an effective fighting force in these 26 countries.

Mr. ROONEY. I do not think they do. I think the people realize this is an amount of money which has to be spread over 65 countries. I think everyone would understand that if there were more money, better equipment, more men, they would have a better fighting force in these countries.

Mr. PASSMAN. Let us let the record show 70 countries, not 65, are receiving military assistance.

Mr. MINSHALL. This is all on the record. Do you want your remarks off the record? I want mine on.

Mr. ROONEY. I do not want to lose my friends and allies in Turkey.

Mr. PASSMAN. Take any information that is classified off the record when it comes to you. I think the rules have been established. Is that not correct?

Colonel SIMPSON. Yes, sir.

MAP PLANNING PROCEDURE

Mr. PASSMAN. Do the State Department military planners start out in the country with the ambassador to the country and the people in the country? I am speaking now of these little countries that get their independence on Thursday and then we start talking about an aid program on Friday and a military program on Saturday. Sometimes we are even in with aid before they get their independence.

Where does this originate?

General WOOD. When a program is being initiated, it is based on a request from the country concerned.

Mr. PASSMAN. The talks begin with the U.S. ambassador in that country?

General WOOD. Normally, I would think so, yes.

Mr. ROONEY. But not necessarily?

General WOOD. Occasionally, with the ambassador from the country coming to the State Department in Washington, though we frown on that practice.

Mr. ROONEY. It could be the United Nations.

Mr. PASSMAN. It could be the State Department in Washington and the ambassador of a particular country. Then, again, it could be the ambassador out in a country, with those people there.

MILITARY ASSISTANCE FOR INTERNAL SECURITY

What is your definition of internal security forces, General Wood?

General WOOD. We contemplate internal security forces as those military forces lightly armed, with the necessary transportation and communications—and those are the things that we furnish—which are designed to be a force of stability insofar as the government of a country is concerned.

Mr. PASSMAN. Would a Sherman tank be in that category?

General WOOD. I would not put it outside, depending on the particular country. Tanks have been very useful in controlling mobs and riots in some cases.

Mr. ROONEY. Khrushchev found them useful.

Mr. PASSMAN. Particularly useful if you want to break through an iron gate and overthrow a government and take over the presidency.

What type of military assistance equipment and hardware do you furnish to these internal security forces?

General Wood. In general, as I have indicated, in the smaller countries, where we are especially careful not to start an arms race, we are restricting our programs to small arms, to communications equipment, to vehicles.

Mr. Passman. It would be in the category of vehicles, guns, rifles, ammunition, and equipment of that type, would it not?

General Wood. In general; yes, sir.

Mr. Passman. Now we are looking at a document with a long list of surgical instruments, hospital equipment, orthopedic and medical supplies and equipment, and handtools. Is this standard equipment for a military assistance program for internal security?

General Wood. Such items are normally more closely related to civic action programs, sir, though of course military units are normally supported by military medical units.

Mr. Passman. "Internal security" is what they have listed here. It is stamped "Confidential."

This is a memorandum for the Secretary of the Army; subject: Military assistance program, approved and MAP order. It gives the order number. Requirements contained therein for this country. For internal security, subproject. In accordance with Presidential determination, and so forth.

You, too, would ridicule it if it were not for your position.

General Wood. I was speaking in general terms.

Mr. Passman. I am trying to get away from general terms and down to specific items.

General Wood. These things are related to units already in existence.

Mr. Passman. We want to get over to both branches of the Congress the components of the military setup for internal security. That is one reason I was reading from this highly confidential information, because if it ever gets out that furniture and fixtures and hypodermic needles are going in, it would seriously violate our security, and I would never want to be guilty of so doing. The record speaks for itself.

(Off the record.)

Mr. Minshall. Mr. Chairman, the hour is getting late, and I will keep the bulk of my questions for the detailed questions when we get into the country-by-country interrogation. However, I have one statement I should like to put, in the record at the place we were interrogating General Lemnitzer yesterday with respect to the withdrawing of our JUPITER bases in Turkey and Italy. I should like to put a quote in the record at that point, one that General Norstad made on "Meet the Press" January 20, 1963, regarding the withdrawal of your JUPITER bases in Turkey and Italy. I quote him:

> I frankly believe in a multilateral force. I do not think that, for instance, POLARIS is going to solve all the problems, by any means, for an extended period of time. I still believe in a multilateral force.

I take it from General Norstad's remarks that he would prefer to see the JUPITER bases stay in Italy and in Turkey.

That is all I have, and I will take up the other detail questioning at the appropriate time, Mr. Chairman.

Mr. Passman. Thank you.

Any other questions?

(No response.)

Mr. Passman. You will be back with us, General, I assume.

General Wood. I shall be here with each of the regional directors.

Mr. Passman. Thank you very much.

WEDNESDAY, MAY 22, 1963.

MILITARY ASSISTANCE, EUROPEAN AREA

WITNESSES

BRIG. GEN. SAMUEL K. EATON, U.S. ARMY, DIRECTOR, EUROPEAN REGION, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
FRANK K. SLOAN, DEPUTY SECRETARY OF DEFENSE (ISA) FOR REGIONAL AFFAIRS
RICHARD H. DAVIS, DEPUTY ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
HENRY B. BRADFORD, EUROPEAN REGION, OASD/ISA
COL. CLELL McKINNEY, U.S. AIR FORCE, PROGRAMING DIVISION, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
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JOHN M. MULLEN, MILITARY ASSISTANCE PROGRAM OFFICER, AID
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID
JOHN J. CONROY, DEPARTMENT OF STATE, OFFICER IN CHARGE OF SPECIAL MILITARY-POLITICAL AFFAIRS
LEIGH M. MILLER, LEGISLATIVE PROGRAMS COORDINATOR, AID

Mr. PASSMAN. The committee will come to order.

SHOPPING SPREE OF MOROCCAN KING

It is not unusual for my office to receive sometimes as many as a hnndred letters in a day that are critical of the foreign aid program. I received a letter this morning from Mr. Burtis M. Hackett, Box 105, Lampeter, Pa., dated May 21, 1963.

This letter with its enclosure will be included in the record at this point.

(The letter and enclosure follow:)

LAMPETER, PA., *May 21, 1963.*

Hon. OTTO PASSMAN,
House of Representatives, Washington, D.C.

DEAR SIR: Please read the enclosed.

I protest vigorously. It's an outrage and an insult to every hard-working American to permit a playboy king to make "suckers" out of all of us.

How do you think we feel when we try to raise five children and put them through college with today's high tuitions and today's big taxload, then read about such sheer waste of our hard-earned dollars.

How does this foolishness increase the prestige of America? How do you think it affects the prestige of the U.S. Congress in the eyes of the people that really count—the U.S. taxpayer and voter? I respectfully request that you use your prestige and influence in Congress to stop such nefarious practices.

Sincerely,

BURTIS M. HACKETT.

MOROCCO

FIRST OF THE NEWTIME SPENDERS

With regal aplomb, Morocco's King Hassan II left for home last week after spending 11 days and $780,000 in the United States. Explained one of the King's press agents: "It was a conscientious effort to return much of American aid money—in U.S. dollars and through the free enterprise system."

Beneficent hurricane.—The biggest single benefactor was Manhattan. Hassan's buying spree began on Sunday, when New York's Saks Fifth Avenue opened privately to allow the royal party to purchase $18,000 worth of dresses, sports jackets, luggage, lingerie, and baby clothes. On successive days Hassan returned again and again, and a dazed Saks official said, "He's bought in almost every category. You could say he's done practically the whole store." Then the King and couriers swept through other midtown stores like a beneficent hurricane, cleaning the shelves of cameras, hi-fis, records and color TV sets.

He dropped in on an upper Broadway auto agency and decided on five Cadillacs in as many minutes. A note-taking aid asked, "Five Cadillacs, Your Majesty?" Replied Hassan, "Um—yes, five." His biggest field day was at the Fieldcrest textile showroom, where he bought so fast and furiously that salesmen had to send out for more order pads. While inspecting samples, King Hassan's face would light up or turn somber as he pronounced his verdicts of "très distingué!" or "passé." The King was said to "adore prints" and bought a total of 5,000 items, ranging from king-sized bath towels, "in every color combination imaginable," to beach togas, robes, and blankets.

Sagging trucks.—Between orgies of shopping, the King relaxed at El Morocco, Voisin, Sardi's, and the Barnum & Bailey circus at Madison Square Garden. Fearful of a bad press, Moroccan officials hurriedly advised newsmen that the five Cadillacs were for a governmental car pool back home, and the piles of cloth would be used to outfit a new Government-supervised Hilton hotel in Rabat.

But all good things must end. The King's private party of 25 set out for Idlewild Airport in a modest fleet of black limousines, followed by 45 Moroccan second-stringers in buses, followed in turn by three U.S. Army trucks sagging under personal luggage, crates, boxes, and parcels. Hassan then boarded a special U.S. Air Force Boeing 707 for the flight home. Standing by to carry the rest of the party and most of the purchases, were a chartered Pan Am Clipper and a Royal Moroccan Constellation.

Mr. PASSMAN. We have with us this afternoon Brig. Gen. Samuel K. Eaton, Director, European region of the military assistance program. We are happy to have you with us, General Eaton. If you have a statement to make to the committee, we shall be pleased to hear you at this time.

STATEMENT OF GENERAL EATON

General EATON. Mr. Chairman and members of the committee, this is my second appearance before your committee, and I am happy to be here again to discuss the military assistance program for the European region.

During my remarks, I will refer to "Europe" and to "NATO." In the context of my remarks, "Europe" includes—the United Kingdom, Norway, Denmark, the Netherlands, Belgium, Luxembourg, France, Germany, Italy, Portugal, Spain, Yugoslavia, and ———. Similarly, in this context, NATO includes all of these same countries except ——— Spain and also includes Greece and Turkey. I shall discuss the proposed country and regional programs for Europe and NATO except for Greece and Turkey. General Fuqua, who will

appear before your committee later, will discuss the country programs for Greece and Turkey. I should point out that where total figures for Europe and NATO are given these are not additive, but apply to the two given groupings of countries, and are shown merely for comparative purposes.

The program proposed for Europe for fiscal year 1964 is confined primarily to the completion of commitments and to our annual share of common funding projects such as NATO infrastructure. The cumulative programs for Europe from 1950 to June 30, 1963, will total $15.7 billion. Of this total, we estimate that $15 billion will have been expended by that date, leaving $619.9 million in the pipeline.

The proposed program for Europe for fiscal year 1964 is $229.4 million, which is $8.4 million less than the fiscal year 1963 estimated total of $237.8 million. We propose minimum programs for the same 11 countries that were in the program for fiscal year 1963 ———. The programs for three of these countries are limited to training and for five are limited to training and supply operations. At this point, I request that exhibit A be inserted in the record.

Mr. PASSMAN. Without objection, the exhibit referred to will be included in the record at this point.

(The document follows:)

EXHIBIT A. MILITARY ASSISTANCE PROGRAM

Grant aid by country

[All dollar values are in thousands]

Categories	Annual programs				Estimated deliveries/expenditures from fiscal year 1950 to 1963 programs		
	Proposed fiscal year 1964	Cumulative fiscal year 1950-63	Fiscal year 1963 as of Mar. 19, 1963	Fiscal year 1962	Fiscal year 1963	Cumulative through June 1963	July 1963 and after
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Total, worldwide	$1,529,988	$30,326,682	$1,566,666	$1,831,979	$1,771,364	$27,979,797	$2,346,885
Europe total	229,356	15,666,920	237,768	370,569	450,333	15,047,026	619,894
Belgium		1,234,310	4,797	15,879	28,034	1,210,303	24,007
Denmark		625,126	18,881	44,446	22,752	539,964	85,162
France		4,158,241	4,048	5,049	14,322	4,150,823	7,418
Germany		900,396	200	387	271	900,281	115
Italy		2,294,510	37,442	70,703	70,039	2,161,595	132,915
Luxembourg		8,278	50	21	49	8,272	6
Netherlands		1,218,298	7,978	25,282	16,313	1,151,034	67,264
Norway		816,597	41,299	47,148	38,678	715,601	100,996
Portugal		328,953	12,875	7,811	11,234	296,378	32,575
Spain		492,044	15,661	35,286	31,819	441,468	50,576
United Kingdom		1,037,072	6,244	21,186	11,162	1,033,594	3,478
Yugoslavia		693,856				693,856	
Infrastructure	77,000	944,876	62,000	56,146	95,000	789,899	154,977
Mutual weapons development program	1,500	285,359	1,500	8,053	13,292	254,619	30,740
Europe area programs		629,004	24,738	33,172	97,368	699,339	(70,335)

NOTE.—Parentheses indicate negative amount.

General EATON. This exhibit, which is the unclassified content of the European regional summary on page 45 of the presentation book, shows the cumulative and recent year totals of programs and deliveries for both individual countries and the European area as a whole.

For your convenience, I should like to summarize similar totals for the NATO countries as a group. The cumulative program to June 30, 1963, for NATO will total $17.9 billion, of which $16.8 billion will have been expended by that date, leaving approximately $1 billion in the pipeline.

The total of the proposed fiscal year 1964 programs for NATO is $486.7 million, as compared to the fiscal year 1963 estimated total of $479.3 million. This total is larger than the figures I just gave for Europe because Greece and Turkey are included in the NATO figure but not in the Europe figure. At this point, I request that exhibit B be inserted in the reocrd.

Mr. PASSMAN. Without objection, the exhibit referred to will be included in the record at this point.

(The document follows:)

EXHIBIT B. MILITARY ASSISTANCE PROGRAM

Grant aid by country—NATO

[All dollar values are in thousands]

Categories	Annual programs				Estimated deliveries/expenditures from fiscal year 1950 to 1963 programs		
	Proposed fiscal year 1964	Cumulative fiscal year 1950–63	Fiscal year 1963 as of Mar. 19, 1963	Fiscal year 1962	Fiscal year 1963	Cumulative through June 1963	July 1963 and after
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
NATO	$486,731	$17,844,716	$479,334	$633,632	$615,405	$16,803,911	$1,040,805
NATO country total		16,083,350	391,344	536,544	410,548	15,157,289	926,061
Belgium		1,234,310	4,797	15,879	28,034	1,210,303	24,007
Denmark		625,126	18,881	44,446	22,752	539,964	85,162
France		4,158,241	4,048	5,049	14,322	4,150,823	7,418
Germany		900,396	260	387	271	900,281	115
Greece		1,251,426	89,583	119,372	61,984	1,031,815	219,611
Italy		2,294,510	37,442	70,703	70,039	2,161,595	132,915
Luxembourg		8,278	50	21	49	8,272	6
Netherlands		1,218,298	7,978	25,282	16,313	1,151,034	67,264
Norway		816,597	41,299	47,148	38,678	715,601	100,996
Portugal		328,953	12,875	7,811	11,234	296,378	32,575
Turkey		2,210,143	167,887	179,260	135,710	1,957,629	952,614
United Kingdom		1,037,072	6,244	21,186	11,162	1,033,594	3,478
Other programs		1,761,366	87,990	97,088	204,857	1,646,622	114,744
Infrastructure	77,000	944,876	62,000	56,146	95,000	789,899	154,977
Mutual weapons	1,500	285,359	1,500	8,053	13,292	254,619	30,740
Other		531,131	24,490	32,889	96,565	602,104	(70,973)
Excess stocks	12,508	923,768	75,120	76,917	83,389	846,453	77,315
Credit assistance		96,270	27,600	22,146	17,995	61,441	34,829
Belgium		4,373			15	4,336	37
France		79,697	27,600	22,098	16,198	45,988	33,709
Netherlands		2,200				2,200	
NMSSA		10,000		48	1,782	8,917	1,083
Direct sales		3,045,793	931,610	718,188	733,290	1,783,220	1,262,573

NOTE.—This NATO page is a memorandum for easy reference. These programs are accounted for under Europe and Near East and south Asia.

General EATON. This exhibit, which is the unclassified content of the NATO summary shown on page 41 of the presentation book, shows the cumulative and recent year totals of programs and deliveries for individual countries and for NATO as a whole.

THE 1964 PROGRAM FOR EUROPE

The proposed fiscal year 1964 program of $229.4 million for the European region is broken down as follows:

$122 million for essentially fixed charges such as supply operations, training, and agreed payments for NATO military headquarters and infrastructure.

$22.5 million for force maintenance in those few countries still receiving grant aid materiel.

$84.8 million for completion of force improvement components.

(Off the record).

COMPARISON OF 1963 AND 1964 PROGRAM FOR EUROPE AND NATO

General EATON. Exhibit C, which I also request be inserted in the record, is a comparison of the functional distribution of the programs proposed for both Europe and NATO in fiscal year 1964 with those of fiscal year 1963. Copies have been included in the statement which I provided the chairman and the recorder.

Mr. PASSMAN. Without objection, the exhibit referred to will be included in the record at this point.

(The document follows:)

EXHIBIT C

Europe and NATO—Comparison, fiscal year 1963 and proposed fiscal year 1964

[Millions of dollars]

Category	Proposed, fiscal year 1964		As of Mar. 19, fiscal year 1963	
	Europe	NATO	Europe	NATO
Total	$229.3	$486.7	$237.8	$479.3
Essentially fixed charges	122.0	150.3	119.0	148.8
Infrastructure	77.0	77.0	62.0	62.0
International headquarters and agencies	12.9	12.9	12.9	12.7
Supply operations (P.C.H. & T.) and nutritional surveys	22.6	42.2	34.4	51.7
Training	9.5	18.2	9.7	22.3
Force maintenance	22.5	158.2	37.6	138.8
Spare parts	13.5	63.4	20.8	70.2
(a) FOS	10.2	57.8	17.3	57.9
(b) CSP	3.3	5.6	3.5	12.3
Attrition, training ammunition and rehabilitation of materiel	9.1	66.2	16.7	44.6
Other consumables	0	28.6	0	24.0
Force improvement	84.8	178.4	81.4	191.7
Aircraft	[1] 23.5	62.3	[2] 25.4	93.8
Ships	16.8	31.0	7.3	13.9
Tanks, vehicles, and weapons	5.7	19.7	8.6	12.8
Missiles	[3] 14.5	20.1	2.3	34.7
Electronics and communications	2.8	20.7	5.3	4.1
Construction	0	.1	0	.5
Special programs	0	0	0	0
All other	[4] 21.5	24.5	[5] 32.4	32.1

[1] MAP assets of $2.5 applied
[2] MAP assets of $14 applied.
[3] MAP assets of $2.25 applied.
[4] MAP assets of $2.25 applied (in NESA).
[5] MAP assets of $5.4 applied (in NESA).

General EATON. The continuing importance of Europe and NATO to the strategic position of the United States, and the key role that the allied posture there plays in the overall defense plans for the free world, are clearly reflected in the statement by President Kennedy on January 25, 1963, that:

It would be well to remind all concerned of the hard and fast realities of this Nation's relationship with Europe—realities of danger, power and purpose, which are too deeply rooted in history and necessity to be either obscured or altered in the longrun by personal or even national differences. The reality of danger is that all free men and nations live under the constant threat of the Communist advance. Although presently in some disarray, the Communist apparatus controls more than 1 billion people, and it daily confronts Europe and the United States with hundreds of missiles, scores of divisions and the purposes of domination.

The reality of power is that the resources essential to defense against this danger are concentrated overwhelmingly in the nations of the Atlantic Alliance. In unity this alliance has ample strength to hold back the expansion of communism until such time as it loses its force and momentum. Acting alone, neither the United States nor Europe could be certain of success and survival.

TERMINATION OF GRANT AID

From the standpoint of financial need, grant materiel programs are no longer required for most Western European countries, but incentive programs in some cases are justified on the basis of U.S. interest. These incentive programs are conditioned upon actions ——— to increase country defense expenditures, including initial and follow-on purchases from the United States for modernizing key forces of vital importance to NATO.

(Off the record.)

General EATON. As I informed you last year, the policy decision to terminate grant materiel assistance to European countries, except for completion of commitments, was applied as follows: to Germany and the United Kingdom in 1956; Yugoslavia in 1958; ——— France and Luxembourg in 1960; and Belgium, Italy, and the Netherlands in 1962. Among these countries, the proposed program for fiscal year 1964 includes only that grant aid materiel and related technical training called for by previous commitments to four of these countries—Belgium, France, Italy, and the Netherlands. Since the respective termination dates for grant aid, sales of U.S. equipment have, of course, been made to these countries.

The cutoff policy in force will terminate grant assistance to European countries at an accelerated pace while protecting U.S. interests. Good management dictates that we insure the maximum favorable impact from the $16 billion we have provided over the last 13 years, and thereby perpetuate the resulting close relationship we now have with the allied defense establishments.

In addition to the importance of effective allied defense efforts, ——— other factors enter into the policy decision governing termination of grant aid:

The continued compatibility of allied weapons and military doctrine with our own; ———.

The impact of substantial allied purchases of U.S.-produced military materiel and services on our international balance of payments.

With these motives ——— in our minds, we consider it of the utmost importance in terminating grant military assistance that we: (*a*) fulfill our existing commitments; (*b*) relate directly the final segments of our grant aid, ——— to increased efforts and expenditures ——— to continue the momentum generated by our past aid; and (3) that we continue a minimum U.S. training initiative for ——— key allied military personnel.

TRAINING OF SENIOR STAFF AND ORIENTATION VISITS TO UNITED STATES

As we terminate grant materiel aid to these countries, we also drop expensive training of the technical and recurring types which relate to such materiel. However, even for Germany, whose purchases from the United States now include many specialized and technical U.S. training courses, we consider it very important to sponsor, and

to fund under the military assistance program, a minimum number of senior staff and orientation visits to the United States by key military personnel. The proposed fiscal year 1964 program provides for such activities for the European countries, including those otherwise cut off from the grant aid.

We recognize that the European countries could afford this type of training visit. However, they are not likely to plan, or to program their own funds for this type of training activity ———. We desire to keep the initiative to insure adequate continuing exposure to U.S. military facilities, doctrine, methods such as logistics, and, ——— to the equipment we develop and can produce for them to meet their continuing needs.

(Off the record.)

EUROPEAN PURCHASES FROM THE UNITED STATES

General EATON. The volume of European purchases from the United States has increased considerably in the past year. Germany, whose purchases have been substantial every year since 1957, placed orders totaling $690.6 million during fiscal year 1962, including direct purchases from U.S. firms. Germany is continuing at that rate during fiscal 1963. Also during fiscal year 1963, another country placed an order primarily under a commercially financed credit transaction totaling $50 million for payment over a 10-year period, including interest charges $———. In November 1962, Italy entered into a commercially financed purchase of $125 million of U.S. materiel and services. Other increases are less striking, but present indications are good, particularly in connection with attrition replacements and spare parts for U.S. materiel furnished to Europe under grant assistance programs.

DEFENSE EXPENDITURES OF EUROPEAN COUNTRIES

Again in 1962, as in 1961, all of the European countries made real increases in their defense expenditures. The 1962 monetary increases range from 5 percent by Belguim and Luxembourg to a high of 33.8 percent by the Federal Republic of Germany. The total 1962 defense expenditures by the NATO European countries increased by an average of over 13 percent above 1961; this was 3 percent higher than the rise in their total GNP measured in current market prices. European country defense efforts are compared with those of the U.S. MAP deliveries covering each year from 1950 through 1962, on pages 42 through 44 of your presentation book.

It is my understanding that these pages were included in the record at the chairman's request during General Lemnitzer's appearance before the committee on May 20. If I am not correct, I request that they be inserted in the record as exhibit D at this point.

Mr. PASSMAN. If these data have not previously been made part of the record, exhibit D will be included in the record at this point.

(Exhibit D follows:)

EXHIBIT D

NATO - U. S. MAP Deliveries, Defense Expenditures and Defense Expenditures as Percent of GNP By Calendar Year

(Millions of Dollars)

Country	Total CY 1950-1960			CY 1960			CY 1959			CY 1958			CY 1957		
	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP
Belgium-Lux	$1,195	$ 4,702	3.4	$ 18	$ 417	3.0	$ 2	$ 397	3.0	$ 13	$ 388	3.1	$ 22	$ 382	3.2	$ 59	$ 375	3.3	$ 32	$ 376	3.3
Denmark	520	1,724	2.8	14	215	3.0	30	171	2.6	22	161	2.7	45	143	2.6	24	143	2.9	20	146	3.1
France	4,175	38,297	7.1	37	4,435	6.5	26	4,037	6.4	34	3,836	6.6	147	3,631	6.9	130	3,356	6.9	159	3,160	7.4
Germany c/	901	29,351	4.4	1	4,308	5.1	3	3,294	4.2	58	3,029	4.3	86	2,772	4.4	78	1,713	3.0	380	2,240	4.1
Greece	987	1,665	5.3	38	170	4.5	41	168	4.6	73	170	5.3	70	154	5.1	139	149	5.1	79	149	5.3
Italy	2,101	12,357	3.9	65	1,360	3.5	92	1,199	3.4	140	1,136	3.6	112	1,067	3.6	72	1,035	3.8	144	977	3.8
Netherlands	1,143	5,679	4.9	12	590	4.5	27	556	4.5	53	477	4.1	26	416	3.9	41	457	4.6	84	510	5.2
Norway	683	1,773	3.7	26	192	3.7	15	169	3.4	15	148	3.3	54	155	3.7	47	143	3.6	38	147	3.7
Portugal	291	1,208	4.7	9	200	7.1	3	171	6.6	4	105	4.4	12	98	4.4	24	86	4.2	25	83	4.1
Turkey	1,861	2,107	5.0	157	330	5.4	83	302	5.5	87	267	4.9	125	239	4.8	251	163	4.1	208	141	4.2
United Kingdom	1,808	55,796	7.4	18	5,081	6.4	21	4,786	6.4	26	4,634	6.5	199	4,449	6.6	43	4,456	6.9	97	4,307	7.2
NATO Area Prog.	1,525	-	-	186	-	-	173	-	-	238	-	-	143	-	-	137	-	-	127	-	-
Total NATO	16,410	154,659	5.6	581	17,298	5.4	516	15,246	5.1	763	14,351	5.2	1,041	13,506	5.3	1,045	12,076	5.1	1,393	12,336	5.6
Canada	-	19,795	5.6	-	1,650	4.5	-	1,583	4.6	-	1,530	4.6	-	1,519	4.7	-	1,610	5.3	-	1,692	5.7
United States	-	557,648	10.2	-	54,400	9.8	-	49,417	9.5	-	46,545	9.2	-	46,614	9.7	-	45,503	10.2	-	44,548	10.1

a/ U. S. Military Assistance furnished to countries includes deliveries of equipment and supplies, expenditures for repair and rehabilitation of excess stocks, training, packing, crating, handling and transportation, nutrition surveys, construction and credit assistance under Sec. 103(c) MSA.

b/ Based on NATO definition of Defense Expenditures. For the U. S. it includes expenditures for military functions of the Department of Defense, the Military Assistance Program, the Atomic Energy Commission, Coast Guard, National Aeronautics and Space Administration, Veteran's Insurance and Indemnities and residual expenditures by AID predecessor agencies for the Direct Forces Support Program.

c/ German Defense Expenditures data through 1954 are AID estimates. Germany's expenditures through 1955 were largely occupation/support costs. Military Assistance expenditures represent physical deliveries to the Federal Republic of Germany.

NOTE: Precise comparisons of levels of Defense Expenditures between European countries and the U. S. are not possible. Conversions of national currency data into dollars have generally been made on the basis of official foreign exchange rates, and the purchasing power of dollar equivalents is appreciably higher in most European countries than that of the dollar in the U. S. Intra-European comparisons of the converted dollar figures are subject to similar limitations. A uniform exchange rate has been applied for all years in order to preserve the trend of the national currency data and eliminate distorting fluctuations in the dollar figures caused by devaluation. The columns on Defense Expenditures as a percent of GNP have been computed at current market prices.

27 March 1963

EXHIBIT D

NATO - U. S. MAP Deliveries, Defense Expenditures and Defense Expenditures as Percent of GNP By Calendar Year

(Millions of Dollars)

Country	CY 1956			CY 1955			CY 1954			CY 1953			CY 1952			CY 1951			CY 1950		
	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP	MAP Del. a/	Defense Exp. Amount b/	Defense Exp. % of GNP
Belgium-Lux	$ 96	$ 349	3.2	$ 132	$ 353	3.5	$ 181	410	4.3	$ 285	$ 406	4.5	$ 254	$ 408	4.6	$ 75	$ 273	3.1	$ 26	$ 168	2.2
Denmark	47	136	3.0	54	133	3.2	72	128	3.2	82	129	3.4	65	98	2.8	35	69	2.1	10	52	1.7
France	400	2,975	7.8	412	2,232	6.5	557	2,372	7.4	945	2,808	9.2	810	2,538	8.7	354	1,785	7.2	164	1,132	5.6
Germany c/	295	1,803	3.6	-	1,846	4.1	-	1,759	4.4	-	1,792	4.8	-	2,138	6.2	-	1,557	5.2	-	1,100	4.5
Greece	81	135	5.2	75	123	5.5	59	114	5.8	131	92	5.5	83	88	7.0	94	87	7.3	24	66	6.9
Italy	257	934	3.9	159	881	4.0	304	869	4.3	400	769	4.1	256	833	4.8	82	732	4.5	18	565	4.0
Netherlands	152	512	5.7	140	469	5.6	207	437	5.9	195	367	5.5	136	346	5.5	54	293	4.9	16	249	4.8
Norway	69	135	3.6	75	133	3.9	57	160	5.1	140	149	5.1	81	116	4.0	45	80	3.1	21	50	2.4
Portugal	20	80	4.2	57	77	4.3	38	73	4.4	73	69	4.3	23	59	3.8	3	54	3.6	-	53	3.8
Turkey	171	129	4.8	165	120	5.1	220	104	5.5	174	92	4.9	145	81	5.1	54	72	5.3	21	67	5.8
United Kingdom	75	4,523	7.7	93	4,388	8.2	133	4,399	8.7	231	4,708	9.9	58	4,371	9.8	23	3,217	7.8	11	2,377	6.4
NATO Area Prog.	83	-	-	91	-	-	85	-	-	147	-	-	115	-	-	-	-	-	-	-	-
Total NATO	1,746	11,712	5.7	1,453	10,755	5.7	1,913	10,805	6.3	2,803	11,381	7.1	2,026	11,076	7.3	819	8,219	6.0	311	5,879	5.0
Canada	-	1,746	6.2	-	1,683	6.7	-	1.638	7.1	-	1,829	7.8	-	1,735	7.8	-	1,129	5.8	-	458	2.8
United States	-	41,773	10.0	-	40,518	10.2	-	42,900	11.8	-	49,621	13.6	-	47,852	13.8	-	33,398	10.2	-	14,559	5.1

a/ U. S. Military Assistance furnished to countries includes deliveries of equipment and supplies, expenditures for repair and rehabilitation of excess stocks, training, packing, crating, handling and transportation, nutrition surveys, construction and credit assistance under Sec. 103(c) MSA.

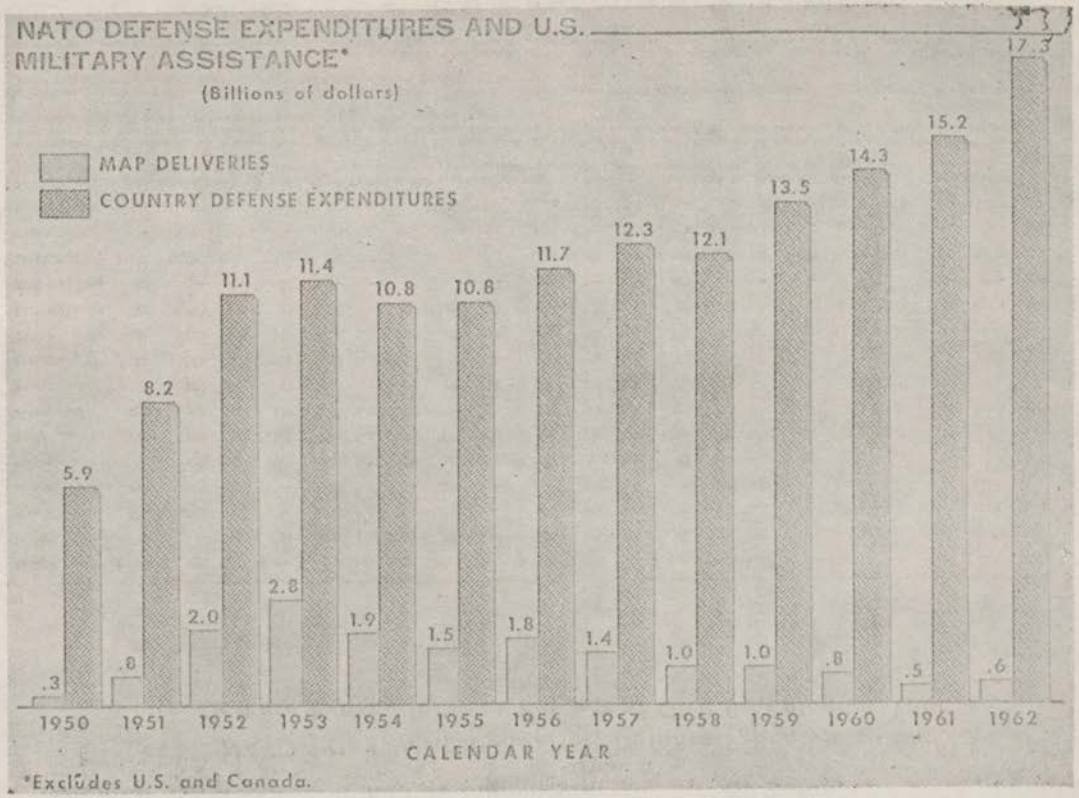
b/ Based on NATO definition of Defense Expenditures. For the U. S. it includes expenditures for military functions of the Department of Defense, the Military Assistance Program, the Atomic Energy Commission, Coast Guard, National Aeronautics and Space Administration, Veteran's Insurance and Indemnities and residual expenditures by AID predecessor agencies for the Direct Forces Support Program.

c/ German Defense Expenditures data through 1954 are AID estimates. Germany's expenditures through 1955 were largely occupation/support costs. Military Assistance expenditures represent physical deliveries to the Federal Republic of Germany.

NOTE: Precise comparisons of levels of Defense Expenditures between European countries and the U. S. are not possible. Conversions of national currency data into dollars have generally been made on the basis of official foreign exchange rates, and the purchasing power of dollar equivalents is appreciably higher in most European countries than that of the dollar in the U. S. Intra-European comparisons of the converted dollar figures are subject to similar limitations. A uniform exchange rate has been applied for all years in order to preserve the trend of the national currency data and eliminate distorting fluctuations in the dollar figures caused by devaluation. The columns on Defense Expenditures as a percent of GNP have been computed at current market prices.

27 March 1963

EXHIBIT D


NATO DEFENSE EXPENDITURES AND U.S. MILITARY ASSISTANCE*
(Billions of dollars)
MAP DELIVERIES
COUNTRY DEFENSE EXPENDITURES
5.9
.3
8.2
.8
11.1
2.0
11.4
2.8
10.8
1.9
10.8
1.5
11.7
1.8
12.3
1.4
12.1
1.0
13.5
1.0
14.3
.8
15.2
.5
17.3
.6
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
CALENDAR YEAR
*Excludes U.S. and Canada.

General EATON. In conclusion, I should like to emphasize that an effective defense effort by our European and NATO allies is a necessary, as well as a highly desirable, complement to our own. Our allies are well along the road in meeting their defense needs, but some selective help is still required. Beyond this, we wish to complete past undertakings and to meet our share of commonly funded projects. We see the program proposed for fiscal year 1964 as the minimum required to achieve these purposes.

JUPITER MISSILE PROGRAM IN TURKEY

I was present during General Lemnitzer's testimony before this committee on May 20 and I noted there were several questions asked concerning the JUPITER missile program. Since these questions were directed variously at General Lemnitzer in his capacity first as Chairman of the Joint Chiefs of Staff and subsequently as supreme allied commander, Europe, some confusion may exist in the minds of the members of the committee.

While I am not the appropriate witness to discuss the strategic or policy implications behind this program, and it could only be explained completely at a higher level, I do wish to point out to the committee that this subject has been exhaustively covered in previous testimony before various committees of the House of Representatives.

At this point I would like to read into the record a statement on this subject made by Secretary McNamara before the House Armed Services Committee on January 30, 1963:

Mr. CHAMBERLAIN. When did we reach the agreement with the Turkish Government for placing them—

that is the JUPITERS—

in their country?

Secretary MCNAMARA. In 1960, I believe it was, this happened before this administration came into office. And I can't therefore give you the exact date, although I will search the record for it.

Mr. CHAMBERLAIN. It is not necessary.

Secretary MCNAMARA. But it was in 1960, I think. The interesting point to me and the point that the joint committee emphasized in its conversations with us in February and March of 1961 was the conclusion of the joint committee members who had visited the site. As Mr. Price said, the Turkish JUPITERS should never have been placed in position. And therefore our first objective in talking to the Turkish Government in the initial conversations between Secretary Rusk and the Turkish Government was to try to achieve that objective. But at that point we did not have POLARIS available to replace them. And as Mr. Cohelan or one of the others pointed out, there would have been a psychological loss to the West of simply canceling the program and failing to replace them—the missiles—simultaneously with some other more modern system. At least this was the way the Turks looked at it. And they therefore refused to modify the agreement at that time. And we had to go ahead and finish the construction and place them in operation.

This testimony appears at page 283 of the record of the House Armed Services Committee during the testimony on January 30.

Mr. RHODES. Would you put in the record at this point the cost of this "morale saver," the JUPITER missiles in Turkey?

General EATON. Would you define your question—the cost of morale——

Mr. RHODES. Secretary McNamara says the reason they put JUPITER missiles in Turkey was because there would be a loss of morale

to the West if they didn't. I would like to know how much this morale treatment cost.

General EATON. Are you asking for the cost of the total program, the JUPITER program or some part of it, sir?

Mr. RHODES. In Turkey. Isn't that what the testimony addressed itself to, General?

General EATON. I would prefer to let the testimony stand for itself, sir. I would not interpret this as a morale cost.

Mr. RHODES. I can read the record back to you if you want to have it read, but in the statement it said that the reason the JUPITERS were put into Turkey, even though negotiations had already begun toward taking them out, was because there would otherwise be a great morale loss to the West. All I want to know is how much it cost the taxpayers of the United States to put those JUPITERS into Turkey.

General EATON. I think I can answer the question as to how much it cost to put JUPITERS into Turkey. Should I do that at this point, sir?

Mr. PASSMAN. Yes; I think it is important. It refers to the morale cost.

Mr. RHODES. In effect we can put a price tag on morale.

General EATON. The costs are broken down—now, I trust that you wish to know the total military assistance program cost. There are others beyond that for the Turks themselves and other costs.

Mr. RHODES. The total cost to the U.S. taxpayer. I don't care whether they came from MAP or somebody else.

Mr. PASSMAN. You want it specifically on this one item?

Mr. RHODES. On the JUPITERS; yes.

COST OF THE JUPITER PROGRAM IN TURKEY

General EATON. The cost of the Turkish JUPITER program from its inception through fiscal year 1963. Under the military assistance program the direct costs include the following items:

Unit equipment, $78 million.

Combat training launch missiles, $4 million.

Follow-on spares and modifications, $3.1 million.

Training equipment, $4 million.

Depot maintenance, $4.8 million.

Construction, $18.3 million.

Other associated costs, including publications, fuel and the like——

Mr. MINSHALL. Was this just for the Turkish installation?

General EATON. That is correct, sir. Associated costs, $2.2 million; training, $11 million.

The subtotal under that heading is $125.4 million.

Mr. RHODES. Thank you very much.

Is there more? You said "subtotal."

General EATON. Yes.

The packing, crating, and handling the so-called supply operations associated with the program were $15 million. The total cost to the military assistance program, $140.4 million.

Mr. RHODES. Were there other costs involved?

General EATON. There were other costs. I have an estimate of costs. I do not have the exact figures, but we have an estimated cost to the U.S. Air Force of $36.8 million.

Mr. RHODES. In addition?

General EATON. Yes, sir.

Mr. PASSMAN. How about crating and bringing them back out, do you want that too?

General EATON. I do not have that information, sir.

Mr. PASSMAN. Would it be comparable to the cost of sending the materiel into the countries?

General EATON. No, sir; I feel certain it would not be comparable, but it is my understanding that a request has been made separately and that this information will be supplied for the record.

Mr. PASSMAN. I thought maybe you would like to have it to give it at this point.

General EATON. In connection with my testimony I do not have that.

Mr. PASSMAN. In the event it is given to us it should be added here so the total will be in one place.

(The information requested follows:)

A considerable portion of the costs to the United States of removing the JUPITER weapons system from Turkey is included in the total cost to the United States of $177.2 million, particularly under the item of training (which includes the cost of U.S. contractor technical personnel), because the removal process is being performed largely by personnel in place at the sites. Other costs are included in the category of supply operations. Since the removal process is still in progress and will not be completed for some time, final costs to the United States are not yet known. Additional costs, if any, above those previously indicated are expected to be minimal, however.

As a matter of related interest, the following additional information is provided. During the spring of 1961 the Department of Defense conducted a study of the desirability and feasibility of terminating the Turkish JUPITER program at that time. If the program had been terminated prior to July 1, 1961, rather than at present, savings in planned military assistance expenditures in the amount of about $19.7 million would have resulted. However, of this $19.7 million, only $3 million would have been recouped from approval and funded programs. The balance of $16.7 million represented estimated requirements for future military assistance program appropriations in fiscal year 1962 and 1963. Thus, termination of the JUPITER program in Turkey in 1961 would have produced overall savings of only about 11 percent of the cost of the program.

Mr. MINSHALL. Is this testimony of General Eaton's going to be in the record at the same point with the testimony of General Lemnitzer?

Mr. PASSMAN. It is intended that it will be.

CLASSIFICATION OF TESTIMONY

Mr. MINSHALL. Also at this time I would like to make sure all of General Lemnitzer's testimony is left in the record along with the statement that I asked to be included along with General Lemnitzer's statement.

And General Norstad's statement he made January 1963 on "Meet the Press."

I don't want this overclassified for political reasons. I put "political reasons" in quotation marks.

Mr. PASSMAN. Certainly you have the right to request them when they take it out to put it back in or question them about it. Last year they removed a lot of testimony from the record—I do not recall just what departments, but it happened several times during the year and we had to bring it to their attention and they reinstated it. You will have to follow it very carefully when the transcript comes to your

desk for you to correct your remarks. If they are taking something out that you feel should be left in that is not classified, then we must take the matter up with them.

Mr. MINSHALL. There are too many times, and I will say it again, that this material is overclassified for so-called security reasons merely to protect some of the individuals at the Pentagon and State Department, and that is what I think we should try to avoid on this committee. I think the public is entitled to know all of the pertinent facts.

Mr. PASSMAN. I can assure the gentleman that the transcript is reviewed carefully. If we feel something is being taken out that should not be classified we call their hand.

Mr. RHODES. I think the record should show the total cost of installation of the JUPITER missiles in Turkey, as we add the figures, is $177.2 million.

General EATON. I have two more short paragraphs in my statement.

Mr. PASSMAN. Go right ahead, General.

PRIOR TESTIMONY ON JUPITER PROGRAM IN TURKEY

General EATON. I have just given you a quote from Secretary McNamara. In addition to this specific testimony, I would also like to invite the committee's attention to the other testimony which has been given previously to the various committees of Congress on the JUPITER program in Turkey. You may wish to refer to some of this testimony, which gave the views of various officials of the Department of Defense, including those of the Joint Chiefs of Staff. If I may quickly just cite the references.

Mr. PASSMAN. You may insert that information in the record.

General EATON. Sir, this is merely a list of individuals who testified, the committees before which they testified, and the dates on which they testified.

Mr. PASSMAN. And you want it in the record?

General EATON. Yes, sir, so it might be available to you. There were questions asked about certain people's views. I think this would be valuable as an index to those views.

Mr. PASSMAN. The list may be inserted in the record at this point.

(The document follows:)

House Armed Services Committee:
January 30, pages 276–283 (read into record, p. 283); Mr. McNamara.
February 4, pages 541, 547; Mr. McNamara.
February 6, page 733; Mr. Vance.
February 6, page 741; General Wheeler.
February 21, page 1242; Mr. Zuckert.
House Appropriations, DOD Subcommittee (pt. 1): February 11, 1963, page 409; Mr. McNamara.
House Appropriations, DOD Subcommittee (pt. 2):
February 14, 1963, pages 17 and 28; General Taylor.
February 28, 1963, page 571; General LeMay and Mr. Zuckert.
Senate Armed Services Committee:
February 19, 1963, pages 7–8; Secretary McNamara.
February 19, 1963, page 39; Secretary McNamara.
February 21, 1963, pages 312–313; Secretary McNamara.
February 22, 1963, page 349; Secretary McNamara.
February 22, 1963, page 358; Secretary McNamara.
March 4, 1963, page 732; Admiral Anderson.

General EATON. If the committee wishes to discuss this matter further I will be happy to arrange to have any appropriate representative of the Department of Defense appear before the committee for that purpose.

That concludes my formal statement.

Mr. Davis, Deputy Assistant Secretary of State, is here with me, and would like to discuss with the committee a matter previously raised by the committee concerning military assistance.

Mr. PASSMAN. First, we want to welcome our spectators this afternoon, and I think we had better identify the witnesses. I do not believe all these people are with you, are they?

General EATON. I would hope not, sir. I don't know.

Mr. PASSMAN. Would you please, gentlemen, stand and identify yourselves and let us know your business here.

(Those shown above under the heading "Witnesses" identified themselves.)

Mr. PASSMAN. Mr. Davis, you may proceed.

SALES OF MILITARY SPARE PARTS TO YUGOSLAVIA

Mr. DAVIS. Mr. Chairman, I would like to make a few brief remarks on the subject of military sales of military spare parts to Yugoslavia.

First, I would like to state a few facts.

The United States since August 1962 has not made any sales of military end items to Yugoslavia.

Mr. PASSMAN. You say that you have not sold them any parts?

Mr. DAVIS. Military end items, since early 1962.

Now, additionally since August 1, 1962, we have been prevented by section 620(f) of the Foreign Assistance Act from selling any military equipment, including spare parts, under the authority of this act, unless the President would make a determination that assistance, that is sales, would be vital to the U.S. security, and that Yugoslavia is independent.

Mr. PASSMAN. Could you digress at that point and tell us in what manner our security would be endangered if we did not sell Yugoslavia parts for planes we gave to them prior to the time they declined to accept any more military assistance?

Mr. DAVIS. Sir, I am coming to that, if I may. That is in part of the remarks I wish to make.

Mr. PASSMAN. All right, sir.

Mr. DAVIS. In the first place, Yugoslavia's armed forces are equipped largely with U.S.-origin materiel.

Now, in the absence of a compelling reason to the contrary we feel we should permit Yugoslavia to maintain this equipment.

TERMINATION OF MILITARY GRANT AID TO YUGOSLAVIA IN 1957

Mr. PASSMAN. Incidentally, Mr. Secretary, and I am making a statement of fact that on December 27, 1957, to, I might say, our amazement and possible disappointment, Yugoslavia notified us they would no longer accept military aid.

Mr. DAVIS. Military grant aid.

Mr. PASSMAN. Military grant aid.

Mr. DAVIS. That is correct.

Mr. PASSMAN. And I believe prior to that time we were never permitted to send our inspection teams back of the lines where they were using the equipment we were giving them; is that correct?

Mr. DAVIS. This I don't feel in a position to answer myself.

Mr. PASSMAN. If you do not know, let the record show you are not familiar with that matter. But you are familiar with the termination of the grant aid by decision of Yugoslavia and not the United States.

Mr DAVIS. That is correct, but I would not characterize it as a disappointment to us but one in which we fully agreed.

Mr. PASSMAN. I thought if we had given a nation $2.6 billion, $686 million being military assistance, it might have been a disappointment. If it was not a disappointment then we certainly wasted a lot of money. But you proceed, sir.

TOTAL MAP SALES TO YUGOSLAVIA

Mr. DAVIS. You have already pointed out the fact that grant military aid ended in 1957. However, we subsequently sold equipment to the Yugoslavs.

Mr. PASSMAN. How much?

Mr. DAVIS. I would have to supply the total amount for the record.

Mr. PASSMAN. And whether or not it was for local currency or these disguised grants.

General EATON. Sir, I think I can supply that at this point in the record.

Mr. PASSMAN. All right, sir.

General EATON. Cumulative purchases, mutual security military sales to Yugoslavia through December 1962, in dollars, totaled $10,190,143.

TOTAL GRANT AID TO YUGOSLAVIA

Mr. PASSMAN. Let us contrast that with what we gave them in grant aid: $696,656 in military assistance, with total aid to Yugoslavia in the amount of $2,396,700,000.

Mr. DAVIS. Yes, sir.

QUESTION OF INDEPENDENCE OF YUGOSLAVIA

Now, Yugoslavia is still an independent nonalined nation and we think it is not a part of the international Communist conspiracy.

Mr. PASSMAN. It is a Communist nation, is it not?

Mr. DAVIS. They proclaim themselves as following the tenets of Marxism-Leninism.

Mr. PASSMAN. Is it not so we have always thought of them as a Communist nation? They say they are a Communist nation. Witnesses before you have said they are a Communist nation.

Mr. DAVIS. That is correct. Since 1948, however, they have not been a part of the Soviet bloc, and they remain so today. They are outside the Soviet bloc. They are not a member of the Warsaw Pact, and they proclaim their independence.

Mr. GARY. And they are the chief bone of contention between China and Soviet Russia, are they not?

Mr. DAVIS. This is a very important factor in relationships now in the Communist world.

U.S. SECURITY INVOLVED IN SALES OF SPARE PARTS

Mr. PASSMAN. Now, you mentioned the matter of our security. You are going to explain that, are you not?

Mr. DAVIS. Yes, sir.

Mr. PASSMAN. The security of the United States being involved.

Mr. DAVIS. For all these reasons I have cited—and I think I would like to cite one or two additional ones right now—also when Yugoslavia bought—and I would like to emphasize what we are talking about here is spare parts for items bought from the United States. At least 90 percent of them bought from the United States and not provided under the grant aid that——

Mr. PASSMAN. You are talking now the $2 million, are you not, sir?

Mr. DAVIS. Yes; of the spare parts they are interested in buying.

Mr. PASSMAN. This is the $2 million request?

Mr. DAVIS. That is correct.

Mr. PASSMAN. All right, sir.

Mr. DAVIS. That Yugoslavia had every expectation to believe that they would be able to buy spare parts in order to keep in operation this equipment for which they paid.

SPARE PARTS FOR EQUIPMENT GRANTED UNDER MAP

Mr. PASSMAN. How about the equipment we gave them, $686 million; is that also involved?

Mr. DAVIS. It is my understanding a part of that is involved.

Mr. PASSMAN. Where are they getting the spare parts for the $686 million worth of military equipment we gave them under grant aid?

Mr. DAVIS. May I ask——

Mr. PASSMAN. Where do they get the spare parts?

General EATON. As you know, after the termination of grant aid to Yugoslavia we entered into a mutual security military sales agreement, and we did sell them spare parts for the equipment which we had previously given them by grant and which we had also sold to them.

Mr. PASSMAN. You sold them $10 million worth?

General EATON. We sold them $10 million worth of items including spares; that is right, sir. No sales have taken place since August 1, 1962, but we have received requests from the Yugoslavs since that time for purchase of spare parts from the United States to support the equipment which had either been given or sold to Yugoslavia.

Mr. PASSMAN. Yugoslavia requested that they be permitted to buy $2 million worth of parts, and it was necessary to get a Presidential determination, on account of the act of Congress, in order to be able to sell them the $2 million worth of spare parts; is that correct?

General EATON. It is my understanding some of these requests had been received before the congressional action had taken place, sir. I am not certain of that.

Mr. PASSMAN. We were not told about it.

General EATON. The requests were received and no action had been taken on them.

Mr. PASSMAN. If I remember correctly, there was a $300,000 item that was up in the air.

General EATON. Yes, sir. Since August 1, 1962, their request was for $326,528 worth of spare parts.

Mr. PASSMAN. General, you said Yugoslavia initiated the request that there was no determination on the part of the United States that we sell them the $2 million worth of parts until Yugoslavia made the request.

Mr. DAVIS. I would like to make two points in regard to your question as to the interest of the United States in this. With regard to one——

Mr. PASSMAN. You said "national security." National interest could be the pocketbook, national security something else.

JUSTIFICATION FOR SALE OF SPARE PARTS TO YUGOSLAVIA

Mr. DAVIS. I think both are involved here: One, if the Yugoslavs cannot purchase spare parts in this country, in order to keep in operation and good maintenance those items which they have previously bought from us, then they have only one other place to turn to.

The second point I would like to make is the very fact that we sold them——

Mr. PASSMAN. One other place to turn to—are you implying that Russia is manufacturing parts for military planes that we gave Yugoslavia previously?

Mr. DAVIS. No. That is not implied.

Mr. PASSMAN. You said they had only one other place to turn to.

Mr. DAVIS. For items of military equipment.

Mr. PASSMAN. I thought you said parts.

Mr. DAVIS. Therefore, it is our judgment that they would turn to the Soviet Union for items of military equipment.

The second point I would like to make is that we having sold these items to the Yugoslavs——

Mr. PASSMAN. $10 million worth and we gave them $686 million. You do not mind the record showing that, do you?

Mr. DAVIS. No.

Mr. PASSMAN. Thank you, sir.

Mr. DAVIS. That they would have every expectation to believe that they would be able to buy spare parts in the future to keep them in operation. Therefore, we think that the good faith and credit of the United States is involved here to some extent and that an example of the United States not being able to fulfill this expectation reflects upon our good credit and faith.

Now I would like to make one additional comment but off the record.

Mr. PASSMAN. Put it on the record and take it off when the transcript comes to you.

Mr. RHODES. Before you leave that point, might I ask this question, Mr. Secretary: If what you have said is to be followed universally, then we should still be supplying spare parts for all the trucks that we gave Russia during World War II. I mean once you turn over an end product to another nation, as I understand your statement, we are bound under the pain of loss of faith and face and everything else to keep it running from now on.

Mr. DAVIS. Perhaps I should have qualified it by saying that where conditions have not fundamentally changed from the time when we made such a sale.

Mr. RHODES. If you are looking for change, don't you regard the Belgrade meeting and Marshal Tito's statements made at that time as an overt act of unfriendliness to the United States?

Mr. DAVIS. I think we make our position clear to the Yugoslavs at that time. However, the developments since then have not changed Yugoslavia's position fundamentally in any respect whatsoever.

Mr. RHODES. Then she is still in the same position that she was at the time of the Belgrade meetings?

Mr. DAVIS. I think what you are referring to is the speech of Marshal Tito particularly in reference to his failure to criticize the Soviet Union for the resumption, or breaking of the moratorium on nuclear tests.

Mr. RHODES. It was not only a failure to criticize, it was justification of the Soviet unilateral resumption of tests, as I recall.

Mr. DAVIS. I would not go so far as to characterize it as justification. It certainly was a failure to criticize it in any respect and to try to condone it.

Mr. RHODES. "And to try to condone it." With that I will adopt your language.

Mr. PASSMAN. Mr. Secretary, the Congress feels it has a place in this. I have a lot of respect for the Congress and its wisdom, and it very plainly indicated last year how it felt about Yugoslavia. You are familiar with the language prohibiting any type of military assistance to Yugoslavia. The Congress felt this thing had been properly taken care of. But, at a subsequent date, when Yugoslavia made a request to purchase $300,000 of equipment, or the difference between $2 million and the $300,000, $1,700,000, as listed in the books, it was necessary, after you received the request from Yugoslavia, to get a Presidential determination in order to be able to furnish the parts; is that correct?

Mr. DAVIS. That is correct.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. When I get this one statement in the record. We are dealing with three figures, $2 million, $10 million, and $686 million; $2 million is to furnish parts for $10 million worth of equipment that we sold to Yugoslavia, or is the $2 million to furnish parts for the $686 million worth of military equipment we gave to Yugoslavia? It has been stated two ways. I think the record should be made clear on it.

Mr. DAVIS. As I understand it, of the $2 million about 50 percent refers to the $10 million figure of actual items sold to Yugoslavia and about 50 percent of the $2 million refers to the other materials which were supplied to Yugoslavia.

Mr. SLOAN. That is correct.

Mr. PASSMAN. I yield to Mr. Gary.

Mr. GARY. Do I understand that this $10 million is the amount in this request now?

Mr. PASSMAN. No, sir. They had $2 million requested for fiscal year 1964 but they reversed it and took it out of fiscal year 1963 funds.

Mr. GARY. This $2 million is to supply the parts for the $10 million worth of equipment that they had purchased?

Mr. DAVIS. Fifty percent of it.

Mr. GARY. Is it proposed to give them those parts or are they going to purchase them?

Mr. DAVIS. They will purchase them. This will be sales for cash in dollars.

Mr. GARY. So there is no grant in it at all?

Mr. DAVIS. There is no grant. Technically and legally it comes under the assistance act but in actual fact it is cash sales for dollars.

YUGOSLAV TERMINATION OF U.S. GRANT AID

Mr. PASSMAN. Previously I noted that we had given to Yugoslavia in aid $2,339,570,000 and $686 million of it represented grants in military assistance; is that correct?

Mr. DAVIS. Which stopped in 1957.

Mr. PASSMAN. By Yugoslavia's request.

Mr. DAVIS. And at our consent.

Mr. PASSMAN. When they said "We do not want any more of it," did you have any alternative other than to stop?

Mr. DAVIS. We thought the conditions were such that it should be stopped too.

Mr. PASSMAN. It was stopped upon request, though?

Mr. DAVIS. That is correct.

Mr. PASSMAN. We had no advance knowledge that Yugoslavia was going to request the United States to discontinue military grant aid until you received that cablegram on December 27.

Mr. DAVIS. Sir, I did not receive the cable.

Mr. PASSMAN. I did not mean you, personally. I was referring to the United States.

Mr. DAVIS. Yes, sir.

Mr. PASSMAN. I think the record should show that I am making a statement of fact, that we had no knowledge of it until the cablegram came in terminating it.

Mr. DAVIS. Yes.

Mr. PASSMAN. Then you indicate "with our consent." I do not know how in the world you could have done otherwise. When they say "Don't ship any more military aid," that is it, is it not?

Mr. DAVIS. Yes.

Mr. FLYNT. Will you yield?

Mr. PASSMAN. Yes.

ORIGINATION OF REQUEST FOR SPARE PARTS

Mr. FLYNT. Mr. Davis, whose idea was it to purchase this $2 million? Did it originate in the Government of Yugoslavia or originate in our own Government?

Mr. DAVIS. I think it is fair to say this originated with the Yugoslavs, who had this equipment and could not keep it in operation unless they were able to purchase the spare parts.

YUGOSLAV STATUS AS A COMMUNIST COUNTRY

Mr. FLYNT. Is it true that the official position of the Yugoslav Government is that it is a country alined with communism?

Mr. DAVIS. It is the official position of the Yugoslav Government that it is a nonalined independent country.

Mr. RHODES. Communist country.

Mr. PASSMAN. Let us be sure to say Communist country. They are proud of the fact they are Communists and will tell you or any other person in the State Department that they are a Communist government.

Mr. DAVIS. This is true.

Mr. FLYNT. Then is that consistent with the determination made, I presume upon recommendation of the Department of State, that Yugoslavia is not a Communist country?

Mr. DAVIS. We did not find and were not required by the law to find that it was not a Communist country. We were required to find it was not a part of the international Communist conspiracy and that finding was so made.

I think this is a very important point, because we must recognize facts for what they are. Yugoslavia is not a part of the Soviet bloc. It is not a member of the Warsaw Pact; it proclaims its independence and acts as if it is independent.

YUGOSLAV VOTE IN THE U.N.

Mr. RHODES. Mr. Chairman, if you will yield, I think it would be well if we had for the record at this point the number of times in the last 5 years in the U.N. that Yugoslavia has voted with the Soviet Union and against the United States and then, the number of times that the Yugoslavs have voted with the United States and against the Soviet Union.

Mr. DAVIS. We will be glad to make that available.

(Information requested follows:)

YUGOSLAV U.N. GENERAL ASSEMBLY VOTING RECORD COMPARATIVE STATISTICS 1958–62

The items listed below include the principal issues which were brought to a rollcall vote. The great majority of votes taken in the General Assembly are not recorded by country but only by totals since the voting is often by a show of hands. Consequently, since these statistics are based on the availability of voting records, they do not show a complete picture of each country's position.

The voting record of any country should be analyzed qualitatively in relation to the issues in order to avoid misleading impressions. For example, the voting record of most Afro-Asian nations on colonial items reveals a high proportion of votes which coincide with the U.S.S.R. vote. This is not an indication of Afro-Asian support for the Russian position, but rather a demonstration of the fact that the Soviet bloc finds it expedient to support some of the Afro-Asian positions on colonialism which the United States, for one reason or another, did not support.

The following figures do permit certain broad conclusions concerning alinement to be made in the case of Yugoslavia. Of a total of 154 rollcall votes, Yugoslavia cast 50 with the United States. On 75 of the 154 issues, Yugoslavia voted with the U.S.S.R. against the United States. But Yugoslavia also cast 45 votes against the Soviet position, or approximately 1 out of 3, in striking contrast with the unanimous support given the Soviet Union by the bloc countries, a clear demonstration of Yugoslavia's independence. It should also be noted that the Yugoslavs cast a total of 132 of the 154 below-listed rollcall votes along with the position of the majority within the United Arab Republic-India-Indonesia group, as could be expected of a country which calls itself "nonalined."

Questions	United States	Yugoslavia	U.S.S.R.	United Arab Republic	India	Indonesia
I. Constitutional and organizational:						
(*a*) Chinese representation: General Committee recommendation not to consider the question at the 13th General Assembly, adopted Sept. 23, 1958.	Yea	Nay	Nay	Nay	Nay	Nay.
(*b*) U.N. Emergency Force: Resolution on U.N. Emergency Force assessments and expenses, adopted Dec. 13, 1958.	Yea	Yea	Nay	Abstention	Yea	Yea.
II. Economic:						
(*a*) Economic development: 16-power resolution urging U.N. members to work for a capital development fund, adopted Dec. 12, 1958.	Abstention	Yea	Yea	Abstention	Yea	Yea.
(*b*) Resolution promoting the flow of private capital to underdeveloped countries, adopted Dec. 12, 1958.	Yea	Abstention	Nay	Yea	Yea	Yea.
III. Human rights:						
(*a*) Apartheid: Resolution call on Union of South Africa to reconsider its apartheid policy, adopted Oct. 30, 1958.	Yea	Yea	Yea	Yea	Yea	Yea.
(*b*) Indians in Union of South Africa: Resolution appealing to South Africa to negotiate the Indian problem, adopted Dec. 10, 1958.	Yea	Yea	Yea	Yea	Yea	Yea.
(*c*) Refugees: Resolution asking for continued aid to Moroccan-Tunisian refugees, adopted in Committee III, Nov. 6, 1958.	Yea	Yea	Yea	Yea	Yea	Yea.
(*d*) Self-determination: Resolution establishing a Commission on Sovereignty over Natural Resources, adopted in Committee II, Nov. 26, 1958.	Nay	Yea	Yea	Yea	Yea	Yea.
IV. Colonial and trusteeship:						
(*a*) Cameroons: Resolution concerning the independence of the French Cameroons, adopted Mar. 13, 1959.	Yea	Abstention	Abstention	Abstention	Yea	Abstention.
(*b*) Cameroons: Resolution calling for a plebiscite to decide the future of the British Cameroons, adopted Mar. 13, 1959.	Yea	Yea	Abstention	Abstention	Yea	Yea.
(*c*) Trusteeship affairs: 8-power resolution in intermediate target dates for self-government, adopted in Committee IV, Nov. 12, 1958.	Nay	Yea	Yea	Yea	Yea	Yea.
(*d*) Non-self-governing territories affairs: 17-power resolution asking the Secretary-General to prepare report on transmission of information, adopted in Committee IV, Dec. 5, 1958.	Nay	Yea	Yea	Yea	Yea	Yea.
(*e*) Non-self-governing territories affairs: 8-power resolution on associating non-self-governing territories with European Economic Community, adopted in Committee IV, Dec. 8, 1958.	Nay	Yea	Yea	Yea	Yea	Yea.
V. Disarmament:						
(*a*) Disarmament: Resolution on various aspects of a balanced disarmament system, adopted Nov. 4, 1958.	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
(*b*) 14-state resolution calling for the cessation of nuclear testing, rejected, Nov 4, 1958.	Nay	Yea	Yea	Yea	Yea	Yea.

IV. Other political issues:						
(a) Korea: Resolution affirming previous U.N. stand on Korean unification, adopted Nov. 14, 1958.	Yea	Abstention	Nay	Yea	Abstention	Abstention.
(b) Korea: U.S.S.R. resolution asking discussion between North and South Korean representatives, rejected in Committee I, Nov. 5, 1958.	Nay	Yea	Yea	Abstention	Yea	Yea.
(c) Hungary: Resolution condemning the continued defiance (of General Assembly resolution) by U.S.S.R. and Hungarian regime, adopted Dec. 12, 1958.	Yea	Nay	Nay	Yea	Abstention	Abstention.
(d) Outer space: Resolution establishing an ad hoc committee on the peaceful uses of outer space, adopted Dec. 13, 1958.	Yea	Abstention	Nay	Yea	Abstention	Abstention.
(e) Algeria: Resolution recognizing Algerian right to independence, rejected Dec. 13, 1958. (⅔ majority lacking).	Abstention	Yea	Yea	Yea	Yea	Yea.
XIV SESSION, 1959						
I. Constitutional and organizational:						
(a) Chinese representation: General committee recommendation not to consider question at 14th General Assembly, adopted Sept. 22, 1959.	Yea	Nay	Nay	Nay	Nay	Nay.
(b) U.N. Emergency Force: Resolution on U.N. Emergency Force assessments and expenses, adopted Dec. 5, 1959.	Yea	Yea	Nay	Abstention	Yea	Yea.
(c) Enlargement: Recognition of need to increase number of members of Security Council and Economic and Social Council, adopted Nov. 25, 1959.	Yea	Nay	Nay	Abstention	Abstention	Abstention.
(d) General Assembly Presidency: Czech proposal providing for geographic distribution, rejected Dec. 10, 1959.	Nay	Nay	Yea	Yea	Yea	Yea.
II. Economic:						
(a) Industrial Development Banks and Development Corporations, adopted Dec 5, 1959.	Yea	Yea	Nay	Yea	Yea	Yea.
(b) Economic development of underdeveloped countries, adopted Dec. 5, 1959.	Abstention	Yea	Yea	Yea	Yea	Yea.
(c) International Development Association, adopted Dec. 5, 1959	Yea	Yea	Abstention	Yea	Yea	Yea.
III. Human rights:						
(a) Apartheid: Resolution calling on Union of South Africa to reconsider its apartheid policy, adopted Nov. 17, 1959.	Yea	Yea	Yea	Yea	Yea	Yea.
(b) Indians in South Africa: Resolution appealing to South Africa to negotiate problem with India and Pakistan, adopted Dec. 10, 1959.	Yea	Yea	Yea	Yea	Yea	Yea.
(c) Tibet: Resolution expressing grave concern at suppression of human rights, adopted Oct. 21, 1959.	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
IV. Colonial and Trusteeship:						
(a) French Cameroons: ASAF proposal to send General Assembly commission to achieve reconciliation between Cameroon Government and illegal opposition, rejected in Committee IV, Nov. 19, 1959.	Nay	Yea	Yea	Yea	Yea	Yea.
(b) South-West Africa: Resolution calling members' attention to availability of legal action re South Africa's mandate over South-West Africa, adopted in Committee IV, Oct. 30, 1959.	Yea	Yea	Yea	Yea	Yea	Yea.
(c) U.N. presence in newly emerging states, adopted Dec. 5, 1959	Yea	Yea	Yea	Yea	Yea	Yea.

U.N. General Assembly—Continued

XIV SESSION, 1959—Continued

Questions	United States	Yugoslavia	U.S.S.R.	United Arab Republic	India	Indonesia
V. Disarmament:						
(*a*) "General and complete" disarmament, adopted Nov. 20, 1959	Yea	Yea	Yea	Yea	Yea	Yea.
(*b*) Prevention of dissemination of nuclear weapons, adopted Nov. 20, 1959.	Yea	Yea	Abstention	Yea	Yea	Yea.
(*c*) Suspension of nuclear weapons tests, adopted Nov. 21, 1959	Yea	Yea	Yea	Yea	Yea	Yea
(*d*) ASAF (Indian) resolution on suspension of nuclear tests, adopted Nov. 21, 1959.	Abstention	Yea	Yea	Yea	Yea	Yea.
(*e*) French Sahara testing, adopted Nov. 20, 1959	Nay	Yea	Yea	Yea	Yea	Yea.
VI. Other political issues:						
(*a*) Korea: Resolution affirming previous U.N. stand on Korean unification adopted Dec. 9, 1959.	Yea	Abstention	Nay	Abstention	Abstention	Agstention.
(*b*) Hungary: Resolution continuing mandate of General Assembly representative and calling for compliance with previous General Assembly resolutions, adopted Dec. 9, 1959.	Yea	Nay	Nay	Abstention	Abstention	Abstention.
(*c*) Outer space: Resolution establishing Committee on Peaceful Uses of Outer Space, adoptee Dec. 12, 1959.	Yea	Yea	Yea	Yea	Yea	Yea.
(*d*) UNRWA (Palestine refugees): Resolution extending agency mandate, adopted Dec. 9, 1959.	Yea	Yea	Yea	Yea	Yea	Yea.
(*e*) Algeria: Resolution recognizing Algerian right to self-determination and urging pourparlers for peaceful solution, rejected Dec. 12, 1959. (2/3 majority lacking).	Abstention	Yea	Yea	Yea	Yea	Yea.
(*f*) Radiation item, adopted Nov. 17, 1959	Yea	Yea	Yea	Yea	Yea	Yea.
VII. Legal:						
(*a*) Question of historic waters, adopted Dec. 7, 1959	Yea	Yea	Yea	Yea	Yea	Yea.

XV SESSION, 1960

Australian amendment to 5-power resolution, re summit, Oct. 5, 1960	Yea	Nay	Abstention	Nay	Nay	Nay.
Chinese representation: U.S. moratorium resolution, Oct. 8, 1960	Yea	Nay	Nay	Nay	Nay	Nay.
Tibet: Inclusion, Oct. 10, 1960	Yea	Nay	Nay	Abstention	Abstention	Nay.
Hungary: Inclusion, Oct. 10, 1960	Yea	Nay	Nay	Abstention	Abstention	Nay.
Soviet disarmament item proposal allocate to plenary, Oct. 11, 1960	Nay	Abstention	Yea	Abstention	Abstention	Abstention.
Soviet item on U.S. aggression proposal allocate to plenary, Nov. 1, 1960	Nay	Abstention	Yea	Abstention	Abstention	Abstention.
Cuban item on U.S. aggression proposal allocate to plenary, Nov. 1, 1960	Nay	Yea	Yea	Yea	Yea	Yea.
Resolution requesting Spain and Portugal transmit information on territories, Nov. 11, 1960 (Committee IV).	Abstention	Yea	Abstention	Yea	Yea	Yea.
Ghana motion adjourn debate Congo credentials, Nov. 18, 1960	Nay	Yea	Yea	Yea	Yea	Yea.
Report endorsing Kasavubu credentials, Nov. 22, 1960	Yea	Nay	Nay	Nay	Nay	Nay.
Iraq proposal re Mauritania, Nov. 26, 1960 (Committee I) (pro-Moroccan)	Nay	Yea	Yea	Yea	Yea	Yea.
Resolution calling for steps redistribute Security Counsel seats at this session, Dec. 6, 1960. (SPC).	Nay	Nay	Nay	Yea	Abstention	Yea.

Soviet amendment to colonialism resolution calling for full independence by end 1961, Dec. 14, 1960.	Nay	Yea	Yea	Yea	Abstention	Abstention.
Afro-Asian colonialism resolution, Dec. 14, 1960	Abstention	Yea	Yea	Yea	Yea	Yea.
Pakistan, Senegal, and Tunisian resolution on "Binding Legal Obligations" re payment Congo costs (Committee V), Dec. 15, 1960.	Yea	Abstention	Nay	Nay	Abstention	Abstention.
Cyprus amendment to resolution on Algeria calling for referendum under U.N. auspices, Dec. 19, 1960.	Nay	Yea	Yea	Yea	Yea	Yea.
Resolution on Algeria without PARA re U.N. auspices but recognizing U.N. responsibility contribute independence and self-determination, Dec. 19, 1960.	Abstention	Yea	Yea	Yea	Yea	Yea.
United States-United Kingdom resolution on Congo supporting Secretary General, Dec. 20, 1960.	Yea	Nay	Nay	Nay	Nay	Nay.
Ghana, India, Yugoslavia resolution on Congo critical of Secretary General, Dec. 20, 1960.	Nay	Yea	Yea	Yea	Yea	Yea.

RESUMED XV SESSION, 1961

Resolution reaffirming mandate of Committee on South West Africa and bring ing matter to attention of Security Council, Apr 7, 1961 (Resolution 1596).	Yea	Yea	Yea	Yea	Yea	Yea.
U.S motion to invite representatives of the Republic of Korea and North Korea to participate Korean debate (latter must accept U.N. jurisdiction) (Committee I), Apr. 1', 1961.	Yea	Nay	Nay	Abstention	Abstention	Abstention.
African resolution on apartheid: Operative paragraph re sanctions, Apr. 13, 1961	Nay	Yea	Yea	Yea	Abstention	Yea.
Asian resolution deploring apartheid (without sanctions), Apr. 13, 1961 (Resolution 1598).	Yea	Yea	Yea	Yea	Yea	Yea.
Japanese motion to seat Republic of Korea representatives without awaiting North Korean reply (Committee I), Apr. 14, 1961.	Yea	Abstention	Nay	Abstention	Abstention	Nay.
Resolution on Congo (Belgian withdrawal) operative paragraph threatening sanctions against Belgium, Apr. 15, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
Afro-Asian resolution on Congo: Operative paragraph requesting Secretary General take action re arms control, Apr. 15, 1961.	Yea	Abstention	Nay	Yea	Yea	Yea.
Afro-Asian resolution on Congo: Resolution as a whole advocating peaceful settlement, including paragraph re Secretary General, Apr. 15, 1961 (Resolution 1600).	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
Soviet draft resolution on Congo: Re convene Congo Parliament within 21 days, Apr. 15, 1961	Nay	Yea	Yea	Yea	Yea	Yea.
Resolution on Angola: Calling on Portugal to "Consider urgently * * * reforms in Angola," Apr. 20, 1961, (Resolution 1603).	Yea	Yea	Yea	Yea	Yea	Yea.
Resolution endorsing result of plebiscite in U.N. trust territory of British Cameroons, Apr. 21, 1961 (Resolution 1608).	Yea	Yea	Yea	Yea	Yea	Yea.
Arab resolution re Palestine refugees: Paragraph recognizing need of safeguarding property rights, Apr. 21, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
Arab resolution re Palestine refugees: As a whole without paragraph re property rights, Apr. 21, 1961 (Resolution 1604).	Yea	Yea	Yea	Abstention	Yea	Yea.
Resolution on U.N. trust territory Ruanda-Urundi: Instructing Belgium and U.N. Commissioner on future actions, Apr. 21, 1961. (Resolution 1605).	Yea	Yea	Yea	Yea	Yea	Yea.
Pakistan and Tunisian resolution on Congo financing: Apportioning cost among all U.N. members, Apr. 22, 1961. (Resolution 1619).	Yea	Abstention	Nay	Abstention	Yea	Abstention.
Mexican draft resolution on Cuban charges of U.S. agression: Implicit criticism of United States, Apr. 22, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
7-power Latin American resolution on Cuba: Operative paragraph re OAS responsibility, Apr. 22, 1961.	Yea	Nay	Nay	Nay	Nay	Nay.
7-power Latin American resolution on Cuba: As whole without operative paragraph re OAS, Apr. 22, 1961. (Resolution 1616).	Yea	Abstention	Nay	Abstention	Abstention	Abstention.

U.N. General Assembly—Continued

XVI SESSION, 1961

Questions	United States	Yugoslavia	U.S.S.R.	United Arab Republic	India	Indonesia
I. Disarmament nuclear testing radiation items:						
A. 25-state resolution on atomic radiation report: Implicit criticism of U.S.S.R. testing, October 20, 1961 (Resolution 1629) (SPC).	Yea	Yea	Abstention	Yea	Abstention	Abstention.
B. Czech resolution merely noting atomic radiation Committee report, Oct. 21, 1961 (SPC).	Abstention	Yea	Yea	Yea	Yea	Yea.
C. Resolution appealing to U.S.S.R. not to explode 50-megaton bomb, Oct. 27, 1961 (Resolution 1632).	Yea	Yea	Nay	Yea	Yea	Yea.
D. Indian resolution calling for urgent, uncontrolled moratorium on nuclear tasting, Nov. 6, 1961 (Resolution 1648).	Nay	Yea	Nay	Yea	Yea	Yea.
E. United States-United Kingdom resolution calling for nuclear test ban treaty with effective internation control, Nov. 8, 1961 (Resolution 1649).	Yea	Abstention	Nay	Abstention	Yea	Abstention.
F. African resolution of creation of African denuclearized zone, Nov. 24, 1961 (Resolution 1652).	Abstention	Yea	Yea	Yea	Yea	Yea.
G. Afro-Asian resolution on banning use of nuclear weapons, Nov. 24, 1961 (Resolution 1653).	Nay	Yea	Yea	Yea	Yea	Yea.
H. Swedish resolution on agreement by nonnuclear powers not to acquire nuclear weapons or allow them to be stationed on their territory, Nov. 30, 1961, Committee I (Resolution 1664).	Nay	Yea	Yea	Yea	Yea	Yea.
II. Colonialism and African items:						
A. Censure of South African Foreign Minister Louw for general debate speech, Oct. 11, 1961.	Not present	Yea	Yea	Yea	Yea	Yea.
B. Resolution asking France to recognize imprisoned Algerians as political prisoners, Nov. 15, 1961 (Resolution 1650).	Abstention	Yea	Yea	Yes	Yea	Yea.
C. Indian resolution on West New Guinea calling for direct negotiations between Dutch and Indonesians, Nov. 27, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
D. French-African resolution on West New Guinea stressing self-determination and establishing United Nations Commission, Nov. 27, 1961.	Yea	Nay	Nay	Nay	Nay	Nay.
E. 38-state resolution on colonialism establishing United Nations special committee to make recommendations on granting independence, Nov. 27, 1961 (Resolution 1654).	Yea	Yea	Yea	Yea	Yea	Yea.
F. Soviet amendment to 38-state resolution on colonialism, setting 1962 as year of elimination of colonialism, Nov. 27, 1961.	Nay	Yea	Yea	Yea	Abstention	Abstention
G. Sanctions and expulsion paragraphs of African resolution on apartheid in South Africa, Nov. 28, 1961.	Nay	Yea	Yea	Yea	Abstention	Yea.
H. Indian resolution on apartheid, condemning South Africa but without call for sanctions or expulsion, Nov. 28, 1961 (Resolution 1663).	Yea	Yea	Yea	Yea	Yea	Yea.
I. Resolution on South West Africa proclaiming right of people to independence, Dec. 13, 1961 (Resolution 1702) Committee IV.	Yea	Yea	Yea	Yea	Yea	Yea.
J. Noncompliance of Portugal with General Assembly Resolution 1542 (XV) regarding reporting to U.N. on its overseas territories, Dec. 19, 1961 (Resolution 1699).	Yea	Yea	Yea	Yea	Yea	Yea.

K. Algeria: Resolution calling for renewal of negotiations; with specific reference to PGAR, Dec. 20, 1961 (Resolution 1724).	Abstention	Yea	Yea	Yea	Yea	Yea.
L. Angola-Bulgaria-Poland resolution calling for sanctions against Portugal, Jan. 30, 1962.	Nay	Yea	Yea	Yea	Yea	Yea.
M. Angola-Afro-Asian resolution calling for self-determination of Angola, Jan. 30, 1962 (Resolution 1742).	Yea	Yea	Yea	Yea	Yea	Yea.
N. Resolution calling on U.N. Committee of 17 to consider whether Southern Rhodesia is fully self-governing, Feb. 23, 1962 (Resolution 1745).	Nay	Yea	Yea	Yea	Yea	Yea.
O. Resolution on Ruanda-Urundi envisaging termination of U.N. trusteeship on July 1, 1962, and allowing for possible continued Belgian presence after independence, Feb. 23, 1962 (Resolution 1743) Committee IV.	Yea	Yea	Abstention	Yea	Yea	Yea.
III. East-West items:						
A. Inscription of item on Tibet, Sept. 25, 1961	Yea	Nay	Nay	Abstention	Abstention	Nay.
B. Inscription of item on Hungary, Sept. 25, 1961	Yea	Nay	Nay	Abstention	Abstention	Nay.
C. Mongolian motion on seating 2 Koreans as amended, Dec. 31, 1962, Committee I.	Yea	Nay	Nay	Abstention	Abstention	Abstention.
D. U.S. motion not to seat North Korea, Dec. 19, 1961 (Committee I)	Yea	Nay	Nay	Abstention	Abstention	Nay.
E. Korea—Reaffirming earlier U.N. resolution and extending U.N. Committee for Unification and Rehabilitation, Dec. 20, 1961 (Resolution 1740).	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
F. Recognition of right of self-determination for Tibet, Dec. 20, 1961 (Resolution 1723).	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
G. Resolution deploring U.S.S.R. and Hungarian lack of cooperation with U.N. special representative on Hungary, Dec. 20, 1961 (Resolution 1741).	Yea	Nay	Nay	Abstention	Abstention	Nay.
H. Chinese representation: Important question, resolution, Dec. 15, 1961 (Resolution 1668).	Yea	Nay	Nay	Nay	Nay	Nay.
I. Chinese representation: Soviet resolution to seat Chinese Communists, Dec. 15, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
J. Cuban charges versus United States, Czech-Rumanian resolution, operative paragraph urging United States to stop interference in Cuba's internal affairs, Dec. 15, 1962 (Committee I).	Nay	Abstention	Yea	Abstention	Abstention	Abstention.
K. Cuban charges versus United States, Mongolian resolution stressing principle of nonintervention, Feb. 20, 1962.	Nay	Abstention	Yea	Abstention	Abstention	Abstention.
IV. Miscellaneous items:						
A. Admission of Mauritania, Oct. 27, 1961 (Resolution 1631)	Yea	Abstention	Abstention	Nay	Abstention	Abstention.
B. U.S. resolution on UNRWA endorsing PCC efforts without Arab amendments, Dec. 20, 1961 (Resolution 1725).	Yea	Abstention	Abstention	Abstention	Yea	Abstention.
C. UNRWA: Arab amendment re property rights, Dec. 20,1961	Nay	Yea	Yea	Yea	Yea	Yea.
D. 16-power resolution urging direct Arab-Israel negotiations, December 19, 1961 (SPC).	Nay	Nay	Nay	Nay	Nay	Nay.
E. Arab League resolution calling for self-determination in Oman and withdrawal of United Kingdom troops, Dec. 14, 1961.	Nay	Yea	Yea	Yea	Yea	Yea.
F. Resolution authorizing ONUC financing, from Nov. 1, 1961-June 30, 1962, Dec. 20, 1961 (Resolution 1732).	Yea	Yea	Nay	Abstention	Yea	Yea.
G. Resolution authorizing U.N. Emergency Force financing, from Jan. 1, 1962-June 30, 1962, Dec. 20, 1961 (Resolution 1733).	Yea	Yea	Nay	Abstention	Yea	Yea.
H. Resolution requesting International Court of Justice opinion re legal obligation of ONUC and U.N. Emergency Force payments, Dec. 20, 1961 (Resolution 1731).	Yea	Abstention	Nay	Abstention	Abstention	Abstention.
I. Resolution approving $200 million U.N. bond issue for peacekeeping operations, Dec. 20, 1961 (Resolution 1731).	Yea	Yea	Nay	Abstention	Abstention	Yea.

U.N. General Assembly—Continued

XVIIth SESSION, 1962

Questions	United States	Yugoslavia	U.S.S.R.	United Arab Republic	India	Indonesia
I. Nuclear testing, radiation items:						
37-power resolution calling for cessation nuclear testing by Jan. 1, 1963, based on 8-nation memorandum to Disarmament Committee, Nov. 5, 1962 (Resolution 1762 A).	Abstention	Yea	Abstention	Yea	Yea	Yea.
United States-United Kingdom resolution calling for nuclear test ban treaty with effective international control, Nov. 6, 1962 (Resolution 1762 B).	Yea	Abstention	Nay	Abstention	Yea	Abstention.
Resolution on Atomic Radiation Committee report: noting dangers nuclear testing and asking WMO to devise scheme for monitoring radioactivity, Nov. 20, 1962 (Resolution 1764).	Yea	Yea	Abstention	Yea	Yea	Yea.
II. East-West items:						
Inscription of item on Hungary, Sept. 24, 1962	Yea	Nay	Nay	Nay	Not present	Nay.
Korea: U.S.S.R. motion on seating both North and South Korean representatives, Dec. 11, 1962 (Committee I).	Nay	Yea	Yea	Yea	Abstention	Yea.
Korea: U.S. motion to seat South Korea representative only, Dec. 11, 1962 (Committee I).	Yea	Abstention	Nay	Abstention	Yea	Abstention.
Korea: Resolution reaffirming earlier U.N. resolutions and extending U.N. Committee for Unification and Rehabilitation (Resolution 1855).	Yea	Abstention	Nay	Abstention	Yea	Abstention.
Hungary: U.S. resolution giving Secretary General responsibility for Hungarian question and reaffirming objectives earlier U.N. resolutions, Dec. 20, 1962 (Resolution 1857).	Yea	Nay	Nay	Abstention	Yea	Abstention.
Chinese representation: U.S.S.R. resolution to seat Chinese Communists and expel Chinese Nationalists, Oct. 30, 1962.	Nay	Yea	Yea	Yea	Yea	Yea.
III. Other political items:						
U.S. resolution on UNRWA: Operative paragraph 2 thanking Palestine Conciliation Committee for efforts to solve refugee problems, etc., Dec. 20, 1962 (Resolution 1856 Rev. 1).	Yea	Abstention	Abstention	Abstention	Yea	Abstention.
U.S. resolution on UNWRA: Final resolution (Resolution 1856) requesting Palestine Conciliation Committee to continue its endeavors and continuing UNWRA until June 30, 1965. Dec. 20, 1962.	Yea	Yea	Yea	Yea	Yea	Yea.
Arab League resolution calling for self-determination in Oman and withdrawal of United Kingdom troops Nov. 28, 1962, SPC (failed to get ⅔ in General Assembly).	Nay	Yea	Yea	Yea	Abstention	Yea.
IV. U.N. administration and financing items:						
Resolution accepting International Court of Justice opinion on U.N. peacekeeping operations, Dec. 19, 1962.	Yea	Abstention	Nay	Abstention	Yea	Yea.
Resolution establishing 21-member committee to recomment special financing methods for future peacekeeping operations, Dec. 19, 1962, Committee V.	Yea	Abstention	Nay	Abstention	Yea	Yea.
Election of U Thant as Secretary General of U.N., Nov. 30, 1962 (Resolution 1771).	Yea	Yea	Yea	Yea	Yea	Yea.
6-power resolution on equitable geographical distribution Secretariat stressing Charter art. 101(3) and recommending guidelines for improved distribution, Nov. 28, 1963, Committee V.	Yea	Yea	Nay	Yea	Yea	Yea.

V. Economic and social items:						
Resolution requesting all possible aid for Chinese refugees in Hong Kong, Dec. 7, 1962 (Resolution 1784).	Yea	Nay	Nay	Nay	Yea	Abstention.
Resolution on permanent sovereignty over natural resources, Dec. 14, 1962 (Resolution 1803).	Yea	Yea	Abstention	Yea	Yea	Yea.
Resolution on technical and financial assistance to Rwanda and Burundi, Committee II, Dec. 14, 1962.	Yea	Yea	Abstention	Yea	Yea	Yea.
Resolution noting with appreciation "Cairo declaration of developing countries," Committee II, Nov. 8, 1962.	Yea	Yea	Yea	Yea	Yea	Yea.
VI. Colonialism and African items:						
Resolution taking note of Dutch-Indo agreement on West New Guinea and authorizing U.N. role in agreement, Sept. 21, 1962 (Resolution 1752).	Yea	Yea	Yea	Yea	Yea	Yea.
Apartheid in South Africa: Resolution recommending sanctions and possible Security Counsel action, Nov. 6, 1962 (Resolution 1761).	Nay	Yea	Yea	Yea	Yea	Yea.
Resolution on colonialism enlarging to 24 members U.N. Special Committee on Granting Independence: Vote on Resolution as whole without target date paragraph, Dec. 17, 1962.	Yea	Yea	Yea	Yea	Yea	Yea.
South Rhodesia: Resolution calling for lifting of ban on ZAPU Political Party and release of ZAPU President, Oct. 12, 1962 (Resolution 1755).	Abstention	Yea	Yea	Yea	Yea	Yea.
South Rhodesia: Resolution requesting United Kingdom to bring about new constitution for territory and extend voting rights to whole population; requesting "good offices" of Secretary General, Oct. 31, 1962 (Resolution 1760).	Abstention	Yea	Yea	Yea	Yea	Yea.
South West Africa: Resolution requesting Committee 24 to take up questions Southwest Africa and requesting Secretary General to establish "effective U.N. presence" in territory, Nov. 19, 1962.	Yea	Yea	Yea	Yea	Yea	Yea.
Portuguese territories: Resolution approving report of Special Committee and requesting cessation sale and supply of arms to Portugal, Dec. 14, 1962 (Resolution 1807).	Nay	Yea	Yea	Yea	Yea	Yea.
Portuguese territories: Resolution establishing U.N. educational program for students of territories and inviting U.N. members to provide scholarships, Dec. 12, 1962 (Resolution 1808).	Yea	Yea	Yea	Yea	Yea	Yea.
Angola: Resolution supporting immediate independence and requesting Security Council action, including sanctions.	Nay	Yea	Yea	Yea	Yea	Yea.

NATURE AND USE OF SPARE PARTS

Mr. MINSHALL. Mr. Chairman, if it already has not been provided for the record, I should like to have it inserted in the record in detail just what are these spare parts for? This is $2 million. What type category items are they? What do they include? Can you tell us now very briefly?

General EATON. I can tell you very briefly, sir, perhaps not in the detail you would like. May I give you the detail I have?

Mr. MINSHALL. Just a broad picture.

General EATON. I told you we had received requests for some $326,000 worth of spare parts since August, 1962. These consisted of $108,000 worth of automotive repair parts and $19,900 worth of gun repair parts of a total of Army equipment of $128,000. For the Air Force there is a request for $197,979 of spares for F–86 D and E aircraft, both of which were furnished or came from the United States.

Mr. PASSMAN. Which means, of course, that in subsequent months the amount of parts needed to maintain the aircraft that we gave them will be on the increase?

General EATON. Extrapolating from this $326,000, which is an actual request, to the $2 million that is requested in the program, that is as I understand it, sir.

May I make one comment at this point, sir?

Mr. PASSMAN. Certainly.

REPORT OF SPECIAL STUDY MISSION TO EUROPE

General EATON. I would like to invite your attention, which I am sure you are familiar with, to a report of a special study mission to Europe by the House Foreign Affairs Committee.

Mr. PASSMAN. You say House Foreign Affairs Committee?

General EATON. Yes.

This committee in its report spoke of "Yugoslavia's independent course" and in the conclusions of its study I would like to read one paragraph which I think is particularly pertinent to what we are discussing?

If I may quote, sir:

> The study group is of the opinion that the Congress and the executive branch should continue to give careful attention to developments within the captive European nations. The study group further believes that carefully designed use of the instruments of our foreign policy—including trade and other relations—with respect to these countries is appropriate and in the long run may produce results beneficial to the United States.

DISTANCE BETWEEN WESTERN CAPITALS AND MOSCOW

Mr. PASSMAN. What is the distance from Washington to Moscow?

Mr. DAVIS. A little over 5,000 miles.

Mr. PASSMAN. What is the distance from Paris to Moscow?

Mr. DAVIS. Guessing, 800 miles.

General EATON. 1,600 to 1,700 miles.

Mr. PASSMAN. What is the distance from London to Moscow?

General EATON. Perhaps 1,800 or 1,900.

Mr. PASSMAN. From Bonn to Moscow?

General EATON. About 200 less, sir.

Mr. PASSMAN. And Rome to Moscow?

General EATON. About 1,600 or 1,700, sir.

Mr. PASSMAN. Thank you.

General EATON. May I check these for the record?

Mr. PASSMAN. It appears that the further you get away from these things the less difficult they are to manage. We could not handle Cuba, but we are handling Vietnam, 15,000 miles away.

(The information supplied follows:)

Distances between certain Western capitals and Moscow are as follows:

	Miles		Miles
Washington to Moscow	4,860	London to Moscow	1,560
Paris to Moscow	1,540	Bonn to Moscow	1,260

PERCENTAGE OF GNP EXPENDED FOR DEFENSE

We were dealing with percentages yesterday. They said the gross national product had increased in Europe.

In 1950 the United States provided 5.1 percent of its GNP for national defense, did it not?

General EATON. That is correct, sir. I have already asked——

Mr. PASSMAN. Let me finish if I may, please, General.

General EATON. Beg your pardon, sir.

Mr. PASSMAN. The NATO nations provided a total of 5 percent of their GNP, did they not?

General EATON. Yes, sir.

Mr. PASSMAN. In 1956 the United States had almost doubled its percentage of defense spending. It went up to 10 percent of the GNP did it not?

General EATON. Yes, sir.

Mr. PASSMAN. Whereas the other members of the NATO moved up to 5.7 percent of their GNP?

General EATON. That is right, sir.

Mr. PASSMAN. In fiscal year 1962 the European nations had reduced their percentage from 5.7 to 5.4 percent of their GNP; is that correct?

General EATON. That is right, sir.

Mr. PASSMAN. Whereas the United States reduced by only 0.2.

General EATON. Yes, sir.

Mr. PASSMAN. In 1962 the United States spent 9.8 percent of its GNP for defense purposes and the NATO nations 5.4 percent; is that correct, sir?

General EATON. Yes, sir.

DOLLAR BORROWING FROM EUROPEAN NATIONS

Mr. PASSMAN. Could you tell us from how many of the European nations that we have a grant military aid program for in fiscal year 1964 we are presently borrowing money?

General EATON. This is a complicated problem, sir.

Mr. PASSMAN. Let us take the time and get it in the record.

General EATON. Sir, I would like to make a very short remark. As I understand your request, it pertains to those countries to which we are giving grant-aid——

Mr. PASSMAN. From whom we are borrowing American dollars. They have American dollars in excess of their needs to deal in commerce and, upon our persuasion, they are not using those dollars to demand our gold, and, as they have dollars in excess of their needs to deal in commerce, we are now borrowing those dollars from them. Those are the nations we want, the nations that we are borrowing dollars from presently or plan to borrow dollars from under negotiations that are underway.

General EATON. Yes, sir. In view of the dollar role in the international reserve currencies——

Mr. PASSMAN. Can you not give us a direct answer?

General EATON. I cannot, sir. I am not a Treasury expert, sir.

Mr. PASSMAN. Can any of the people here supporting you give us that information?

General EATON. Sir, I can give you a list of the nations that are purchasing U.S. Treasury bonds——

Mr. PASSMAN. We want a direct answer and if you do not have it, then we want you to request the information and supply it for the record.

General EATON. I will request that from the Department of Treasury, sir.

Mr. PASSMAN. We are making these loans and are agreeing to repay them in the currency of the country. We want the information directly so there will be no misunderstanding.

You are familiar with the fact that we are borrowing money from foreign nations?

General EATON. Secretary McNamara provided some information on that earlier on page 110; however, the extent of my knowledge of borrowing, sir, is that foreign nations are purchasing U.S. bonds.

Mr. PASSMAN. To be redeemed tomorrow if they want it done.

General EATON. I do not know the terms of the redemption, sir.

Mr. PASSMAN. They have those dollars. We want to bring some of them home so as to kind of shore up the sagging dollar around the world, because we have been sending more out every year for the past 13 years, with the exception of 1 year, than we have been getting back, and our balance of payments situation is very critical. The only way we can get the dollars home is to borrow them, so we are borrowing them. Yet, here we are putting up double what the other members of the NATO nations are putting up, although we have a public debt exceeding by $24 billion the combined debt of all the other nations of the world.

COUNTRIES REQUIRING A PRESIDENTIAL DETERMINATION PRIOR TO ALLOCATION OF FISCAL YEAR 1964 FUNDS

Could you cite the list of countries that will require a Presidential determination before they can receive any funds from the 1964 program?

General EATON. Yes, sir. I can give it to you, if I may have just a moment, sir.

Mr. PASSMAN. I am posing this as a worldwide question. I am addressing it, if I may, to General Wood.

General Wood. I read off a list yesterday, you will recall, of the countries which require a Presidential determination because no bilateral agreement exists. I would like to amend that today only because in studying those countries, some of them are involved only in training and P.C.H. & T. which does not require a Presidential determination. However, there remain ——— countries for which, if we give grant material aid, a Presidential determination will be required, and those include: Argentina, Bolivia, the Congo, Costa Rica, El Salvador, Ghana, Indonesia, Jordan, Laos, Mali, Morocco, Panama, Paragray, Saudi Arabia, and ———.

Mr. Rhodes. Determination as to what?

General Wood. Presidential determination—it is under section 614. I would have to get the law. I do not have it handy, but because they do not have a bilateral, the President determines——

Mr. Rhodes. This is the supporting assistance category, is it not?

General Wood. This is related to grant aid.

General Eaton. May I give an example that may help on that? In the case of ———, we do not have a bilateral agreement with ———. Therefore, before any military assistance may be given ——— the President must make a determination, and in that case it is under section 614(a) of the Foreign Assistance Act which approves the granting of military assistance.

Mr. Rhodes. Of course, the fact we give aid to ——— we have to keep secret anyway.

General Eaton. ———yes, sir.

Mr. Gary. Are those countries you just named ones the President has approved or those that have to be approved?

General Wood. They have to be approved annually, sir. These are countries in the 1964 program for whom some grant material aid is contemplated.

Mr. Gary. They have been approved by the President, I presume.

General Wood. They will be approved before the program is implemented sir. In general we do not ask the President for determinations until after the act is passed.

Mr. Gary. Then you ask him whether you can spend the money or not after it has been appropriated?

General Wood. Yes, sir.

ORIGIN AND DEVELOPMENT OF PROGRAM

Mr. Passman. Of course, we know the policy is not necessarily that of the President. As you stated yesterday, this is a State Department military program, but we do have military men from the Defense Department working with the State Department. What veto power do you, as a military man, have over decisions made by the State Department as to military aid, if any?

General Wood. I would not say I personally have any veto power other than a recommendation which I can make to the Secretary of Defense and then it is a question of discussion between the Secretary of Defense, Mr. Bell and Mr. Rusk.

Mr. Passman. We discussed yesterday that maybe it is an American Ambassador out in some country where the local people decide they want some guns. They start the negotiations with the Ambas-

sador out in that country; then the Ambassador makes his recommendations to Washington. It could work that way or it could work that the Ambassador representing that country, with which we have no defense alliance or agreement, may request it at the Washington level of the State Department. It could come either way, could it not?

Mr. DAVIS. The Ambassador would not be permitted to negotiate until he receives instructions from Washington.

Mr. MILLER. Mr. Chairman, the authorizing act in all of section 622 covers the coordination of foreign policy with the assistance carried out under that act. Section 622(c) provides that:

> Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance programs authorized by this Act, including but not limited to determining whether there shall be a military assistance program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby.

Mr. PASSMAN. We are using the names of the Secretary of State and the President. You know and I know that the Secretary of State and the President have not gone out to 70 countries to enter into agreements to give them guns. Let the record speak for itself that these negotiations could start in the field between representatives of the country and our Ambassador. We know that the final determination is made in Washington but the negotiations could start in the field, could they not?

Mr. DAVIS. Yes.

Mr. PASSMAN. Thank you very much, sir.

General EATON. Mr. Chairman, you made several comments pertaining to pages 42 and 43. May I add two comments to your discussion in that connection, sir?

Mr. PASSMAN. Certainly.

MILITARY EXPENDITURES BY MAP RECIPIENTS

General EATON. Sir, when I appeared before you last year, I told you that we expected that each country listed on page 42 would, for calendar year 1961, make a positive increase, an absolute increase, in its defense expenditures. You pointed out to me at that time that there would still be a sizable decrease, in many cases, of the percentages of their GNP devoted to defense, even though there was an absolute increase anticipated in the defense expenditures in each country. Well, as it worked out, as of this moment, there was an actual increase in every country except Greece, in absolute terms, though I grant there were decreases in the percentages of GNP devoted to defense.

However, if I might invite your attention to the next column headed "Calendar Year 1962" you will note that of all of the prosperous European countries, by, I think, your own definition, and I thereby exclude Greece and Turkey, there was an increase in the percentage of their GNP devoted to defense in every case except Belgium, Luxembourg and the United Kingdom, and they remained constant. This is in my mind an improvement, sir, and as Mr. McNamara pointed out to this committee recently, during the past 24 months the European defense budgets have increased as follows: Denmark, by 30 percent;

Federal Republic of Germany by 40 percent; Italy by 22 percent; and Norway by 28 percent. It is a hard job, but we are trying to get them up, sir.

Mr. PASSMAN. Thank you, General. If I go to church Sunday and put 50 cents in the plate and raise it to 55 cents the following Sunday, I have increased my contribution to the church, have I not?

General EATON. You have, sir.

Mr. PASSMAN. All right, sir. These percentages I read in the record are accurate, are they not?

General EATON. That is correct, sir.

Mr. PASSMAN. When we are approaching 10 percent of our GNP to defense, and all the other NATO nations are contributing only 5.4 percent, and they have become wealthy and accumulated tremendous gold reserves and dollars in excess of their needs to deal in commerce, and we are getting in such a bad way through our generosity we have to borrow dollars from them, just the fact they are increasing the amount somewhat does not satisfy me.

General EATON. It does not satisfy me, either, sir.

Mr. PASSMAN. Thank you. I know it is a difficult job. There is some indication on page 9:

Our allies are well along the road in meeting their defense needs.

Testimony prior to your testimony indicates they are on the road all right, but they have not gone very far in many instances. "Some selective help is still required," you say. Top echelon witnesses have told us that, notwithstanding the fact of their phenomenal recovery and their wealth, that we had entered into commitments prior to the recovery; therefore, it was necessary that we live up to them.

I do not feel we are better able to finance the protection of Europe than those people are themselves. The record is certainly on the side that they are able to do it if they would do it.

General EATON. Sir, we are also defending ourselves in Europe. I hope you are not forgetting that.

Mr. PASSMAN. Of course I am not forgetting that fact.

But we are trying to take some of the fat out of this program, while expecting that the European nations would carry a more reasonable share of the load.

General EATON. If I may make a statement on that, I support the program I am defending completely.

MAP PROGRAM FOR ITALY

Mr. PASSMAN Last year it was indicated that the cumulative military aid program for Italy through fiscal year 1962 was $2,273,864,000. This year, on page 45 of the justifications, you indicate that you have allocated $37,442,000 to Italy, which should give a total through fiscal year 1963 of $2,311,306,000. However, page 45 indicates that the cumulative total through fiscal year 1963 for Italy is $2,294,510,000. What accounts for the difference of $16,796,000?

General EATON. Sir, if I am not mistaken, you referred to columns C and D, on page 65, rather than 45; is that correct?

Mr. PASSMAN. Page 45, this year's justifications.

General EATON. Sir, there have been recoupments in the amount shown in the cumulative program through 1963 which would reduce

the total amount, to which the figure you quoted would be added. If I may make another point, column (d) which shows $37 million is included in the $2.294 million shown in column (c) and is not additive thereto. Column (c) is the cumulative program for fiscal year 1950 through 1963. Column (d) is fiscal year 1963 as of March 19, 1963. The apparent reduction in column (c) is the recoupment from the program.

RECOUPMENTS, DERESERVATIONS, DEOBLIGATIONS, AND SQUEEZE-OUTS

Mr. PASSMAN. The word "recoupment" is used frequently now. When you get your appropriation you have a plan for the 70 nations in the program, more or less. Then you make your allocation in the way of a reservation. The Defense Department, if it is not the shelf items, which represents 36 percent of all military assistance programed, procures for the military assistance program and bills the military assistance program for the cost. Is that the way it works?

General WOOD. Yes, sir, and, of course, one reason for recoupments are price changes.

Mr. PASSMAN. This is the only agency that is privileged to reserve rather than to obligate; is that correct?

General WOOD. Yes, sir; by law.

This particular method—not paying until delivery—is peculiar to the military assistance program.

Mr. PASSMAN. It is the only agency where you have that system of reservation rather than obligation?

General WOOD. Yes, sir.

Mr. PASSMAN. If you were appropriating for the Defense Department or the Post Office Department and you had money you did not use, you would say the money was deobligated; is that correct?

General WOOD. It would be available for deobligation, sir.

Mr. PASSMAN. For practical purposes could we have the same understanding, that a squeezeout, recoupment, deobligation, or dereservation is all the same thing? There is an amount allocated in excess of need to meet the requirement, whether it is because of changes in price or whether you no longer have requirement?

General EATON. I would not express it that way, sir. I would not say "an amount in excess of requirement." I would say that the requirement for funds has changed since the program was presented, but I would not say that the original program was in excess of the requirements.

Mr. PASSMAN. Why would you not say it was in excess of requirements when you have deobligated, squeezed out, dereserved, recouped in the past 2 years more than $400 million?

General EATON. For example, sir, you were discussing the program for Italy, where there was about a $16 million change.

Mr. PASSMAN. You said it was a recoupment.

General EATON. It is a recoupment.

Mr. PASSMAN. I want to know your definition of a deobligation, or a recoupment, or a squeezeout. Is it the same thing?

General EATON. I do not know what you mean by squeezeout, sir.

Mr. PASSMAN. A four-star general gave us that phrase.

General Wood. I think from a practical standpoint that you are absolutely right. It is all the same thing.

Mr. Passman. We have a meeting of the minds, that generally a squeezeout, recoupment, deobligation, or dereservation is the same thing.

General Wood. It has the same effect. It produces money for other projects.

Mr. Passman. Thank you very much.

General Wood. You are welcome, sir.

MAP PIPELINE IN EUROPE

Mr. Passman. General, why is the pipeline for Europe so large, especially based upon the estimate for 1964? It appears to involve a leadtime of approximately 3 years; is that correct?

General Eaton. No, sir. I think the pipeline is less than that, now, sir.

It is my understanding the pipeline is now about 18 months, sir. There is a pipeline of——

Mr. Passman. You have an estimate of $229,356,000 for fiscal year 1964. What is your estimated unexpended MAP balance on June 30, 1963?

General Eaton. For Europe as a whole?

Mr. Passman. That is right.

General Eaton. $619,894,000.

Mr. Passman. How many months leadtime would that be, or how long are you funded for under this rate of expenditure?

General Eaton. Sir, this does not represent the complete picture. As of this date, there are varying time elements in the pipeline. The pipeline in the past, which is represented to some degree in these figures, was much longer than the 18 months I now anticipate. As I recall it was 22 months last year.

Mr. Passman. For the military program in Europe, you have a pipeline of how many months?

General Eaton. It is my understanding it is 18 months at the present time, sir.

Mr. Passman. Then your expenditures for fiscal year 1964 would be arrived at by taking the $619,894,000, plus whatever percentage—let us use it in the total—$229,356,000—and that would be $849,250,000.

What was the amount of expenditure for Europe in fiscal years 1961 and 1962, per year?

General Eaton. Estimated deliveries for Europe for——

Mr. Passman. Deliveries would be the same thing. When you talk about deliveries, then you pay the Defense Department for the cost of them; do you not?

General Eaton. Yes, sir; the value of the deliveries during fiscal year 1963 was $450,333,000. I will have to go to last year's book which I do not have handy.

Mr. Passman. What figure did you give us, sir?

General Eaton. For 1962 it was $383,428,000.

Mr. Passman. You would have a pipeline based upon your 1964 program of 2 years and 7 months, which is 31 months; yet you refer to it as 18.

General EATON. Sir, this is an average figure. For example, the consortium production of aircraft goes on through 1965. The Norwegian shipbuilding programs go on through 1965 or later, so the average figure of 18 months cannot be applied directly.

AVERAGE LEADTIME, WORLDWIDE

Mr. PASSMAN. From the time you get the money, place your orders, until procurement, what is the leadtime?

General WOOD. I said yesterday I did not think it was quite as low as 18 months. I thought 20 or 22 was closer. On the arithmetic, I think if you divide by the 1963 deliveries you would get approximately 2 years; 450 out of 800 some, which shows it is better than it was based on the 1962 figure.

Mr. PASSMAN. Approximately 18 months is the leadtime, taking the shelf items as well as new procurement.

General WOOD. I think General Eaton's average figure is probably good in that context; yes, sir.

Mr. PASSMAN. Would that same formula apply pretty generally worldwide?

General WOOD. I felt yesterday it was a little bit higher than that, sir.

Mr. PASSMAN. You were very fair about it.

General WOOD. I have not tried to compute it since yesterday.

Mr. PASSMAN. We were told that because of the sophisticated weapons the leadtime was a little longer.

General WOOD. That is why, if we agree 18 for Europe is approximately correct, I wonder if the same formula would apply here.

General EATON. I was giving a worldwide figure, sir.

Mr. PASSMAN. Leadtime is approximately 18 months?

General WOOD. I think that is a good estimate.

Mr. PASSMAN. That includes——

General WOOD. I would like to get the military department's estimate——

(The following information was supplied later:)

An average leadtime of 18 months is confirmed as stated previously on page 211.

Mr. PASSMAN. That includes your new procurement as well as shelf items. It is important to have them both there because it would not be fair to you to indicate that the items that the Defense procures for you are 18 months and the other is lower. That would bring it down. You would have to put them both together to get the average; is that correct?

General EATON. I would guess it is, sir.

UNEXPENDED BALANCE FOR EUROPE

Mr. PASSMAN. General, why is the unexpended balance for ——— so large in view of the fact the 1962 and 1963 programs are composed primarily of training costs. I believe the estimate is $———.

General EATON. The unexpended balance is $———. That is correct, sir. The equipment ——— shown there, and its spares, that result from former grant-aid programs which are scheduled for delivery

in fiscal year 1964. We had credit sales with ——— last year, selling them some $——— worth. In fiscal year 1963, negotiations were completed for ——— acquisition of approximately $——— in U.S. military hardware and related services, under long-term credit arrangements calling for payment of about $——— in interest charges——

Mr. PASSMAN. Is that under the program for development credits?

General EATON. It was partly financed by an ——— and partly by Defense. The Defense share of that was $——— interest free, repayable in ———. The major categories of the hardware involved——

Mr. PASSMAN. You said interest free?

General EATON. That is correct, sir.

Mr. PASSMAN. Of course that is not unusual, but thank you.

General EATON. The major categories of the hardware involved are ——— and related material, at a value of $———; miscellaneous ammunition, $———; communications and other equipment $———, for a total of $———.

Mr. PASSMAN. From whom did ——— purchase the ———?

General EATON. ——— to the best of my knowledge, sir, subject to correction of the record.

Mr. PASSMAN. How did ——— finance this purchase?

General EATON. I am not aware of that, sir. I am not sure that I could get that information. I would be happy to try.

Mr. PASSMAN. I believe maybe we are borrowing some money from ———, are we not?

General EATON. I cannot answer that question, sir. I would attempt to find that answer as a part of the overall question you asked earlier.

(Information supplied follows:)

——— is not among the European countries from whom the United States borrows local currencies on intermediate term loans. Like most countries of the world, however, ——— holds dollars, a portion of which are invested in U.S. securities, and to this extent may be considered a "lender" to the United States.

Mr. PASSMAN. I believe ——— is a pretty strict operator. They do not have a grant-aid program, do they?

General EATON. I do not know that, sir.

Mr. PASSMAN. Would you find out for us, whether ——— paid cash for the ——— they bought from ——— or whether it was on terms, and if so, the terms?

General EATON. I will attempt to get an answer for the record, sir.

(The information supplied the committee is classified.)

Mr. PASSMAN. General, do you not think we should have this information before we ever recommend a dime, especially when we take into account the very liberal policy we have had toward ——— and the amount of aid we have given them since the end of World War II?

You will get that information for us if you can?

General EATON. I will, sir.

UNEXPENDED BALANCE FOR BELGIUM

Mr. PASSMAN. Why is the unexpended balance for Belgium—the estimate is $24,700,000—so high?

General EATON. The major item there is $——— which represents ———, which are being furnished by the United States as grant aid. I think you understand the provisions of that program, sir. That is the major item $———. There is also another item of $——— for ———. That is a ———.

Mr. MINSHALL. Is this for ———.

General EATON. It is Universal, ———.

Mr. MINSHALL. What are they?

General EATON. They are Universal. They handle either.

Mr. MINSHALL. If they handle either, what is in position now?

General EATON. There is a combination of both ——— and ———. I cannot give you the specific for Belgium at the moment. They are equipped to fire either one, sir.

FUNDING FOR PRIOR YEAR PROGRAMS

Mr. PASSMAN. Is it normal budgetary practice, General, for you to request funds to pay for delivery of material which was programed in prior fiscal years?

General EATON. Well, sir, I think we have spoken of commitments that extend beyond the period of 1 year and there is incremental funding that is required, since the end product does not come off the line all at one time. Beyond that, I am not sure of the intent of your question, Mr. Chairman.

Mr. PASSMAN. I ask, is it normal budgetary practice for you to request funds to pay for the delivery of material which was programed in prior years? What if you did not get the money; then what would you do?

General EATON. Sir, anything that we program is subject to appropriation of the necessary funds by the Congress. I am still not certain of your question, sir, other than that there are continuing programs, for example, the F–104G consortium production, which extend over a period of several years, for which we did not request, during the first year, all of the funds necessary for the program during its life. We made the request on an estimate production and availability basis so that the funds, as far as possible, would be available when the product came off the end of the line.

Mr. PASSMAN. You are applying that to one item. Let us get the general question: Ordinarily you do not program and allocate until Congress appropriates the funds?

General EATON. That is right, sir.

Mr. PASSMAN. As you mentioned this F–104, did the Congress appropriate all the money for the F–104 in a lump sum, $142 million, approximately?

General EATON. It is not my understanding that is so. Perhaps I am misinformed, sir. My understanding is that the program was funded——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

General WOOD. I don't believe that statement is correct, Mr. Chairman.

U.S. SHARE IN F–104G CONSORTIUM

Mr. PASSMAN. It was a question.

General WOOD. My figures show $145 million is the total contemplated for U.S. participation in the F–104G consortium in Europe and that is funded on the basis of $86.9 in 1961, $39.2 in 1962, $15.5 in 1963, $2 million is contemplated for 1964, and $1.4 million is estimated for the remaining amount which is contemplated for 1965.

Mr. PASSMAN. Are you not reading figures from the consortium F–104 program and not the grant aid program?

General WOOD. This is the U.S. funding part of the total.

Mr. PASSMAN. My question had to do with grant aid because we are in the field of grant aid. We will not object to selling anything to European nations for cash, but did we make our grant aid portion in one lump sum?

General WOOD. We made the agreement, always contingent upon the availability of funds, to receive 100 aircraft from the consortium production for which we would pay approximately $145 million out of the MAP funds.

I think it is not correct to say all of the money is appropriated in 1 year, sir.

General EATON. Mr. Chairman, may I submit a statement for the record on this question?

Mr. PASSMAN. You may submit a statement for the record.

General WOOD. I think, if I recall, you asked yesterday for a statement to be inserted on F–104's, not only from Europe but Canadian production and Lockheed production, in connection with my testimony yesterday and that is being prepared, sir.

Mr. PASSMAN. My question had to do with whether or not we made one appropriation for the grant aid to the consortium. That is what we wanted to check on and insert in the record.

General WOOD. We will do that.

(The information supplied follows:)

The F–104G Starfighter aircraft production project in Europe (F–104G Consortium) was financed from appropriations requested and made for military assistance, as follows:

Fiscal year 1961	$86, 864, 000
Fiscal year 1962	39, 136, 000
Fiscal year 1963	15, 500, 000
Total	141, 500, 000

MAAG PERSONNEL REQUIREMENTS FOR BELGIUM

Mr. PASSMAN. General, why do you need 37 military personnel and 8 civilians in fiscal year 1964 to administer what is basically becoming a training program?

General EATON. May I ask what country you are speaking of, sir?

Mr. PASSMAN. Belgium.

General EATON. Sir, I would not agree with your judgment that it is basically at this time a training program, Mr. Chairman. There is considerably more going on in Belgium than just training. As you yourself pointed out, there is an undelivered balance of $24 million worth of equipment which must yet go into Belgium. The receipt, storage, distribution, handling, and care of this equipment must be

checked. This is required under the law. Then there are additional functions for the MAAG beyond that, sir.

Mr. PASSMAN. Now supply operations—and the figure is classified and the only other figure I see is training, $——— using that separate from the other, it would not be classified, would it?

General EATON. I beg your pardon?

Mr. PASSMAN. I am on page 49.

General EATON. Which figure would not be classified?

Mr. PASSMAN. The $———.

General EATON. That is classified until the program has been communicated to the country, to the best of my knowledge, sir.

Mr. PASSMAN. Then, I repeat: Why do you need 37 military personnel and 8 civilians in fiscal year 1964 to administer what is basically becoming a training program? You are dealing with supply operations as one item and training as another item?

General EATON. But, sir, supply operation in itself involves, as you will see in the item just above, the delivery of considerable equipment in the future. Now, there are additional functions beyond training functions that are required of the MAAG.

Mr. PASSMAN. How much of the training program estimate of $——— is for orientation itself?

FUNCTIONS OF MAAG PERSONNEL

General EATON. May I answer that after I make a few comments on what the MAAG's do in addition to the training, sir, in answer to your earlier question?

Mr. PASSMAN. Yes.

General EATON. There are general functions beyond the grant aid program which are as follows:

1. To maintain a U.S. military presence under the legal status established by the bilateral military mutual defense assistance program agreement.

Mr. MINSHALL. What are you reading from?

General EATON. I am reading from the functions of the MAAG's.

Mr. MINSHALL. Can you give us a copy so we will know what you are reading from?

General EATON. I do not have a copy for each member, sir. I can have it reproduced and distributed to you.

Mr. MINSHALL. Who wrote it? These are not your words. You are reading from something.

General EATON. I can describe it very well without reading it, sir, if that is your point.

Mr. MINSHALL. Go ahead and continue reading but let's just note it.

Mr. PASSMAN. The record will show that you are reading.

Mr. RHODES. Can't the general tell us what it is he is reading? Who wrote it? Does it come from the Department of Defense?

General EATON. It comes from the Department of Defense. I find it was written by a man who works for me, so it must represent my judgment of what is going on.

Mr. RHODES. That makes it very official. Go right ahead.

General EATON. I was asked for my opinion and I would say this would express it.

In addition to maintaining the U.S. military presence which I mentioned, sir, we wish to maintain active contacts and perpetuate the position of trust that has been engendered with the military services and the defense ministries and the services to which our personnel are accredited. This is beyond and completely outside the purview of the intelligence function carried out by the attaché system. Our people render technical advice and training assistance, especially for advanced weapons systems which have constituted the bulk of the program in the European countries for the past several years.

Where appropriate and specifically assigned, the MAAG is a point of contact and a channel for country military purchase inquiries and orders—specifically, in Germany where they are purchasing sufficient U.S. military equipment to offset our balance-of-payments expenditures in that country.

They coordinate with the host country on its aid to third countries, which we are trying to increase.

They handle the mutual weapons development program arrangements and they assist in cooperative logistics arrangements.

Mr. PASSMAN. As far as I am concerned we shall refer to it again next year and note now that your 37 military personnel and 8 civilians in fiscal year 1964 are to administer what is basically becoming a military training program in Belgium.

I am looking at page 49. Under "Supply operations" the cost that you set up is for delivery of prior-year allocations, is it not?

General EATON. It is anticipated as the cost of delivery during fiscal year 1964, sir.

Mr. PASSMAN. That is for the supply operations?

General EATON. That is right.

Mr. PASSMAN. There is $——— for training?

General EATON. Yes, sir.

Mr. PASSMAN. You will have 37 military personnel and 8 civilians in this program jointly?

General EATON. That is correct, Mr. Chairman.

COST OF ORIENTATION VISITS

Mr. PASSMAN. How much of the training program estimated at $——— is for orientation visits?

General EATON. I do not have a breakdown by each individual course, sir. I can give you the overall cost.

Within the Army——

Mr. PASSMAN. I am speaking, of course, of Belgium now. Could you give us the total?

General EATON. I am giving you, for Belgium, the Army program.

For the Army, we have ——— command and staff visits, ——— orientations visits, missile training courses, ——— in communications and electronics.

Mr. PASSMAN. How much of the training program of $——— is estimated for orientation visits; do you have it?

General EATON. I will have to provide that for the record.

Mr. PASSMAN. All right, sir.

(The information supplied the committee is classified)

General EATON. May I make one further point on your earlier discussion, sir? By your description, we would not have needed MAAG's during the first 2 years of existence of the program. Or at least until we first started to deliver equipment.

Mr. PASSMAN. I do not remember saying you did not need the MAAG's.

General EATON. I thought you questioned the numbers of personnel.

Mr. PASSMAN. You may describe it in any way you want to. I asked a friend for the time of day one day and he first had to tell me how the watch was originally made, who made it, what it was made out of, and what kind of time it kept. It took him 30 minutes to do it, but then he told me the time of day and I thanked him. But that is all right because I learned a lot about the watch.

UNEXPENDED BALANCES FOR DENMARK

The unexpended balance of $85,162,000 for Denmark is approximately ——— years leadtime based upon the 1964 estimate of $———. Is that correct?

General EATON. I couldn't verify the figure on 4 years leadtime, sir.

Mr. PASSMAN. I can say that you have $85,162,000 unexpended to the credit of Denmark.

General EATON. That is correct, sir.

Mr. PASSMAN. And your 1964 estimate is $———. I am just using a mathematical formula.

General EATON. Yes, sir.

Mr. PASSMAN. Would you care to comment on it?

General EATON. No, sir. I don't understand the question in your comment, sir.

Mr. PASSMAN. The unexpended balance for Denmark of $85,162,000 is approximately ——— years leadtime based upon 1964 estimate of $———?

General EATON. I see no correlation between the figures in terms of leadtime, Mr. Chairman.

Mr. PASSMAN. We are dealing with an annual program and you are requesting $——— for Denmark for fiscal year 1964?

General EATON. Yes, sir.

Mr. PASSMAN. But you have on hand to the credit of Denmark $85,162,000?

General EATON. That is right, sir.

Mr. PASSMAN. One of your assistants is giving you some comment. Does he have the answer?

General EATON. I can't really read his handwriting, sir.

Mr. PASSMAN. Would you please state what you told the general so he can put it in the record?

Mr. BRADFORD. The majority of it is in F–104 aircraft, sir.

Mr. PASSMAN. All right, sir.

General EATON. But I still don't think that answers your question.

Mr. PASSMAN. You have a 4-year leadtime on hand, if you are going to withdraw $——— a year.

Let us go back now to fiscal 1963 as compared to 1964. Take your 1963 deliveries of $22,752,000. If you multiply that by four do you not come out with a figure near $85,162,000?

General EATON. Yes, but I see no relation, sir.

Mr. PASSMAN. It is what I see and I asked the question.

General EATON. If you will multiply 22 by 4 you will get approximately 85; yes, sir.

Mr. PASSMAN. It would be 4 years' leadtime on that mathematical formula.

Mr. RHODES. Would you yield?

Mr. PASSMAN. Surely.

Mr. RHODES. What will your July 1964-and-after figure be next year? What will you have in the way of deliveries for next year?

General EATON. I can't give you a figure on that, sir, at this point in time.

Mr. SLOAN. One thing we might put in the record, Mr. Congressman, is that there will be a substantial aircraft delivery, so you should have a considerable decrease.

Mr. PASSMAN. We looked at deliveries, fiscal year 1963, $22,752,000. We looked at your fiscal year 1964 request, so you can multiply the fiscal year 1964 request by ——— or you can multiply the funding for fiscal year 1963 by 4 and you come right back to a 4-year pipeline, based upon those figures.

Mr. SLOAN. If the figures determined the pipeline you would be correct, but of course they do not.

Mr. PASSMAN. You do not know whether they will or not. It depends on the production, is that right?

Mr. SLOAN. That is right.

Mr. PASSMAN. Therefore we have to go by these two figures, the last year and the future year.

Mr. SLOAN. I don't understand that the figures represent a pipeline speed.

General WOOD. I think it is an oversimplification to do it that way, sir, because you have to analyze the items. For example, I could just as easily say, take the cumulative total in column C of $625 million and subtract what is left of $85 million and you have about $540 million. Divide that by 13 years and you have an average of $40 million deliveries a year.

Mr. PASSMAN. This young gentleman back here gave an answer that will suffice for me. I do not want to cause him to be demoted.

PROPOSED PROGRAM FOR DENMARK

The proposed program for Denmark, will complete the F–104 aircraft commitment. Has Denmark lived up to her agreement ——— during the period July 1, 1963, through June 30, 1964, sir?

General EATON. Quite recently we had a report, in April I think it was, sir, that they had firmly committed ——— for force improvement items. That is they still had several weeks to go and they are quite conscious of their obligation and I think they will meet it, sir. I cannot say at this moment.

Mr. PASSMAN. Are we committed to granting ——— to meet Danish military requirements?

General EATON. If they meet the obligation which is established for them, if they have requirements which in our judgment they cannot meet beyond that, yes. But not automatically upon——

Mr. PASSMAN. Are you requesting funds for fiscal year 1964?

General EATON. For what, sir, may I ask? The ———?

Mr. PASSMAN. The ——— for the Danish military department.

General EATON. No, sir; we are not requesting those in 1964, to the best of my knowledge, sir.

May I add one thing, sir. Subject to their satisfactory performance of the agreement, the United States will consider ———. I would wish to make clear that the ——— is included in here ———.

Mr. PASSMAN. You have so much classified information and the questions are largely built around what you have in your own books. If you will go back to page 52:

(Off the record.)

Are you speaking of the capabilities, military or dollarwise?

General EATON. No, sir. A minute ago I said that after they have met their agreement ——— we will look at what they have done, we will look at what their military requirements above that are, and we will also look at their projected defense effort. I can assure you this will receive close attention within the Department of Defense. If we consider that their additional plans are adequate, then we would consider ———. But it is not a question, at this point, whether we will ———. It is a question of what they project beyond this point.

Mr. PASSMAN. If you are not anticipating this grant aid ———, why did you discuss it in your justification book? You speak of it now as if it is not even in the realm of possibility.

General EATON. Because, Mr. Chairman, I did not wish to come back next year and have you ask me why we knew this was cooking and why we didn't tell you about it last year.

Mr. PASSMAN. If I was an optimist I could almost read into your statement that you did not expect to furnish the ———, but since I am not an optimist we shall just remember next year that we discussed the matter this year.

General EATON. Yes, sir.

Mr. RHODES. Mr. Chairman, before you leave that may I ask a question?

Mr. PASSMAN. Of course.

UNITED STATES-CANADIAN FUNDING OF F–104'S

Mr. RHODES. What is United States-Canadian funding for F–104's?

General EATON. Briefly, there is a $200 million contract for production of F–104's at Canadair in Canada. The United States pays $150 million of the total cost and Canada pays $50 million. Roughly, 110 aircraft will be produced, to be distributed by the United States through its military assistance program. We make known to the recipients that Canada has participated in the financing of those aircraft.

Mr. RHODES. This is in addition to the $145 million that the United States paid to the consortium for F–104 aircraft?

General EATON. That is correct. Those are additional aircraft, also.

Mr. RHODES. Will these joint United States-Canadian aircraft all go into the MAP program?

General EATON. They will go into the military assistance program, sir.

Mr. RHODES. How many 104's are we buying around the world from all sources?

General WOOD. We are getting 100 out of the consortium program in Europe; 110 out of the Canadian production, and from Lockheed in the States near ———.

Mr. RHODES. Is that the total?

General WOOD. ——— is the total.

Mr. RHODES. And then you have the Canadian to add to that. The total would be ———, wouldn't it, counting the Canadians, consortium, and Lockheed?

Mr. SLOAN. Yes; that is correct.

Mr. RHODES. ——— is what I get. Are all those being paid for by the United States or is there a sharing?

General WOOD. All of those are paid for by the United States. Of course, it is true in connection with consortium production that the purchase in the States of component parts by the consortium more than counterbalances the amount we are putting into it.

General EATON. Sir, does not Canada pay for one-fourth or $50 million of the amount there?

General WOOD. Canada is paying $50 million of the $200 million.

Mr. RHODES. We are paying $150 million plus $142 million plus whatever we pay Lockheed?

General WOOD. Yes.

Mr. RHODES. What do we pay Lockheed?

General WOOD. The total figure is $——— for the F–104G. ——— aircraft.

FUNDING BY OTHER MEMBERS OF THE CONSORTIUM

Mr. PASSMAN. We also want to know the total amount for the other members of the consortium.

General WOOD. Total airplanes being built by the consortium are a little less than ———. The countries concerned are putting in their own money.

Mr. PASSMAN. We want that information to correspond with the number of aircraft on which you gave the U.S. costs.

General WOOD. The total cost to other countries is $1,188,600,000.

Mr. PASSMAN. On the ——— aircraft that you just mentioned?

General, we were discussing ———. Mr. Rhodes read four figures into the record. Now we want to know what the members of the consortium are paying on the ——— aircraft upon which we put the figure in the record. Just that portion of the total.

General WOOD. The consortium isn't paying anything specifically on those aircraft. The Canadians are paying $50 million. The consortium purchases parts in the United States. It is estimated that these purchases will amount to $850 million.

ASSISTANCE TO DENMARK

Mr. RHODES. Before we leave Denmark, General Eaton, I would like to know a little bit more about this $——— and what it will be used for ———.

General EATON. Sir, that is not now known. It is not now determined.

Mr. RHODES. Is this part of the carrot in front of the rabbit's nose to get him to run a little faster, or what?

General EATON. (Off the record.)

Mr. RHODES. Shouldn't that be in the President's contingency fund?

General EATON. Not yet, sir, I think, because we don't anticipate this——

Mr. RHODES. You are not asking for an appropriation for that at this time?

General EATON. That is right. We may come to you next year and ask for up to $——— for this purpose. It would then be in terms of end items.

EUROPEAN CONTRIBUTIONS TO EUROPEAN DEFENSE

Mr. PASSMAN. We must recognize that practically all of the advanced, enlightened European countries worked these problems out very well by themselves until just a few years ago, did they not? Speaking of the military problems or financial problems. I am not speaking of the low point after the war but over the long period. Are you doing some unusual urging to get nations to go beyond what they feel they have the capacity to contribute?

General EATON. And where they would really go beyond what they had done in the past under those conditions.

Mr. PASSMAN. They have demonstrated time and time again that they know more about money matters and financing than we do. I do not want you to think I am dealing with equipment but I am dealing with our ability to continue supplying dollars when we are having to borrow from our own people and from foreign countries in order to do these things.

JOINT COST-SHARED SHIP CONSTRUCTION PROGRAM

Is the joint cost-shared ship construction program for Denmark fully funded or is the program being financed on a year-by-year basis?

General EATON. For Denmark, sir, that was financed on a year-by-year basis.

That has been completely funded in the past but it was funded on an incremental basis.

That was completed in 1963, if I am not mistaken.

(Information supplied for the record is classified.)

(Discussion off the record.)

Mr. FLYNT. With regard to the classification, if we judge from past actions, we will read about this in the paper before we are advised this has been declassified.

MAP FUNDING FOR FRANCE

Mr. PASSMAN. Why do you need $——— for France?

General EATON. There is $——— of training, as you know. The balance is the cost of anticipated deliveries of the next fiscal year of undelivered balances.

Mr. PASSMAN. We have to the credit of France unexpended $7,418,000?

General EATON. Yes.

Mr. PASSMAN. You propose to add to that $———?
Is there any deobligation out of this?
General EATON. I would estimate there would be some, sir. I cannot tell you how much.

UNEXPENDED BALANCE FOR EUROPE

Mr. PASSMAN. What is the total amount to the credit of Europe?
General EATON. The undelivered balance for Europe, sir?
Mr. PASSMAN. Yes.
General EATON. July 1963 and thereafter, $619,894,000.

SUSPENSION OF APPROPRIATIONS FOR YEAR OR TWO

Mr. PASSMAN. Could we actually have a better program if we suspended all military appropriations until we squeezed out this deobligation? We asked General Palmer last year if you could tell us what dates they made the allocation and the entries to the recipient country. I believe he told us it would require several months.

Do any of these supporting witnesses remember that request last year? Did he ever finish that project?

Colonel SIMPSON. On 19 countries, yes.

Mr. PASSMAN. You have 70 altogether?

Colonel SIMPSON. That was the agreement. The chairman agreed to 19 countries.

Mr. PASSMAN. Last year?

Colonel SIMPSON. Yes, sir. The 19 countries covered the bulk of the undelivered balances.

Mr. PASSMAN. My question is serious. This means spending in excess of actual need as proved by the invoices.

Could you have a program if we did not appropriate any money this year and worked on the squeezeouts and recoupments for 1 year? Do you think the program would be too tight?

General WOOD. You know the answer to that as well as I.

Mr. PASSMAN. I do not know the answer. I know you have money enough to run it for 2 years.

General WOOD. It is all for items which are ordered on MAP reservation accounts not yet delivered.

I also said, due to the activity in the last 2 years on recoupments we were able to get a figure higher than the normal. We estimate $125 million for next year. You understand better than I the sources of those recoupments. Certainly a big item is price changes. We have to order from the departments. When we order, many of the prices change before delivery. There are other areas of spare parts, and so forth, all of which are estimates and all of which may offer an area for recoupment.

We certainly could not continue to support our foreign policy with the military assistance program if we discontinued our plans as indicated in the request for this fiscal year.

Mr. PASSMAN. I have never known a time when your department, or any other department concerned with foreign aid, requested less money than they needed.

General Wood. In 1964, we have requested $1,405 million, which is the amount needed.

Mr. Passman. General Clay recommended this program be worked downward, if I recall correctly, to about $1 billion in 3 years. We have discussed here the possibility of working it down to $1 billion per year by fiscal 1968. Is that correct?

General Wood. Yes, sir.

Mr. Passman. You are in 70 countries with the MAP, and I think the evidence is clear that you could pull out of many of them and it would not do a bit of harm.

I want the record to show that according to the future plans, knowing you have an 18-month pipeline, you are funded by your own figures this year for almost 24 months. Of course some of this is for equipment for which deliveries will have to be manufactured, but some is shelf items.

General Wood. I think if you were studying the military departments, you would find their so-called unexpended balance runs around $30 billion.

Mr. Passman. I think you would probably find it higher than that.

General Wood. It is completely understandable, and I know you know it better than I. The items have not been delivered yet. We cannot use that money to purchase other things because it is already part of a program going to certain recipients.

Mr. Passman. Off the record.

(Off the record.)

Mr. Rhodes. Looking at page 57, I wonder if you would agree with me you have a pretty good chance to recoup about $7 million in this country?

General Wood. No, sir; I do not think so. General Eaton can speak to the details of what is in this.

SPARE PARTS PIPELINE FOR AIRCRAFT

Mr. Rhodes. You have $——— for aircraft. What kind of aircraft?

General Eaton. That consists of Air Force spare parts in the pipeline and a readjustment in the P2V–7 aircraft price.

Mr. Rhodes. How long does it take to manufacture spare parts for that airplane?

General Eaton. I cannot give you a specific date, Mr. Rhodes.

Mr. Rhodes. You programed it before 1962. You are not going to deliver it in 1964. I have a little trouble following the reasons why you have such a long pipeline for spare parts.

General Eaton. It is for delivery in fiscal year 1964 and after. This is after July 1, 1963.

Mr. Rhodes. After July 1963. If you look at column B under aircraft, you have nothing.

General Eaton. That is right.

General Wood. These are programed spare parts relating to aircraft. The delivery——

Mr. Rhodes. You have discontinued the grant aid. Why do you not discontinue the spare parts?

General Wood. Probably because we made an agreement to supply spare parts.

Mr. Rhodes. Tell me why it takes so long to deliver spare parts on a P2V–7 airplane. Furnish that for the record.

General Wood. Yes. These spare—any spare part item is an amount requisitioned against as needed by the recipient country. So we do not ship the spare parts until they are requisitioned.

(The information supplied follows:)

A key factor in leadtime is the action by French agencies in specifically identifying and then requisitioning the spare parts required. Requisitioning action for P2V–7 spares was completed in March 1963. Following receipt of requisitions from the French, it was necessary to initiate action for new procurement because certain spares were not in stock. The procurement leadtime for those items having the longer leadtime is 12 to 18 months.

Mr. Rhodes. How long are we going to leave this unrequisitioned? How long does this go on?

How long are we supposed to have a bank, which is about all this $7 million is in my opinion?

General Wood. I do not know. But I think I can supply that for the record.

Mr. Minshall. And what the spare parts are for the aircraft in detail.

General Wood. I hope you will let me categorize them.

Mr. Minshall. That is all right.

(The information supplied follows:)

Based on present estimates, delivery of material and services reflected in the unexpended balances for France should be stubstantially completed by the end of fiscal year 1964.

Aircraft spare parts included in the present unexpended balance for the P2V–7, F/RF–84, F–86, F–100, T–33, and C–47 aircraft. Except for the PV2–7, these aircraft are being supported through the NATO Supply Center; and the rate of delivery of spare parts is a function of French requisitioning action and the effectiveness of the Center.

SPARE PARTS PIPELINE FOR MISSILE SYSTEMS

Mr. Rhodes. The next major item is missile systems, $———. No deliveries in fiscal year 1964.

General Eaton. No major end items; that is correct.

Mr. Rhodes. How much longer do you expect to keep this item before you recoup it?

General Eaton. The same answer. This consists of spare parts in the pipeline for the NIKE amounting to $——— and for the SIDEWINDER, $———; for the TARTAR, $———, and miscellaneous associated equipment, $———.

Mr. Rhodes. If you have all that detail, why did you not put it in the book in the items here?

General Eaton. Sir, none of this is key end items. These are spare parts. There is only so much room available.

Mr. Minshall. What are the spare parts you need for a NIKE? What is wearing out on these? What is the need for a lot of spare spare parts for a NIKE installation?

General Eaton. This goes back to the original contract under which they were furnished. I cannot give you a specific answer.

Mr. Minshall. Can you give us what they are, please?

General EATON. Yes.

(The information supplied follows:)

Approximately 18,000 items are needed to support a NIKE missile system. A large majority of these parts represents vacuum tubes, transistors, resistors, and associated electronic circuitry components.

Daily checks and energizing of all circuits and systems are conducted to insure continued operational readiness of the missile system and to provide training for troops to acquire and maintain the skills necessary to operate the weapons. These daily exercises result in the periodic attrition of these electronic components.

MAAG PERSONNEL IN FRANCE

Mr. PASSMAN. Why do you need 39 military personnel and 13 civilians to administer the MAP program in France?

General EATON. I think my answer would be the same as it was for Belgium. There is a continuing legal requirement to observe the utilization of this equipment, and there are other associated functions in addition to the training mission which the MAAG carries out.

Mr. PASSMAN. Will you indicate for the record the ranks of the 39 military personnel and the grades of the 13 civilians?

General EATON. Yes.

(The information supplied follows:)

The ranks and civil service grades for the 39 military and 13 civilian personnel of MAAG France are as follows:

Rank/grade	*Number*
Military:	
08 Major general	1
06 Colonel/captain	4
05 Lieutenant colonel/commander	7
04 Major/lieutenant commander	8
03 Captain/lieutenant	2
E–7	7
E–6	6
E–5	3
E–4	1
Total military	39
U.S. civilian:	
GS–11	1
GS–9	1
GS–8	1
GS–7	1
GS–6	5
GS–5	4
Total U.S. civilians	13

General WOOD. There has been a reduction in the MAAG strength in France, and I contemplate you will see a further reduction over the years.

Mr. PASSMAN. We hope so.

General EATON. There was a total of 172 people in that MAAG in the high year.

Mr. PASSMAN. People have been shifted. They have not been taken out of the program; have they?

General EATON. Yes, sir. The number of personnel in France has been reduced, sir.

REDUCTION IN EUROPEAN MAAG PERSONNEL

In the European MAAG's, there has been a 38-percent reduction in the strength since 1958.

There has been a 57-percent reduction, subject to correction, since the high point of the program.

Mr. PASSMAN. I would think it might have been a 95-percent reduction, with the military program phasing out.

We are in there only because of prior commitments.

General WOOD. The work they perform in sales contract is increasing every day.

Mr. PASSMAN. Do not let that worry you. We have 48,116,576 Americans getting a Government check regularly, almost 1 out of every 2 adults in America.

Mr. ANDREWS. That certainly is a great compliment to the other half.

ITALY

UNEXPENDED BALANCE

Mr. PASSMAN. Would you submit to the committee a list of the items for which $132,915,000 has been obligated, or reserved, for Italy?

General WOOD. I think General Eaton can expand on this.

I know the commitment to supply the TARTAR and TERRIER missiles represents a part of the missile system item as does the completion of the NIKE support similar in France.

The tanks, vehicles, and weapons are connected almost completely with the ——— tanks, ———, shown in the lower part of the list.

General EATON. That is correct.

(The information supplied for the record is classified.)

Mr. PASSMAN. With the recovery in Italy, with her large gold reserves and the large dollar balance to her credit—and she is one of the nations we are going to borrow dollars money from—if this could be negotiated downward it would be helpful.

General WOOD. I think the Secretary spoke on that. If he did not, I know his thinking is along that line. This year we were able to get the Italians to purchase a little over $100 million worth of equipment. Part of the purchase deal requires us to fulfill our commitments as indicated on this page. Italy is off grant aid.

Mr. PASSMAN. $132,915,000 and you have grant aid of an additional $——— for fiscal year 1964.

General WOOD. Related to those commitments I mentioned.

Mr. PASSMAN. Is this not grant aid also?

General WOOD. That is right. They are off as soon as we finish our commitments. You understand that.

Mr. PASSMAN. If we do not make new commitments.

General WOOD. No new ones are contemplated.

Mr. PASSMAN. What amount did you withdraw out of the pipeline for fiscal year 1963 for Italy?

General EATON. I am not sure that I understand your question.

EXPENDITURES AND DELIVERIES UNDER MAP IN ITALY

Mr. PASSMAN. What were the expenditures for grant aid, military, for fiscal year 1963?

General EATON. The deliveries totaled $70,039,000.

Mr. PASSMAN. Deliveries is one thing. Payment is something else. That is why many times these payments come along later. So when you say "deliveries," we can also add to that expenditures, can we not, that you have paid, $70,039,000 for Italy in fiscal year 1963?

General EATON. It is my understanding that is correct, sir.

Mr. PASSMAN. Could you tell us when you think this large unliquidated balance will finally be liquidated?

General EATON. I would say it would probably carry over into 1965, sir.

Mr. PASSMAN. Fiscal 1965?

General EATON. I would have to check that for the record.

(The information supplied follows:)

Based on present estimates, approximately ——— should be delivered in fiscal year 1964. Most of these estimated deliveries will be from the presently indicated undelivered balance of $132,915,000. Small amounts of the proposed fiscal year 1964 MAP will also be included in projected deliveries during fiscal year 1964. Delivery of the remainder of the presently indicated undelivered balance should be substantially completed during ———. Delivery of the proposed fiscal year 1964 MAP will extend into ———.

Mr. PASSMAN. Are you not proposing to finance ——— TERRIER missiles and ——— TARTAR missiles at a proposed cost of ———?

General EATON. There are other items than the ——— cited under that item, sir. The total missile system funds requested are $———, in addition to the end items which you are looking at, there are NIKE improvement kits to the value of $———. There are concurrent spare parts for TERRIER missiles and there are ship-missile qualification trials for one TARTAR ship and two TERRIER ships involved in the total funds.

Mr. PASSMAN. You had it in a lump-sum item, so it was necessary to ask the questions.

General EATON. Yes, sir. The key end items are shown on the bottom of that page, sir.

Mr. PASSMAN. I note that you programed ——— TARTAR missiles in fiscal year 1962 and delivery is not contemplated until after July 1, 1963.

What is the reason for this long delay between programing and delivery and when do you anticipate making this delivery?

General EATON. I am not sure that this is an abnormal delay, sir. There is considerable pipeline involved, considerable leadtime involved in the delivery of those missiles.

Mr. PASSMAN. After July 1, 1963, it could be a short time or a long time. Give use the date you expect to make deliveries.

General EATON. I will submit that for the record.

(The information supplied follows:)

The ——— TARTAR missiles programed for Italy in fiscal year 1962 are forecast for delivery in fiscal year 1964, reflecting normal production leadtime factors for TARTAR missiles.

SUPPLY OPERATIONS EXPENDITURES

Mr. PASSMAN. The 1964 program indicates a request for $——— for supply operations.

What do you propose to deliver for this amount of money?

General EATON. Sir, I think you are aware that the supply operations item is a worldwide item. For each program there is a percentage figure based on the dollar volume of the pipeline which it is anticipated will be delivered during the following year.

Mr. PASSMAN. Is this a contingency item?

General EATON. No, sir.

It is estimated that, for the $132,915,000 in the pipeline as of July 1, 1963, supply operations for the 12 months following will amount to that amount shown in column B under line item 12 in order to pack, handle, and crate——

Mr. PASSMAN. It is an estimate only?

General EATON. It is an estimate of what is required, sir.

Mr. PASSMAN. The pipeline is $132,915,000 for the program.

General EATON. For the Italian program.

Mr. PASSMAN. What do you propose to deliver out of the pipeline in fiscal year 1964?

General EATON. I cannot give you the specific items that will be delivered.

Mr. PASSMAN. Do you know the dollar amount? Can you give an estimate?

General EATON. No; I cannot. Perhaps someone present can.

Mr. PASSMAN. You cannot give us an estimate of the amount that will be delivered out of the $132,915,000?

General EATON. My estimate would be $70 to $80 million worth, sir.

(The information supplied follows:)

Based on present estimates, approximately $——— should be delivered to Italy in fiscal year 1964. The major portion of these deliveries will be from presently indicated unexpended balances. Small amounts of the proposed fiscal year 1964 MAP will also be included in projected deliveries during fiscal year 1964.

General WOOD. May I speak to that a moment?

The figures for supply operations are computed on the basis of the overall program. I can say that, of the total undelivered grant aid estimate which is $2,346,900,000, we estimate that $1,240 million will be delivered in 1964. The total supply operation is computed at roughly 12 percent of that figure. We allocate to each country an estimate based on part of that overall.

I cannot relate it directly.

Mr. PASSMAN. The general first said he did not know what amount. Then he said $70 to $80 million. If you had not given a guess, I would have asked you how you arrived at the $———.

General EATON. It is merely an estimate.

Mr. PASSMAN. You said you did not know. You supplemented it with $70 to $80 million.

General EATON. I was trying to be responsive.

Mr. PASSMAN. We are not looking for a way to throw away money.

Mr. RHODES. According to your formula then, in France where you have $——— proposed for supply operations, you would be delivering about $——— million for the next fiscal year; is that correct?

LEADTIME AND PIPELINE FOR MISSILE SYSTEMS

General EATON. Correct, according to the formula.

In Italy there is a variable which affected my answer. There is a long leadtime on the TERRIER and TARTAR missiles. Instead of the normal 18 months, the leadtime on these missiles runs from 24 to 36 months. There will be a further lag in the delivery of that portion of the undelivered balance, with a corresponding reflection in the supply operations.

Mr. RHODES. If we want to have some idea of what you intend to deliver in 1964 to any given country, we could take that supply operation figure for the proposed fiscal year 1964, multiply by 10 and have a pretty good rule-of-thumb for deliveries.

General WOOD. Pretty good. There are variants such as where the material may come from. Take aircraft being manufactured by the consortium. The cost of delivery is not much as those delivered from the the United States. I think it is a good rule of thumb.

Mr. MINSHALL. Why 36 months leadtime for TARTAR and TERRIER missiles?

General EATON. I cannot tell you that. It probably has to do with the priority for delivery.

Mr. MINSHALL. It does not take that long to build them?

General EATON. I think it is priority of allocation.

Mr. MINSHALL. Put that in the record.

General EATON. Yes.

(The information appears on p. 270.)

MAAG PERSONNEL PROGRAMED FOR ITALY

Mr. PASSMAN. I note that in 1962 you had 86 personnel to administer the program in Italy, which was $70,700,000. In 1963, the program is $37,400,000, and you have personnel of 105. In 1964, the program is estimated to be $——— and the administrative personnel is 95. Is it a question of not being able to find transportation to bring the excess personnel back?

General EATON. No, sir. I think I explained that to the committee last year.

The 29 personnel shown as "mission personnel" were in place and doing the same job in the past, but prior to 1963 they were assigned to the European Command and not to the MAAG. These were personnel that were on site at the JUPITER installation. They were transferred to the MAAG beginning in fiscal year 1963. There was no real increase in personnel. Those personnel will be phased out now that the JUPITERS have been replaced.

Mr. PASSMAN. You are dealing with a different dollar amount, are you not?

I quoted the dollars. In 1962, you had 86 personnel to administer $70,700,000. In 1963, you had 105 to administer a program of $37,400,000. Now you plan to have 95 to administer a program of $———.

General EATON. I thought you were speaking of the increase in the MAAG strength.

Mr. PASSMAN. I am talking about the number of personnel in Italy related to the dollar amount of expenditures.

General EATON. Still, there are these sizable amounts in the undelivered balance that must be received and transferred to the Italian Government and its use inspected.

Mr. PASSMAN. If you can administer a $70 million program with 86 personnel, you certainly would not need 105 to administer a similar program that is reduced to $37 million. Still further, why would you need 95 to administer a similar program where only $——— is concerned?

General EATON. I was trying to explain that 29 of these people, which you attribute to an increase, were not an increase.

Mr. PASSMAN. I was using the number of personnel related to the cost of the program for these 3 years.

General EATON. May I say for fiscal year 1962 the figure of 29 shown under "Mission" were doing the same job they were doing in 1963. So a comparable figure for fiscal year 1962 and 1963 would be the figure of 86 plus 29. That should be used in comparison with the 105.

Mr. PASSMAN. How much is the total?

General EATON. Eighty-six plus 29 would be 115.

Mr. PASSMAN. So you had 115 to administer a program of $70,700,000?

General EATON. I do not have the figures for 1962.

Mr. PASSMAN. Let us go to 1964. You would subtract 27 from 95.

General EATON. That is 29 and will be reduced during the year.

Mr. PASSMAN. I am trying to relate this to the number of personnel. You added to the 86 the 29.

General EATON. They were present, but they were not carried on the MAAG books.

Mr. PASSMAN. Then you had a total of how many?

General EATON. 115 during fiscal year 1962.

Mr. PASSMAN. Administering $70,700,000.

For fiscal 1964 how many will you have administering the ———?

General EATON. By the end of the year, we will have 66.

Mr. PASSMAN. During the year?

General EATON. At some point during the year?

Mr. PASSMAN. Percentagewise, you have an excess of personnel compared to the number you had to administer the $70 million?

General EATON. I would not describe it that way.

Mr. PASSMAN. That is the way I am describing it.

General WOOD. It is misleading to talk about people administering a yearly program. They are responsible for the total equipment that has been delivered throughout the period of grant aid. They are responsible for inspecting it, for making certain it is being utilized and maintained. So you might well say now the total is $2.3 billion worth of equipment in Italy. That is misleading also, because a considerable amount of this equipment does not require the same standard of inspection that new equipment does.

Mr. PASSMAN. You know very well attrition has eaten out a lot of the value.

General WOOD. Absolutely.

Mr. PASSMAN. As long as we have that equipment over there we are going to have to have personnel to look after it. At no time are you going to release it to the Italian Government.

General WOOD. That is not quite correct.

Mr. PASSMAN. When we finally get so poor we can no longer afford the program, and we maybe have passed this point already, and Italy becomes wealthy enough to assume the responsibility and pay the expense, will you then bring our personnel home?

General WOOD. If the law relieves us of the responsibility of keeping an eye on this equipment.

Mr. PASSMAN. Are you short of personnel to administer the military program, for supervision of the program, in Italy?

General WOOD. No, sir. As a matter of fact, I think we will be able to reduce next year.

CAPABILITY OF ITALIANS TO MAINTAIN MAP EQUIPMENT

Mr. MINSHALL. If the law did not prescribe you take care of this equipment, do you feel the Italians are capable of taking care of it themselves?

General WOOD. I think they are probably capable of taking care of it now. We are still charged with insuring they do.

Mr. MINSHALL. If you were not charged with that, do you feel they could carry on on their own?

General WOOD. I think they could.

Mr. MINSHALL. That is all I asked.

General WOOD. I am not sure the taxpayer would be satisfied with that way of doing it.

Mr. RHODES. Have you suggested to the legislative committee you be relieved of this burden?

General WOOD. That is under consideration.

Mr. RHODES. Good.

General WOOD. There is another aspect to it, sale of residual rights to old equipment, which will relieve us of many responsibilities.

Mr. PASSMAN. Salvage equipment automatically goes to the recipient country?

General EATON. May I make a statement?

Mr. PASSMAN. If you want to.

General EATON. I do not wish to contradict anyone.

IMPORTANCE OF MAAG PERSONNEL OVERSEAS

All I want to say, sir, is that I see a great benefit from the U.S. presence in the NATO countries, in addition to the intelligence function carried out by the attaché system. Now, this presence is without regard to the military assistance program.

I think we have a great deal to gain by a U.S. military presence in Europe and in the individual countries beyond the intelligence-gathering functions of the attachés.

Mr. MINSHALL. He is implying that the GI's there are doing an intelligence function as well.

General EATON. No. I want to distinguish between the two.

If the MAAG's are withdrawn, all you have left is an intelligence presence with an intelligence-gathering function. I think the MAAG performs, and can continue to perform, a deeper and a greater function than that in our security interest.

This does not necessarily say they need be maintained on the MAAG books.

Mr. PASSMAN. You say that after this is over and we pull out, we want to leave a lot of the military personnel over there to impress people?

Mr. SLOAN. If I may interrupt, they perform several functions, particularly in Europe, that have grown up with our military relationship with these military organizations, particularly the sales functions. They exchange all the technical equipment. They act as a sales contact point which is invaluable to us.

Mr. MINSHALL. The general read the function of keeping MAAG groups and our personnel overseas. My question to the general was, If the law did not prescribe we oversee the care of the equipment we have over there, could the Italians do the job just as well? He answered he thought they could.

Mr. PASSMAN. Our balance-of-payments deficit from 1950 through 1962, inclusive, was $24,290 million. During that same period, the so-called free world countries have reduced our gold holding from $23 billion down to $16 billion, and at the same time, have built up their dollar holdings from $10.5 billion to $24,984 million.

If you should confiscate all the wealth in America you would not be able to do all the things that are considered as being desirable.

LUXEMBOURG

You have, to date, programed $8,278,000 to Luxembourg?

General EATON. The program for 1964——

Mr. PASSMAN. Is that correct, we have programed $8,278,000 to Luxembourg?

General EATON. I do not understand your question.

Mr. PASSMAN. I am going to ask it again.

To date we have programed $8,278,000 to Luxembourg?

General EATON. That is correct, cumulative, we have, sir.

Mr. PASSMAN. In view of the fact that country has an active military personnel of only ———, would you say that our expenditure has been worthwhile?

General EATON. Yes, sir; I would say our expenditure has been worthwhile.

Mr. PASSMAN. How many personnel do you propose to train for ———?

General EATON. ———, sir.

Mr. PASSMAN. Where will they be trained?

General EATON. Some will be trained in the continental United States—Command and Staff Operations courses, some will be trained in Europe, some in Command and Staff, and some in special and technical courses.

Mr. MINSHALL. Do you think this force has any use? You are a soldier of great experience.

General EATON. Thank you, sir.

This is going to result in an———which will be———. I grant you there is a parliamentary hassle going on at the moment over the number of noncommissioned officers in this unit.

Mr. MINSHALL. This is an expensive———outfit.

General EATON. From the beginning, this is a reorganization, sir. There was a second echelon regiment which was of little combat value. That is being reorganized. It is still not completed. It will be an———.

Mr. MINSHALL. ———?

General EATON. Yes.

Mr. MINSHALL. That is a lot of money for———.

General EATON. All of this money has not gone to the———, sir.

Mr. MINSHALL. What are we getting out of this?

General EATON. Eight million is very cheap for——if you are speaking in absolute terms, sir.

Mr. MINSHALL. You do not have it.

Mr. PASSMAN. You have very little to do with this planning. I keep thinking about the 70 nations.

Mr. MINSHALL. Are you an artillery man, General?

General EATON. Yes.

Mr. MINSHALL. You speak with authority.

General EATON. You flatter me, sir.

I think when this reorganization is completed and this unit is in an———status, it will be of value.

Mr. MINSHALL. Eight million bucks worth.

Mr. RHODES. How much more will it take to put it in that status?

General EATON. I do not think there is any more U.S. money required, sir.

Mr. RHODES. Off the record.

(Off the record.)

Mr. RHODES. When is Luxembourg going to decide to do this job?

General EATON. I cannot tell you when they will finish it.

NETHERLANDS

Mr. PASSMAN. The unexpended balance for the Netherlands is $67,264,000.

Based upon the 1964 estimate of $———, it would appear that we have a pipeline of approximately ——— years; is that correct?

General EATON. Mr. Chairman, I think General Wood answered that question earlier. The answer is, as I see it, "No."

Mr. PASSMAN. Would you give up half of it?

General EATON. No, sir.

Mr. PASSMAN. Let us go to 4 years.

General EATON. Again, I see no relationship between these two figures in the context of your remark.

Mr. PASSMAN. You are thinking about pieces of hardware and I am thinking about dollars. I am looking at your deliveries and expenditures.

You do not actually know how long it will take to liquidate this very substantial balance?

General EATON. A great portion of it will be liquidated reasonably soon. ——— F–104G aircraft represent approximately $——— of that program.

Mr. PASSMAN. That still does not make any difference. They may not get them for 4 or 5 years. They may be obsolete before you deliver them.

General EATON. I think those aircraft will be delivered soon.

Mr. PASSMAN. We hope so.

NORWAY

The unexpended balance for Norway appears to be $100,996,000, to which you propose to add in fiscal year 1964 $———; is that correct?

General EATON. That is correct.

Mr. PASSMAN. Is Norway able to to fulfill her NATO assignment?

General EATON. (Off the record.)

Mr. PASSMAN. How much did it cost the United States to provide ——— F/RF–104G aircraft to Norway?

General EATON. Subject to check, sir, I would say approximately $———.

Mr. PASSMAN. The U.S. share of the joint ship construction program?

General EATON. $———.

Mr. PASSMAN. The U.S. share of the joint ship construction program?

General EATON. We are making none under the current modernization program.

We are contributing to their shipbuilding program and providing them ——— of modern aircraft, and they are undertaking additional naval modernization and army modernization.

Mr. PASSMAN. Page 74 indicates that the fiscal year 1964 contribution toward the joint ship construction program is ———. What is your estimate as to the cost to complete this program?

General EATON. The cost of the total program is currently estimated to be $———.

Mr. PASSMAN. The cost for collection is the same thing?

General EATON. Yes; certain amounts have already been disbursed.

Mr. PASSMAN. I am speaking of the grand total.

General EATON. That is the way I thought I answered.

Mr. PASSMAN. To complete the program, prior, present and future?

General EATON. The total program estimated cost is $——— for the United States-Norwegian cost-sharing shipbuilding program.

Mr. PASSMAN. What type of military equipment is included in this estimate of $——— for excess stocks?

General EATON. That is primarily ———, sir.

Mr. PASSMAN. These are excess stocks?

General EATON. Off the record.

Mr. PASSMAN. Speaking of excess stocks, do you debit the military assistance program to the extent of the original acquisition cost?

General EATON. We do not. Rehabilitation costs only.

PORTUGAL

Mr. PASSMAN. What type of excess equipment are you programing for Portugal at a cost of $———.

General EATON. This consists of ——— sir.

Mr. PASSMAN. Why have you programed ——— SIDEWINDER missiles to Portugal?

General EATON. The total program in the past, to the best of my knowledge is ———. There are none in the current year.

SPAIN

UNEXPENDED BALANCES

Mr. PASSMAN. I believe the unexpended balance to the credit of Spain as of July 1, 1963, is $50,376,000, which is almost a ——— year pipeline, based on the fiscal year 1964 estimate of $———; is that correct?

General EATON. May I state again, sir, there is no relation between those figures in terms of pipeline.

Mr. PASSMAN. I am going to deal with the mathematics.

I certainly qualified it.

Mr. RHODES. They have in column (b) ——— in supply operations, and taking their formula, that would be $——— for deliveries in 1964 which would be a 4-year pipeline.

Mr. PASSMAN. That is correct.

General EATON. May I express a word of caution; this is a worldwide figure and cannot be applied with any precision to a given country.

Mr. RHODES. I understand that.

Mr. PASSMAN. We must, nevertheless, when dealing with Europe, ask the questions of the European area director we feel are necessary in order to handle this bill.

General EATON. And it is our job to try to answer them, sir.

NEGOTIATIONS FOR SPANISH BASE RIGHTS

Mr. PASSMAN. What is the status of negotiation with regard to existing base rates in Spain? Is that classified? Are they progressing satisfactorily?

General EATON. They are sort of quiescent at the moment, sir.

Mr. PASSMAN. They are tying in a substantial aid program with it; are they not?

General EATON. Spanish officials have stated publicly they expect to receive——aid. Mr. Davis may wish to comment further.

Mr. PASSMAN. You vertified the fact they are tying aid in with the extension of bases. Is that correct?

General EATON. That is my understanding, sir.

Mr. PASSMAN. What are the number of naval ships———?

General EATON. The 1964 program provides for———.

Mr. PASSMAN. On page 8 of the justification, you indicate you propose to supply———to the Spanish Army. Page 79 indicates you propose to program $———.

Would you comment?

General EATON. Yes, sir.

We are speaking in terms of——— sir. This key end item does not happen to include that item, but during 1964 we are completing the residual funding for———which you have seen in previous years.

Mr. PASSMAN. You have programed five T–37 aircraft in fiscal year 1962 for Spain and these five planes are not scheduled for delivery

until after July 1, 1963. Why is delivery taking so long for this type of aircraft?

General EATON. May I ask again which type of aircraft?

Mr. PASSMAN. T–37.

You may insert that information in the record.

General EATON. I would like to, sir.

(The information supplied follows:)

The five T–37 aircraft which are shown as undelivered from the fiscal year 1962 MAP for Spain are being diverted to———to meet priority MAP requirements. Upon completion of delivery (estimated to take place October 1964), these aircraft will be deleted from the Spain program and charged to the ——— MAP.

EXCESS STOCK PROGRAMED FOR SPAIN

Mr. PASSMAN. What type of excess stocks will you give to Spain at a cost of ———?

General EATON. This is all ———, sir, the major items are ———.

Mr. PASSMAN. ——— is the estimate for the United Kingdom?

General EATON. That is correct, sir.

Mr. PASSMAN. ——— for training.

General EATON. That is correct, sir.

Mr. PASSMAN. How many personnel are involved and what type training will they receive?

General EATON. There will be ——— people involved, ——— Army, ——— Air Force and ——— Navy. There is ——— Army command and staff vacancy, ——— missile courses, ——— Navy command and staff courses, ——— Navy medical course, ——— Air Force orientation courses.

Mr. PASSMAN. When we speak of excess stocks, that is stock in excess of need of our own Defense Department; is that correct?

General EATON. Those were stocks that were considered excess to the needs of the Defense Department at the time this program was drawn up, sir.

Mr. PASSMAN. At the time this program was drawn up the stuff may not have been purchased. I am asking a general question. It can be applied to any period as long as you want to apply it, but excess military stocks have to do with hardware, ammunition, in excess of the needs of our own military establishment?

General EATON. I beg your pardon. You are correct, sir. I misunderstood your question.

COST OF EXCESS STOCKS FURNISHED WORLDWIDE

Mr. PASSMAN. Thank you.

Could you tell us the total acquisition cost of the excess stocks given to your command, sir?

General EATON. Yes, sir. The acquisition cost of the excess stocks included in the European program for 1964, $95,000.

Mr. PASSMAN. The cumulative program, please.

General EATON. The value of the cumulative program from 1950 through 1963 totals $783,500,000.

Mr. PASSMAN. Could you give it to us for the world, General?

General WOOD. That is page 37: Cumulative worldwide of excess stocks, $2,590,268,000.

WORLDWIDE COST OF MAP SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. What has been the worldwide cost of the military assistance program since its inception?

General WOOD. On the order of $30.5 billion, sir. That shows in the justifications.

Mr. PASSMAN. Put the information in the record if you do not have it here.

(The information, supplied, follows:)

Thirty-two thousand eight hundred forty-two and eight-tenths million dollars has been appropriated for military assistance during the period fiscal year 1950 through fiscal year 1963. The total cumulative military assistance program for this period is $30,378.1 million reflecting net transfers of funds to economic programs and unobligated funds returned to Treasury.

GREAT BRITAIN COMPULSORY MILITARY SERVICE

Mr. PASSMAN. What kind of compulsory military service do they have in Great Britain?

General EATON. There is no compulsory military service currently in effect in Great Britain, sir. There are still a few selective service people in training. They will phase out during this summer.

Mr. PASSMAN. There is no compulsory military service training program for Great Britain?

General EATON. That is right, sir.

Mr. PASSMAN. What are they doing to bring their NATO forces up to goals?

General EATON. They have a basic commitment to Western European Union to maintain a strength of ——— personnel in the British Army of the Rhine. They have assured the United States that they will do that. They are not quite at the strength at this moment. Their NATO forces——

COMPULSORY MILITARY TRAINING IN OTHER NATO COUNTRIES

Mr. PASSMAN. How many of the other NATO nations have eliminated compulsory military training?

General EATON. If I may have a moment to check that, sir, I have the figures available. All other NATO nations have compulsory military service in one or another form, sir.

Mr. PASSMAN. The type of form that we have in America, and I think we refer to it as conscript, or draft, do we not?

General EATON. Yes, sir.

Mr. PASSMAN. How many of them have the type that we have?

General EATON. All of them in greater or lesser degrees of time, sir.

Mr. PASSMAN. Would you give us the limit on the service required under each of the NATO members?

General EATON. I can, sir.

I have it right here, sir, may I read you the legal period of active service in months, alphabetically by country: Belgium, 24 months; Denmark, 16 for Army and Air Force, and 14 months for Navy; France, 18 months; Germany, 18 months; Greece, 24 months; Italy, 18 months; Luxembourg, 12 months; Netherlands, Army, 22, Navy, 21,

Air Force, 24 months; Norway, Army, 16, Navy and Air Force, 18 months; Portugal, 18 months; Turkey, Army and Air, 24 months, Navy, 36 months; United Kingdom, none; United States, 24 months. I did not mention Canada, which has no compulsory military service either.

Mr. PASSMAN. What reason did Great Britain give for dropping the compulsory service?

General EATON. I think there were a combination of reasons.

Mr. PASSMAN. Just one.

General EATON. One was they would have a more professional Army than rotating conscripts in and out.

NATO INFRASTRUCTURE PROGRAM

Mr. PASSMAN. Last year you requested $82 million for the infrastructure program. What is the 1963 program as of this time?

General EATON. The 1963 program as of March is $62 million, sir.

Mr. PASSMAN. For fiscal 1964?

General EATON. For 1964 the proposed program is $77 million.

Mr. PASSMAN. And the unexpended balance?

General EATON. $154,977,000.

Mr. PASSMAN. This is under the grant aid phase of the program?

General EATON. I do not consider it as grant aid in the normal sense, sir. I think Mr. McNamara testified before this committee that infrastructure was, and I quote, "very, very different" from normal grant aid. I so consider it.

Mr. PASSMAN. Let us take the overall grant aid as you indicated in the book, $225 million. That is for airplanes and vehicles and ammunition, other types of hardware; is that correct?

General EATON. Yes, sir.

Mr. PASSMAN. And in the event that any of the NATO members should pull out, then we could repossess the hardware, the airplanes, ships, et cetera?

General EATON. Unless we have otherwise disposed of it, sir.

Mr. PASSMAN. You could not pick up an airport runway and bring that home, could you?

General EATON. No, sir.

Mr. PASSMAN. So far as I am concerned that is even more grant aid than any of the rest.

General EATON. May I make a point?

Mr. PASSMAN. There is a country in Europe now. I do not know how many hundreds of millions of dollars we have spent there. There are very modern bases, hangars and facilities here. We are not going to repossess those runways. They will be there for either the country to use or the enemy to use.

INCREASES IN INFRASTRUCTURE PROGRAM

On what basis do you justify an increase in 1964 of $15 million above the 1963 amount for the infrastructure program?

General EATON. Sir, during 1964 there will be an increase in the proportion of infrastructure expenses allotted to the construction of new weapons facilities and approved electronic equipment. During

the next few years the infrastructure program will particularly feel the impact of the air defense ground environment which is estimated at $——— in fiscal year 1964, of which the U.S. share is estimated at about $———. The need for an increase of $15 million in fiscal year 1964 over fiscal year 1963 is related to the reduction of $19.7 million in the fiscal year 1963 program from $81.7 to $62 million.

This reduction resulted from a reappraisal of the original fiscal 1963 projects estimated in September 1961 to require funding in fiscal year 1963. Some of these projects, such as NATO air defense ground environment, were decreased in fiscal year 1963 and picked up in fiscal year 1964 for funding.

FEASIBILITY OF DECREASE IN U.S. CONTRIBUTION TO INFRASTRUCTURE PROGRAM

Mr. PASSMAN. On page 85, you also indicate that the infrastructure program is in a state of conventional stage and that conventional types of projects are approaching completion and you are now getting into the more sophisticated projects. In view of the astounding economic recovery of the NATO nations and the further fact that the United States has financed approximately 39 percent of construction costs to date, would it not be in the interest of the U.S. taxpayers for representatives to NATO to negotiate a much lower percentage contribution for the balance of the infrastructure program? Is that feasible?

General EATON. Sir, we are currently in the third year of a 4-year cost-sharing program, of which we are paying 30.85 percent. There will, under normal circumstances, be a new cost-sharing agreement negotiated prior to the end of calendar year 1964. I think the United States should and will negotiate an appreciably lower figure as its contribution for the succeeding cost-sharing program of 4 years starting in 1965.

Mr. PASSMAN. The figures we have added up from the information available, we arrive at approximately 39 percent of the cost of construction to date.

General EATON. Sir, may I mention that this results from the varying contributions the United States has made to the different slices. The United States has contributed all the way from 48.10 percent to slice 2, to 30.85 percent at present. These figures appear on page 86 of the presentation book, and the U.S. share was: for slice 2, 48.1 percent; for slice 3, 42.76 percent; for slice 4, 41.78 percent; for slices 5 through 7, 42.86 percent; for slices 8 through 11, 36.98 percent, and for slices 12 through 15, 30.85 percent.

Mr. PASSMAN. Did I make a statement of fact when I said that the United States has financed approximately 39 percent of the infrastructure program to date?

General EATON. I cannot tell exactly without making a total adjustment of the figures, sir, because some of the projects——

Mr. PASSMAN. You suggested checking it, working the mathematics out. We arrive at approximately 39 percent. Please submit the information for the record.

General EATON. Sir, but if it were correct this year, it would be wrong next year.

Mr. PASSMAN. If we pick it up from the beginning and bring it up to the present date and break the average for the 15 years, how could either one of us be wrong if we arrived at the same figure of approximately 39 percent of the total?

General EATON. We could today, sir.

Mr. PASSMAN. That is the point I made. I said the United States has financed approximately 39 percent of production from the beginning up to the present time.

General EATON. I accept your mathematics, sir.

Mr. PASSMAN. You put yours together and work it out.

(The information supplied follows:)

Authorization by the Payments and Progress Committee to commit infrastructure funds to date total $2.489 billion. Of this amount the U.S. share covering all slices has been $1.042 billion or 41.84 percent. The current U.S. contribution is 30.85 percent.

MUTUAL WEAPONS DEVELOPMENT PROGRAM

The estimate for fiscal year 1964 for the mutual weapons development program is $1,500,000; is that correct?

General EATON. That is correct, sir.

Mr. PASSMAN. And the unexpended balance as of July 1, 1963, is estimated to be $30,740,000?

General EATON. That is correct, sir.

Mr. PASSMAN. Would you furnish a breakdown for the record of this unexpended balance of $30 million? And, how much of the 1963 program did you allocate for laboratory equipment to strengthen the multinational research and development activities in a foreign university? Can you give us that now?

General EATON. For the 1963 program, sir?

Mr. PASSMAN. Yes.

General EATON. No, sir; I cannot give you that, I will have to supply that for the record.

Mr. PASSMAN. Can any of the supporting witnesses help you out on that item?

General WOOD. No. We would have to supply that, sir. This is handled by Dr. Brown's Office.

(The information requested follows:)

UNEXPENDED BALANCE FOR MUTUAL WEAPONS DEVELOPMENT PROGRAM

U.S. bilateral agreements with other NATO powers on approximately 280 research and development projects have been financed under MWDP to increase the weapons production and research base of these countries.

The unexpended balance of $30.7 million, because of a time lag of approximately 1 year in the billing of the United States for completed projects, includes several completed projects as well as ones currently underway. The unexpended balance will be substantially reduced in the next 6 months as U.S. payments are made for completed projects. The current unexpended balance of $30.7 million is among the following countries:

France	(1)
Italy	(1)
Netherlands	(1)
Norway	(1)
Turkey	(1)
United Kingdom	(1)
Other	(1)

[1] Deleted.

Approximately $50,000 was used in fiscal year 1963 to procure U.S. manufactured laboratory equipment for use by Government defense laboratories in ———.

ALLOCATION OF 1964 FUNDS

Mr. PASSMAN. Could you tell us how you propose to allocate the $1,500,000 that is estimated for fiscal year 1964?

General EATON. Yes, sir; we can do that, sir.

Excuse me, sir. I am having a little trouble getting my figures together. I have them here. The funds included in the proposed 1964 program consist of travel and temporary duty expenses totaling $895,000; salaries and benefits totaling $300,000; technical assistance and equipment totaling $105,000.

Mr. PASSMAN. Who is doing the traveling, from where to where, for what reasons, and for how long?

General EATON. I can give you a breakdown as to who is traveling.

Mr. PASSMAN. Include the salary and his rate or rank or grade, if he is a civilian.

General EATON. That will have to be supplied for the record, Mr. Chairman.

(The information supplied follows:)

The pertinent technical research and development personnel assigned to the military department, the Office of Defense Representative, North American and Mediterranean Areas and the Office of the Defense Director, Research and Engineering, are required to travel to and from Europe and the Far East for the purpose of participating in the management of the following MWDP international research and development activities:

(*a*) Monitor the progress and performance of approximately 60 active MWD projects and protect prior year U.S. MWDP investments.

(*b*) Make annual project officer to project officer visits in support of 700 data exchange agreements currently in existence with various NATO countries and the Far East.

(*c*) Provide U.S. technical representation for approximately 50 NATO armaments committee ad hoc mixed working groups, each meeting several times a year to discuss and negotiate NATO R. & D. programs.

(*d*) Provide U.S. technical representation to meetings conducted by the Shape Air Defense Technical Center (The Hague), the Technical Center for Experimental Aerodynamics (Brussels), the Advisory Group for Aeronautical Research and Development (Paris), and the Antisubmarine Warfare Center (La Spezia).

(*e*) Provide U.S. technical representation to the NATO Ministerial meetings, as needed.

The visits to Europe usually last 7 to 14 days and visits to the Far East average 21 days. U.S. carriers are used wherever possible.

The military and civilian personnel involved in this travel are administrative and technical research and development project officers, usually of the rank of major and above and/or grade GS–14 and higher. Travel requirements are screened by a central office in the military departments and the office of Defense Director, Research and Engineering, in order to exercise adequate control over travel requirements. Only essential travel is authorized.

Since all of these $895,000 for travel and TDY in fiscal year 1964 will take place in the future, these estimates are based upon the requirements indicated above and on past experience.

The estimate for MWDP for fiscal year 1964 contained in the congressional presentation document comprises the following:

Travel, Tdy	$895,000
Salaries	300,000
Technical assistance equipment	105,000
MAP share of expenses of Office of Internal Program, Directorate of Defense Research and Engineering, OSD	200,000
Total	1,500,000

Mr. PASSMAN. I wonder if you would have one of your assistants work that up and fill in the other quarter of a million that you did not cover just now? If that is a contingency item, let us list it as such.

General EATON. I will confirm my figures for the record, sir.

Mr. PASSMAN. Do you have a contingency allowance in this item?

General EATON. Not to my knowledge, sir.

Mr. PASSMAN. The figures you gave us you read out of your records and you should have some other figure now to bring it up to the $1,500,000. It should be $200,000 even.

General EATON. I will confirm this for the record, sir.

Mr. PASSMAN. All right, sir.

(The information to be supplied follows:)

EUROPEAN AREA PROGRAM

The next item is $——— for the European area programs.

General EATON. Yes, sir.

Mr. PASSMAN. What type of aircraft and the number of each are being funded by this unexpended balance of $———.

General EATON. Sir, that represents aircraft that have already been funded and when they are delivered to a recipient country will be transferred into the country account. I do not have a breakdown with me. I will be happy to supply it for the record.

The $——— unexpended balance for aircraft in the European area program is explained as follows:

(*a*) The United States is providing $140 million worth of components for the European F–104 consortium, in return for which the United States will receive 100 F–104G aircraft. These aircraft will in turn be distributed to selected NATO countries as grant aid to meet past MAP commitments, since there is no area program for these aircraft, such program being reflected by planned recipient country rather than an area program. As the components are delivered to the F–104 producing agency, they are recorded as deliveries in the area against no area program hence are a credit in the undelivered column. When the completed aircraft is assigned to the recipient country, the "credit account" is debited $1.4 million (MAP cost of one F–104G), thus reducing the credit account until all 100 aircraft have been assigned and the delivery reflected by country. As of June 30, 1963, $——— worth of components will have been delivered to the producing agency.

(*b*) There are ——— aircraft with associated equipment and spares worth $——— million which are MAP assets and still unassigned.

(*c*) The United States is committed to furnish as reimbursable assistance $——— million for the research and development plus two prototypes of the French-developed "Atlantique" maritime patrol aircraft. This assistance has taken the form of a credit account established in the United States for French procurement through June 30, 1963. Thus far, $——— million has been funded; $——— million is programed for fiscal year 1964. The French are buying ——— aircraft from the United States with this money. As of June 30, 1963, it is estimated that $——— will be unexpended in this account. In return for U.S. funds, the United States will receive two prototype "Atlantique" aircraft, with associated equipment and spares.

Mr. PASSMAN. Have you ever had an instance where you underreserved or underobligated any of these items? We have talked earlier this week and this month and today about the recoupments, deobligations, and squeezeouts?

General EATON. Yes, sir.

Mr. PASSMAN. Have there ever been any squeeze-ins, or has it always been squeezeout?

General Wood. The most recent example you cited was that of the F–5 aircraft.

Mr. Passman. In that case, you had so much money carried over from 1962 from the squeezeout, dereservation, or deobligation, that you could start funding programs you had not yet justified to Congress. They were justifying in 1963 and funding out of 1962. That was a good example of how it operates.

General Wood. The original estimate was considerably lower.

STATUS OF FUNDS PREVIOUSLY ALLOCATED

Mr. Passman. That is what I say. There would have been some squeezeouts. It is always a squeezeout rather than a squeeze-in. I will bet that if you just had to operate you could take the amount of unexpended funds in this program, with the right to transfer as you do have, and could go a year without another dollar and wind up with a good program. Somewhere along the way you are going to have to find out when this money was allocated, for what, and to whom. We asked last year and they said it would be, I believe, this fall before they could give the information to us. We learned later we had to accept it for 19 nations. I am renewing my request. We would like to know in all of the nations, the 70 nations, the amount of money that you have to their credit, when you allocated it and for what purposes. Then you come up later in the hearings, please, and tell us about when we can expect that project to be completed.

OTHER SERVICES

For "Other services," the estimate is ———.

General Eaton. Yes, sir.

Mr. Passman. Even though the unexpended balance is $———. Why is the unexpended balance so high for this item?

General Eaton. No. 2, is the——.

Mr. Passman. You have for "Other services," and that covers a multitude of things, you have on hand $———. With that much money on hand unexpended for other services, I thought maybe it was a typographical error that you put in $——— to be added to it.

General Eaton. No, sir. I would like to ask you to look at the items in that program, sir.

Mr. Passman. Where are they?

General Eaton. Down at the bottom of page 89 of the presentation book.

The first item is NATO international headquarters and agencies. This is a cost that goes on day by day and is expended day by day and the estimate for 1964 is $———.

Mr. Passman. There should not be a carryover if it is a day-to-day item, should there?

General Eaton. I could not tell you the particular date, the quarter of disbursement of these funds, but this item is going on all the time. The Central Europe Operating Agency is also going on all the time.

Mr. Passman. Is a good part of it payroll, utility bill, rent?

General Eaton. That is operating deficits for the pipeline, sir.

Mr. PASSMAN. It seems that should be the one thing which would be current. Do you not have in "Other services" certain payrolls, rents, and utilities?

General EATON. It is the next item, I think, sir, that——

UNEXPENDED BALANCES FOR OTHER SERVICES

Mr. PASSMAN. I am interested in this item. You have an unexpended balance of $——— which is, in round figures, about a 7½ months' pipeline? Are my figures correct?

General EATON. By the criteria that you have described I would say "Yes."

Mr. PASSMAN. I do not know of any other way to do it, sir.

General EATON. I said the next item is different, sir. The NATO Maintenance Supply and Services Agency, this is where you do have a leadtime.

Mr. PASSMAN. That is $———. The way we are reducing the purchasing power of the dollar, that will be your salary in another 5 years. But, for "Other services" you have $——— unexpended?

General EATON. That is correct, sir.

Mr. PASSMAN. You say this is a going item every day?

General EATON. Yes, sir.

Mr. PASSMAN. Does it represent utilities, rents, salaries? Give us a description of some of the items that you pay out of this account.

General EATON. It is broken down into these separate parts which I told you, sir. The NATO international military headquarters and agency item has to do with rent of buildings, at Paris, the subordinate Standing Group agencies, such as the communications agencies——

Mr. PASSMAN. Telephone bills, telegrams, such as that?

General EATON. That is correct, sir.

Mr. PASSMAN. They would sue me if I got that far behind in my accounts; 7½ months.

General EATON. There is some difference resulting from the difference between the fiscal year we use and the fiscal year in Europe. I cannot give you the details of how much.

Mr. PASSMAN. Could this be labeled a contingency fund?

General EATON. No, sir, it could not. I think I can submit information for the record which will show clearly that it is not, sir.

Mr. PASSMAN. According to your 1964 program, the estimate, you have about a 7½-month supply of money.

General EATON. This is, again, sir, not the way I am able to look at this figure.

Mr. PASSMAN. It is to pay rent, electric bills, salaries, and so forth. I could not get that far behind on my current bills. This is a current item. This is not something that you have to procure. It is an everyday item.

Have a look at that, if you will, and give us a reason why we should not deny this amount.

General EATON. I will be happy to.

Mr. PASSMAN. Or more than one reason if you can find it.

Mr. SLOAN. There is a note on page 90, sir, that the technical assistance production program of this year is $——— and I think that the general will find when he breaks it down, this $——— figure you will find at least an equal amount there so it is not precisely $——— only for rent and the other month-to-month services that you referred to.

Mr. PASSMAN. We are trying to find someplace to cut some of this money out. You do not agree that we should cut it all out. Give us a breakdown, if you will, of the purposes of the reserve.

(The information supplied follows:)

Three major categories comprise the unexpended balance of "Other services" in the European area programs. Page 16, line 14, column h, contains the first and third items.

International military headquarters and agencies———
Other services—Training aids (AF)———
WPP technical assistance———
Total——— $———

A breakdown of the above categories follows:

(*a*) Actual and estimated unpaid U.S. obligations as of June 30, 1963, for international Military Headquarters and agencies:
SHAPE and subordinate comands (fiscal year Jan. 1-Dec. 31)—
Standing Group———
Total, United States——— $———

Costs for the "International military headquarters and agencies" cover normal housekeeping and administrative expenses, including salaries of civilian personnel, and a number of other items related to operations of the various headquarters.

Section 503 of the Foreign Assistance Act of 1961, as amended, authorizes the President to furnish military assistance, on such terms or conditions as he may determine, to any friendly country or international organization. International military headquarters are authorized international organizations, and when annual budgets are approved by the participating countries, in accordance with the provisions of section 1311 of the Supplemental Appropriations Act, 1955, the U.S. records an obligation for its share (24.20 percent) of the contribution. Contributions are requested three times a year. When the U.S. pays its contributions, the obligations are liquidated.

The fiscal year of SHAPE (Supreme Headquarters, Allied Powers Europe) runs from January 1 to December 31. Therefore, the obligations for this headquarters must be established in January of each year. The first payment to be made is usually about 40 percent of the total budget. Thus, at the end of the U.S. fiscal year there is an unpaid obligation of about 60 percent of the annual SHAPE budget. Accordingly, this is a normal unexpended figure and represents firm U.S. commitments obligated against its share of the costs of international headquaters and agencies.

(*b*) Air Force training aids:
1. 25 AN-GPS-T2 trainers (mission simulators for air defense search radar training) and 25 AN-GPS-T2 trainers (signal generators for ground control intercept radar training)———
2. Contractual services for the completion of development work on electronic systems training programs in Italy, Portugal, Greece, Denmark, Norway, and Turkey———

(*c*) Weapons production program:
1. Facilities assistance program (FAP)———
(The predecessor program to the current weapons production program. Originally designed to assist European nations in producing machine tools, ammunition, and sufficient industrial production base to supply their own basic military production needs.)
2. Weapons production technical assistance———
Estimated unexpended balance for technical assistance for HAWK, BULLPUP, SIDEWINDER production.
Total——— $———

CENTRAL EUROPE OPERATING AGENCY

Mr. PASSMAN. The estimate for the Central Europe Operating Agency is $———. I believe that represents about 39 percent, does it not, of the U.S. contribution to meet the deficit in operating expenses?

General EATON. That is the U.S. share of the deficit, sir.

Mr. PASSMAN. Where do you get the deficit?

General EATON. I might mention, sir, that due to the severe winter in Europe this year there was an increased usage of the pipeline by commercial contract, and we expect the total deficit will be reduced, as we now see it, from $——— to $——— in which case our share will be that much less.

Mr. PASSMAN. Will you give us an explanation of what you mean, commercial contract?

General EATON. Commercial products run through the NATO pipeline, sir, for which the Agency charges rent.

Mr. PASSMAN. Commercial products through the NATO military pipeline?

General EATON. That is correct, sir.

Mr. PASSMAN. Give us a little bit more explanation on that matter. What kind of commercial project or products?

General EATON. This winter it happened to be, to the best of my knowledge, oil and water both, sir.

Mr. CONROY. I wonder if I might comment on that, Mr. Chairman. I had a little to do with that; off the record.

Mr. PASSMAN. Please do.

Mr. CONROY. I was merely going to add for the committee's information that when the canals in Germany froze up badly during the winter they were unable to get fuel oil in. Through NATO the use of the NATO pipeline was offered to commercial oil companies to get needed fuel oil up into Germany It helped them a great deal.

Mr. PASSMAN. That should have been a credit and not a debit.

Mr. CONROY. It was a credit.

Mr. PASSMAN. We are dealing with a deficit.

Mr. CONROY. The gentleman was referring to this as something that reduced the deficit shown there. The other was sending water through the same pipeline up to the Netherlands.

Mr. PASSMAN. It says the estimate is $———, which represents 39 percent as a U.S. contribution to meet the deficit and operating expenses of $———.

General EATON. Subsequent to the preparation of that estimate, there was increased commercial usage for which the operating agency received reimbursement, and the deficit will not be as great as the estimated figure shown here.

Mr. PASSMAN. Then there will be some squeezeout?

General EATON. We are running the pipeline and getting paid for it, sir.

General WOOD. There will be a recoupment on this figure, sir. That is what you mean.

Mr. PASSMAN. I never will be able to understand why you would be asking for money to take care of a credit that is coming.

General EATON. There is not quite enough credit coming to take care of all the deficits.

Mr. PASSMAN. You are getting some money but not enough to take care of the deficit. So instead of being a net profit it will be a net loss, as you would balance the books? Is that right?

General EATON. The presentation before you represents a net loss. The loss will be less than that projected.

Mr. PASSMAN. Well, that is not unusual in your justifications, sir.

General EATON. But, sir, we didn't anticipate the cold weather and we are happy that we have been able to receive the increased revenues from the operation of the pipeline.

WEAPONS PRODUCTION PROJECTS

Mr. PASSMAN. For technical assistance for weapons production projects, the estimate for fiscal year 1964 is $———.

General EATON. That is correct, sir.

Mr. PASSMAN. What projects will receive this technical assistance?

General EATON. The BULLPUP will receive $———. This is an air-ground missile. The C–130 aircraft will receive $———. The F–104G consortium will receive $——— out of the total of $——— to which the United States had originally agreed. Night vision equipment, $———, so you can see at night and shoot at night, sir. The Mark 44 torpedo, with which I think you are familiar, $———. The HAWK missile, $———. M–42 rocket, $———. FADAC, which is a Field Army Digital Artillery Computer, $——— and there are miscellaneous air-to-air missiles, $———, and administrative and engineering costs, $———.

Mr. PASSMAN. Are you dealing with something that is presently in production?

General EATON. They vary, sir. The BULLPUP is just about to start in a consortium production in Europe. The C–130, of course, is in production. The F–104G is in production. I couldn't tell you offhand the status of the night vision equipment. The Mark 44 is in production. The HAWK is in production. The M–42 is in production. I couldn't tell you about the FADAC equipment.

Mr. PASSMAN. We are dealing with the same equipment we discussed earlier where you have specific appropriations for them. Here we are dealing with a technical assistance part, are we not?

General EATON. Yes, sir.

Mr. PASSMAN. Could you define a little bit more the type of technical assistance that is involved?

General EATON. Yes, sir. For example, take the F–104G consortium. The technical assistance varies across the board from providing blueprints to providing technicians from the Lockheed plant in California to go to Europe and advise the engineers and the people who build the equipment, to produce it, and the people who are doing the production. This sort of thing, sir.

Mr. PASSMAN. Then they are in production.

General EATON. Yes, sir. I said to my knowledge all but two of these are in production and I wasn't sure about these two.

Mr. PASSMAN. If they are in production I wouldn't think blueprints would be too much involved, would they?

General EATON. Sir, I gave you the kind of example——

Mr. PASSMAN. This is prior to the starting of production, is it not?

General EATON. Yes, sir.

PROBABILITIES OF PHASE OUT OF EUROPEAN MAP

Mr. PASSMAN. When, in your opinion, will this European military assistance program be phased out so far as requests for appropriations are concerned?

General EATON. I can't give you a categorical answer to that, sir.

Mr. PASSMAN. That is one answer we are going to want. We are going to want it rather positive. We have been told that we would not be in Europe with this program except we had these commitments earlier and we were obligated to live up to them. Undoubtedly we have not entered into such contracts that take us so far into the future that we cannot estimate when the end will come, have we? Does it mean this is never-ending and that it will go on and on?

General EATON. Sir, I think you have expressed only part of the picture. There are three parts. The first part is materiel aid and that is the part which you addressed. There is a finite end to grant materiel aid to the European countries. I have told you today that I think it is in our interests to continue a training program.

Mr. PASSMAN. That is the beginning of a new program and I had not heard that expression until today. It indicates to me that in one way or another we are going to continue the military program. But my question is, and I think now you should take this up as high as necessary and give us some type of direct answer: When will the military assistance program for Europe, with the exception maybe of two or three countries, be phased out so far as new appropriation requests are concerned.

We were told we were in this simply because we entered into these agreements—these commitments—prior to the phenomenal recovery of most of the European nations.

Now, if we have commitments that are never ending, we should know about them. Do you have a termination date as far as grant aid is concerned?

General EATON. Sir, may I break it down again: First, for grant materiel aid, which is tied to firm commitments, we can give you year-end termination.

Mr. PASSMAN. When do you anticipate ending your——

General EATON. I would say that, as I see it now, grant aid to European countries with the exception of ———.

Mr. PASSMAN. How about Turkey and Greece?

General EATON. I am not talking about Turkey and Greece, sir, but the other European countries. I can see 1968 for Norway and Denmark, and the rest at earlier dates, but this pertains to grant materiel aid only.

The second point is training, and I see no end to that nor do I wish to, and I would like to quote one sentence Mr. McNamara used to describe this program, sir. Mr. McNamara said:

In all probability the greatest return on our military assistance investment, dollar for dollar, comes from the training of selected officers and key specialists in the U.S. schools and installations. These students are handpicked by their governments. They are the coming leaders of their nations. It is beyond price to the United States to make friends of such men.

I hope we don't stop that program.

Mr. PASSMAN. I hope we can see an end to this. I am interested in the grant aid part of it.

If you have figures that it will be 1968, that is a bit encouraging.

With respect to the grant aid materiel, can you give us an idea of the funding in the remaining 3 years of 1965, 1966, and 1967?

General EATON. If I am not mistaken that information has been requested and will be supplied completely for the record. I am not prepared to discuss end items at this time.

Mr. PASSMAN. You will prepare the information for the record?

General EATON. I think you made that request to Secretary McNamara and it is being prepared now.

Mr. PASSMAN. We made a general request with regard to the whole world.

General EATON. It was for funding and hardware included.

Mr. PASSMAN. That was a worldwide program. I am asking now for Europe. That is what we are specifically requesting from you, the information on Europe.

General EATON. Yes, sir; but there is a third point which I would like to make in answer to your question. There remain the commonly funded programs which, as I have described them, are not strictly grant aid but are "very, very different." These include infrastructure, NATO international military headquarters and agencies, and the other commonly funded programs where we furnish only our share of the total.

Mr. PASSMAN. You are getting into housekeeping there. I am talking about the large expenditures that we are now making in these wealthy countries in the way of grant aid which was brought about by prior commitment. I do not think you quarrel with the statement that we are in there with grant aid, continuing it, on account of prior commitments?

General EATON. That is corrrect.

Mr. PASSMAN. Now, on the whole, they are able to finance their own military?

General EATON. I wouldn't agree they are able in all cases.

Mr. PASSMAN. I have observed that the weaker the case the stronger the argument that it is good.

Thank you very much.

General EATON. Thank you, Mr. Chairman.

Mr. PASSMAN. Are there questions of the members?

If not, this will be all for today, gentlemen.

THURSDAY, MAY 23, 1963.

MILITARY ASSISTANCE, AFRICA

WITNESSES

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Mr. PASSMAN. The committee will come to order.

SUBMISSION OF PREPARED STATEMENTS

It is understood by the committee and has been so indicated by witnesses that we are dealing with a military assistance program established in the main by the State Department. It follows, as a matter of course that we shall expect of Assistant Secretaries or other witnesses from the State Department here to testify for the military program, that their prepared statements be submitted in advance, at the same time we get the statements from the other witnesses. Otherwise, we would not be in a position to proceed in the most effective manner. We are always glad to have our friends from the State Department, as well as the AID representatives, here with us, but if they are going to be in the position of asking to testify, as was the case yesterday with Secretary Davis, we will want prepared statements. We agreed yesterday to an exception to the rule, but in the future we would like to have copies of the statements of those who are to testify. This is necessary in order to permit reasonable preparation for intelligent questioning.

This afternoon we have with us Brig. Gen. Stephen O. Fuqua, Jr., MAP Director of the Near East, South Asia, and African Region.

I would think, General, you intend to make three different statements, do you not? You will testify first concerning the program for Africa and later for the others, or is it all in one statement?

General FUQUA. I intend at this time to make a statement on Africa only and at a later time when we hear the Near East and South Asia portion I have a different statement to make covering those areas.

Mr. PASSMAN. If you have a statement on Africa we shall be glad to hear from you at this time.

GENERAL STATEMENT

General FUQUA. Mr. Chairman and members of the committee, I am General Fuqua, Director of the Near East, South Asia and Africa region in the Office of the Assistant Secretary of Defense (International Security Affairs) of the Department of Defense. I am glad to be here again to discuss the proposed military assistance program for fiscal year 1964 in the Africa region.

This area includes all of the countries of the African Continent with the exception of Egypt. The military assistance program for this area is designed primarily to assist in the internal security capability of friendly nations while at the same time discouraging any unnecessary military buildups which would deter economic stability and growth in the area. The program also provides for Western orientation of the military forces and, to the extent feasible, contributes to the economic and social development of countries concerned through civic action type projects.

CUMULATIVE PROGRAM AND DELIVERIES

The cumulative program for the Africa region to June 30, 1963, will total $138.2 million of which it is expected $94.5 million will have been expended by that date and $43.7 million will still be in the pipeline.

PROPOSED FISCAL YEAR 1964 PROGRAM

The proposed fiscal 1964 program for the Africa region is $24.5 million which is $8.7 million less than the fiscal year 1963 program. This reduction is caused primarily because of the completion of the materiel portion of certain country programs. We propose fiscal year 1964 programs for eight countries, plus a special Africa area program to cover anticipated requirements in some other countries. I respectfully request that exhibit A, which is an unclassified version of the regional summary on page 91 of the presentation book be inserted in the record at this point.

Mr. PASSMAN. Without objection, exhibit A will be included in the record at this point.

(The document follows:)

EXHIBIT A.—*Africa*

[In thousands]

(a)	Annual programs					Estimated deliveries/expenditures from fiscal year 1954–63 programs	
	Proposed fiscal year 1964 (b)	Cumulative fiscal year 1954–63 (c)	Fiscal year 1963, as of Mar. 19, 1963 (d)	Fiscal year 1962 (e)	Fiscal year 1963 (f)	Cumulative through June 1963 (g)	July 1963, and after (h)
Africa	$24,511	$138,238	$33,164	$34,465	$27,184	$94,504	$43,734
Cameroon		321	37	284	20	256	65
Congo (Léopoldville)		3,378	3,378		228	228	3,150
Dahomey		122	54	104	32	89	33
Ethiopia		73,799	11,349	11,734	8,964	60,396	13,403
Ghana		207	202	5	74	78	129
Ivory Coast		218	152	120	101	157	61
Liberia		4,635	2,027	1,803	2,066	2,905	1,730
Libya		7,168	2,102	721	1,119	5,067	2,101
Mali		2,272	1,258	243	696	1,483	789
Niger		114	49	104	28	82	32
Nigeria		329	325	4	185	189	140
Senegal		2,901	515	2,476	1,502	1,591	1,310
Upper Volta		114	46	108	29	85	29
Africa undistributed		42,660	11,670	16,759	12,140	21,898	20,762
Credit assistance		4,498			186	4,213	285
Liberia		1,179				1,179	
Africa undistributed		3,319			186	3,034	285
Excess stocks	230	23,891	11,268	1,718	1,865	12,663	11,228

NOTE.—Values have been included in the undistributed line for programs and deliveries which remain classified because of intergovernmental agreement or because of their sensitive nature.

General FUQUA. The proposed fiscal year 1964 program of $24.5 million will provide $6.5 million for essentially fixed charges such as training, packing, crating, handling and transportation; $4.5 million for force maintenance to provide spare parts, attrition replacement, repair and rehabilitation of equipment and other consumables to assist in maintaining forces currently in being; and $13.5 million for force improvement. The force improvement would include liaison, helicopter and transport aircraft, naval patrol craft, vehicles, light weapons, and electronic and communications equipment.

STRATEGIC SIGNIFICANCE TO UNITED STATES

African countries bordering on the Mediterranean are of special strategic significance to the United States because of their position opposite the southern flank of NATO. Countries in the Horn of Africa situated along the Red Sea are also of strategic importance because they control the approaches to Eastern and Southern Africa and the Middle East. Our air bases and communications facilities in certain African countries represent valuable assets to our worldwide security position. Africa is also important to the United States as a source of essential raw materials. Soviet bloc inroads into the African area would adversely affect our strategic interests, as well as the stability of the area. Bloc interest in Africa is growing and the Sino-Soviet group is seeking every opportunity to broaden its influence.

Country Programs

ETHOPIA

Our proposed program for Ethopia in fiscal year 1964 is $——— which is $——— than in fiscal year 1963. This will provide $——— for essentially fixed charges, $——— for force maintenance, and $——— for force improvement. The $——— for force improvement will provide $———.

This program assists in maintaining satisfactory relations with the Ethiopian Government which continues to make important communications facilities available to us. Concurrently, our program prevents Soviet encroachment into the military field in this strategically located country. Our assistance provides an internal security capability for the Ethiopian armed forces and provides the capability for these forces to contribute to U.N. operations such as those in Korea and the Congo.

LIBERIA

The proposed fiscal year 1964 program for Liberia is $——— which is about $——— in fiscal year 1963. This will provide $——— for essentially fixed charges, $——— for force maintenance, and $——— for force improvement $———.

As a close friend of the United States, Liberia has stanchly supported the United States position in Africa and in the United Nations on world issues. It has also provided troops for the U.N. operations in the Congo. This action was made possible by our military assistance. Our assistance also contributes to internal security capabilities of the country.

LIBYA

The proposed fiscal year 1964 program for Libya is $——— which is $——— in fiscal year 1963. This will provide $——— for essentially fixed charges, $——— for force maintenance, and $——— for force improvement ———.

Under the base rights agreement with Libya, Wheelus Air Base is available for our use. ——— U.S. military assistance has and will continue to improve the internal security capabilities of Libya's armed forces. Our assistance has, together with that of the United Kingdom, helped to preclude Soviet influence in Libya.

MOROCCO

The proposed fiscal year 1964 program for Morocco is $——— which is ——— than in fiscal year 1963.

The proposed program will provide $——— for essentially fixed charges, $——— for force maintenance, and $——— in force improvement.

(Off the record.)

Our assistance also contributes to the internal security capability of the Moroccan armed forces ———.

NIGERIA

The proposed fiscal year 1964 program for Nigeria is $——— which is $——— than in fiscal year 1963 and consists ———.

Training assistance to Nigeria is provided to demonstrate U.S. support and enhance the pro-Western orientation of Nigerian military forces, and to contribute to the development of their internal security capabilities.

SENEGAL

The proposed fiscal year 1964 program for Senegal is $———. This amount will provide $——— for essentially fixed charges, $——— for force maintenance and $——— for force improvement.

(Off the record.)

TUNISIA

General FUQUA. The proposed fiscal year 1964 program for Tunisia is $——— which is $——— than in fiscal year 1963. This proposed program covers costs of supply operations $——— associated with prior year materiel program and $——— for training.

REGIONAL PROGRAM

The proposed fiscal year 1964 area program for Africa, for which $——— is requested, is designed to meet probable military assistance requirements in the ——— and possibly some other African nations. The nations mentioned have, at some time in the past, received small amounts of military assistance. The exact amount required ———, in individual countries during fiscal year 1964 is subject to further review, and to developments in the African area. Specific amounts, by country, cannot be determined at this time.

SUMMARY

In summary, the proposed $24.5 million fiscal year 1964 African military assistance program will provide for materiel and training designed to improve the internal security capability of the specified African countries. In certain instances, the equipment and training provided will be useful in support of both internal security and civic action. In those countires where the United States has important base requirements, our assistance is designed to insure our continued unhampered use of these facilities. The special African area program is necessary for flexibility to meet anticipated needs in other African countries.

The overall amount requested for Africa in fiscal year 1964 is approximately 2 percent of the total proposed military assistance program worldwide in fiscal year 1964, and we believe that the amount requested is the minimum needed to assist in achieving U.S. strategic and political objectives in the African region.

Mr. Chairman, that concludes my statement.

Mr. PASSMAN. Thank you very much, General Fuqua.

We have Governor Williams with us this afternoon. We are glad that you could be with us, Mr. Secretary. Do you have a prepared statement?

Mr. WILLIAMS. No, sir; I merely support General Fuqua.

MAP FOR MAINTENANCE OF INTERNAL SECURITY

Mr. PASSMAN. Looking at the list in exhibit A, would it not be better for us and for them if we gave them popguns instead of guns with which to shoot each other?

General FUQUA. I don't think we can generalize to that extent.

Mr. PASSMAN. I thought these people would be more interested in butter than guns.

General FUQUA. For some of them as I indicated in my statement, sir, we feel there is justification for certain weapons to help them maintain their internal security.

Mr. PASSMAN. How did they maintain their internal security before we came in with military assistance?

General FUQUA. In many cases the former metropole before they became independent countries took care of these things.

Mr. PASSMAN. When they were colonies or dependencies the other countries took care of them?

General FUQUA. That is true.

Mr. PASSMAN. I believe the other countries still have many of their trade agreements in effect; do they not? And do these countries still not look to the mother country in many respects as they did before?

General FUQUA. Sir, our policy in respect to the former metropoles is——

Mr. PASSMAN. When you say "metropole" you are speaking of the mother country originally?

General FUQUA. Yes, sir.

Our policy is and has been to the extent possible to look to these countries to keep on assisting the newly independent nations which were formerly their colonies.

Mr. PASSMAN. Why did you not leave it up to them to put up the money for this military assistance, then?

General FUQUA. Well, in some cases the country itself desires to break away to some extent from the former metropole and have asked us for assistance. We believe it is politically to our advantage in maintaining our African policy to help them out.

Mr. PASSMAN. But this program is mainly for their internal security; is it not?

General FUQUA. Yes, sir.

PROCEDURE IN DEVELOPING COUNTRY REQUESTS

Mr. PASSMAN. With regard to the type of military assistance going into this particular region—so the committee may have some understanding as to whether it is worked out by the State Department or the Defense Department; correct me if I am wrong—it is my understanding that usually representatives of the government in one of these countries discusses the matter with the U.S. Ambassador in that country—that is, negotiations start at that level—or they may start in Washington by the Ambassador representing that country with our State Department, or it could be either one or both; is that correct?

General FUQUA. Sir, may I explain the cycle to you?

Mr. PASSMAN. I wish you would.

General FUQUA. The cycle starts in the country. The country making the request comes to the U.S. authorities in that country.

Mr. PASSMAN. What authorities?

General FUQUA. For military assistance, it normally comes to the MAAG or mission, but it gets to the Ambassador right away. If it comes to the military attaché, for instance, the military attaché would immediately advise the Ambassador.

Mr. PASSMAN. Sometimes it could be just a captain flying a DC–3?

General FUQUA. That is possible.

Mr. PASSMAN. Does he go to that officer or to the Ambassador who represents the President?

General FUQUA. The matter is put immediately in the hands of the Ambassador no matter in what channel it starts. The Ambassador, being, as you say, representative of the President in that country, the senior representative of the United States, looks the matter over and based on the recommendations of the U.S. military adviser and his political and economic advisers arrives at a judgment as to whether such a proposal will best serve the interests of the United States. He transmits his recommendation to the U.S. State Department and informs them of the request. The unified commands and the Defense Department are advised at the same time and their recommendations solicited. I can go further if you would like to have me go further.

COUNTRIES FOR WHICH MILITARY ASSISTANCE HAS BEEN DENIED

Mr. PASSMAN. I think that explanation is satisfactory at this point.

For fiscal year 1963 we have a military aid program of some type going on in 70 foreign nations. Have you had any nations under your command, whether they were brought into being 6 months ago or even a year ago, that requested consideration for military assistance and you turned them down?

General FUQUA. No, sir.

Mr. PASSMAN. They all got consideration?

General FUQUA. There haven't been any requests——

Mr. PASSMAN. I asked whether you know of any who made requests that we did not give them consideration?

General FUQUA. None of these newly formed nations within the past year have made any requests.

Mr. PASSMAN. My point is we have 70 out of the other 112 nations getting some type of military assistance from the fiscal year 1963 appropriation. Do you know of any nations in your area, large or small, new or old, which made a request for military assistance that you turned down?

General FUQUA. I know of no requests that have been made, sir.

Mr. PASSMAN. How did you get in these nations with these programs if they did not make requests?

General FUQUA. We were talking just a moment ago of newly formed nations that have just come into being.

Mr. PASSMAN. Some are very young, but whether they are 6 months, a year old, or 5 years old.

General FUQUA. Five years old?

Mr. PASSMAN. Do you know of any nation asking for consideration and you have turned down the request?

General FUQUA. The only one which I can recall is the country of ——— which asked for a patrol craft.

Mr. PASSMAN. What is the name of it?

General FUQUA. ——— on the western coast of Africa just below the hump. They asked for a light patrol craft and it was turned down.

Mr. PASSMAN. So you did turn down one nation?

General FUQUA. Yes, sir.

Mr. PASSMAN. Congratulations, sir.

PROGRAM IN GHANA

I notice that Ghana has been brought back into the friendly orbit. Do we have a mutual defense agreement with Ghana?

General FUQUA We have no bilateral agreement with Ghana of that sort. It is a Presidential determination country.

Mr. PASSMAN. Is there attitude toward the West about the same as it has been all along?

General FUQUA. I would like to ask Governor Williams to give us an answer on that.

Mr. PASSMAN. We shall be glad to hear from the Secretary, but we want to hear from you first. This is under your command and you had to approve this military equipment for Ghana; did you not?

General FUQUA. That is correct, sir

Mr. PASSMAN. We would first like to hear from you and then we will go to Governor Williams.

General FUQUA. Thank you very much, sir.

The military assistance we have given them in the past, as I indicated, sir, is under Presidential determination but we are not asking for a program for this year, sir.

Mr. PASSMAN. You have them on exhibit A, the sheet you wanted inserted in the record, and it is not classified.

I believe we shall read this into the record. It is in the gray area of the justifications, which is classified.

General FUQUA. (Off the record.)

Mr. PASSMAN. Let me read this into the record so the other members can study it when we mark up this bill. On page 125 you have planned for the countries I shall read into the record $———.

The proposed program is for probable military assistance to ——— and possibly some other African nations. The nations mentioned have at sometime in the past received small amounts of U.S. military assistance. ——— countries used in the plural ———. The exact amount for the country ——— during fiscal year 1964 subject to further review and development in the African area.

We gained the impression that you were, or could have, a military assistance program because you are asking for funds for them.

General FUQUA. This is quite possible; that is correct.

Mr. RHODES. You also have $129,000 in your pipeline for Ghana as shown at page 101, July 1963 and after. What do you plan to do with that?

General FUQUA. That is training—the program we have had for Ghana has been nothing but training, training that has not yet been completed.

Mr. RHODES. How long will it take you to use $129,000?

General FUQUA. It will probably be finished this year. In the course of this fiscal year I think we will just about finish using up that $129,000 which is shown there.

Mr. PASSMAN. So you do have a program going on in Ghana in fiscal year 1964 either out of a new appropriation or out of a carry-over?

General FUQUA. If the training is not completed by June 30 this year expenditures will carry over into fiscal year 1964.

Mr. PASSMAN. So you have a program going at this time. You have made expenditures out of the original $207,000.

General FUQUA. Yes.

Mr. PASSMAN. You have a small program going in Ghana at this time.

General FUQUA. There is one continuing, that is correct, that is not yet completed.

Mr. RHODES. It will have to step up in tempo or they won't be able to use this $129,000. They used $74,000 in fiscal year 1963 and they have $129,000 left, so there must be an acceleration of this program in Ghana for this next year if you intend to use it all.

Mr. PASSMAN. It would appear that way.

Now we will go to Governor Williams. You mentioned, ———.

Now, is the political necessity for military assistance a new concept in foreign policy? Speaking now not of yesterday or last year, but we shall say in the past 15 years. Is it a new concept in our relations with them at the State Department level that we have to give them military assistance? It is political. They didn't say anything about the military advantage. It is just political. Isn't it a new concept?

Mr. WILLIAMS. Mr. Chairman, I couldn't really answer that within the length of time I have been with the Department. It hasn't been a new concept in that time.

Mr. PASSMAN. You mean during your brief tenure?

Mr. WILLIAMS. Yes; during my brief tenure. I couldn't speak to the rest.

The purpose here is to train personnel and we would assume that if they were trained in the United States they would have a better understanding of America and what it means and as a consequence would have a more favorable orientation when they return to Ghana and that we would have a friendly contact there.

As to the first question that was asked as to the political posture of Ghana, Ghana is a country that is still nonalined. It from time to time makes statements we wish it would not make but they still have stayed in a nonalined position and we believe that they will continue to do so.

Mr. PASSMAN. Again, so much of this is classified it takes us 700 hours to go through these in the hearings and we have 4 hours to report it on the floor and the information actually needed is classified.

At page 102, under "Country contribution."

(Discussion off the record.)

Mr. PASSMAN. We know they are traveling in that direction. Does it not take an optimist to feel they need any kind of military program until it is determined whether they are going to continue to the left, whether they are going to turn back?

Mr. WILLIAMS. Off the record.

(Discussion off the record.)

Mr. PASSMAN. It requires a lot of optimism to speak that way from the experiences we have had.

(Discussion off the record.)

Mr. PASSMAN. When you train them to shoot guns they are going to want some guns to shoot. They may be shooting them back at us.

On page 89 it says,———

(Discussion off the record.)

Mr. MINSHALL. Where are you reading that?

Mr. PASSMAN. From page 89 of the confidential AID book. It must have taken 3 pounds of ink to print all the confidential words I have read in these books this year.

Mr. WILLIAMS. There have been violent attacks in the press.

Mr. PASSMAN. And radio?

Mr. WILLIAMS. Yes, sir. And as in other countries I think they are balancing powers and I think in the long run Ghana will maintain a nonalined equilibrium.

Mr. PASSMAN. Of course a lot of people feel Communist Yugoslavia will do likewise. I don't know about the other members, but as far as I am concerned I am worried about the State Department getting our military into 70 nations of the world, when we know a lot of them would be better off with bread and butter than they would be with guns.

Mr. WILLIAMS. Well, I think, sir, that at least presently and I think throughout the program, that this has been training and I don't think there has been any material equipment involved here.

Mr. PASSMAN. We will be giving them money to buy guns from Russia if this policy continues. In many cases we give them dollars and they turn around and take the dollars and buy guns from Russia. All you have to do is look at Indonesia.

The general said that as far as he knew, only one nation had asked for military assistance and it had been declined, and that was for one piece of equipment. It looks as if this is the policy of: "Come and get it."

Mr. WILLIAMS. I believe, sir—and I am sure the general is more qualified to speak than I but I know the requests aren't granted in toto, even when they are granted. I know the country comes in with demands that are analyzed and I think they have given them a much lesser amount and I think in other instances none of their specific demands.

Mr. PASSMAN. Of course, only one country has been turned down. They, too, learned early there is an asking price and a taking price.

Now, in Africa, sir, your 1964 MAP estimate is $24,511,000?

General FUQUA. That is correct, sir.

MAP PIPELINE IN AFRICA

Mr. PASSMAN. What do you have in the pipeline in the way of reservations or obligations for Africa, estimated for June 30?

General FUQUA. 43.7 million, sir.

Mr. PASSMAN. According to the 18 months' pipeline you would have on hand about 21 months' supply of money, would you not?

General FUQUA. No, sir. I don't believe you can calculate that way.

Mr. PASSMAN. We have no other way of calculating. We see that in fiscal year 1963 you are going to withdraw $27,184,000. You are

asking for $24,511,000. You have $43,734,000 on hand, or will have that amount unexpended or unliquidated on June 30.

General FUQUA. Sir, you cannot just take these numbers and by arithmetic subtract them and come to the conclusion you made.

Mr. PASSMAN. All right, sir.

OBLIGATIONS AND RESERVATIONS

You have in the military—your region as well as others—what is known as a reservation category. You get your allocation of the appropriation and the Defense Department reserves for you for future deliveries; they substitute a reservation for an obligation?

General FUQUA. I am not sure I understand your question.

Mr. PASSMAN. The Congress appropriates money. Then the agencies obligate that money. But in this giveaway program, if you cannot obligate, you reserve. Congress appropriates the money, the Defense Department reserves it, and later changes it from a reservation into an obligation. Is that your understanding?

General FUQUA. That is correct; but it isn't a giveaway program in that sense.

Mr. PASSMAN. That is your interpretation. I have a different interpretation. Let me have my right and you may have your right.

We do know that in many segments of this foreign aid giveaway agency they deobligate funds, and in the military General Palmer referred to it as the squeeze-out and Secretary McNamara referred to it as recoupments. It it your understanding that squeeze-out, recoupments, deobligations and reobligations refer to the same thing?

General FUQUA. This is my understanding, sir. I would like to ask General Wood to clarify me if I am incorrect.

Mr. PASSMAN. I think he would accept the answer.

General WOOD. Yes; I would accept it.

Mr. PASSMAN. The Congress has tried to cut the cloth to fit the garment, but we have always made it too big and it looks sloppy.

During the 8 years it has been my privilege to serve as chairman of this subcommittee the military has requested $14,510 million and the Congress appropriated $11,602,500,000, a reduction of $2,907,500,000. That is a little more than a 20-percent cut. Even after these reductions, however—and, of course, each year they said we had ruined the program—they still, either through their squeeze-out, deobligation, reobligation, or recoupment process, had hundreds of millions of dollars that could be used for new obligational authority. Realizing that these banks, or these kitties, have been set up for a long time in many categories, do you feel you could afford, in your region, to forgo any appropriation for fiscal year 1964 and try to operate out of the funds on hand until we can finally ascertain how much of the $43,734,000 would be in the form of a squeeze-out or a recoupment?

General FUQUA. No, sir.

COUNTRY ELIGIBILITY UNDER PRESIDENTIAL DETERMINATION

Mr. PASSMAN. General Fuqua, page 91 indicates that five countries which received military assistance in 1963 and 1962 are not programed to receive assistance in fiscal year 1964. Are these five countries eligible to receive funds from the African area program?

General FUQUA. Would you specify these countries, Mr. Chairman?

Mr. PASSMAN. Page 91 of your justifications, Cameroon is one.

General FUQUA. It is eligible.

Mr. PASSMAN. Dahomey?

General FUQUA. Eligible.

Mr. PASSMAN. Ivory Coast?

General FUQUA. Eligible.

Mr. PASSMAN. Niger?

General FUQUA. Also eligible, and Upper Volta eligible under Presidential determinations.

Mr. PASSMAN. Do you have an unliquidated balance to the credit of each of these countries?

General FUQUA. I can refer to each of the country pages, sir, and determine that.

Mr. PASSMAN. Could you go to the right-hand column of the same page that we are on and get the same information?

General FUQUA. We can. I was going to give more specific detail on the country page.

Mr. PASSMAN. Do you have unliquidated funds to the account of each of the five countries?

General FUQUA. We do, sir.

Mr. PASSMAN. So it could be a continuing program, without an additional Presidential determination?

General FUQUA. The program could continue until it expires, the amount in column H, until that has run out, that is correct.

Mr. PASSMAN. It does not take too long to get a Presidential determination; does it?

General FUQUA. That varies, sir.

NO REQUESTS FOR COUNTRY ELIGIBILITY DENIED BY PRESIDENT

Mr. PASSMAN. Would you tell us the number of determination requests that the President turned down last year? Do you have that information available for your area?

General FUQUA. I do not have it available. There weren't any, sir.

Mr. PASSMAN. The Ambassadors work up these military programs for these countries and submit them. They are never turned down.

General FUQUA. I would like to insert for the record also to make that a little more understandable the amount requested.

Mr. PASSMAN. We understand it. For only one item for one country, you did not allow it; the others you approved in full. There has not been a Presidential determination requested that was not approved. Do you want to add something else?

General FUQUA. You said never——

Mr. PASSMAN. I am speaking during the tenure that you know of.

General FUQUA. You said last year.

Mr. PASSMAN. Last year is good enough. You can go back as far as you want. While we shall deal with the recent fiscal year so far as the committee is concerned today, if history will reveal that somewhere along the way the exception has been made you may put that information in the record.

General FUQUA. I will have to furnish that, sir.

(The information supplied follows:)

The Department of Defense is not aware of any instances when the President disapproved final recommendations made to him by the Secretaries of State and Defense with respect to determinations or findings required by the Foreign Assistance Act, or predecessor statutes, as prerequisite to the granting of military assistance.

Discussions within the executive branch preliminary to the formal submission of such recommendations to the President are thorough and comprehensive, and proposals that cannot be fully justified do not reach the President. Notice of these determinations were provided to the chairman of the Foreign Relations and Appropriations Committees of the Senate and the Speaker of the House of Representatives.

THE 1963 PROGRAM FOR THE CONGO NOT PRESENTED TO CONGRESS

Mr. PASSMAN. Page 91 indicates that $3,378,000 has been programed in fiscal year 1963 for the Congo. Did you justify this program to Congress last year, General?

General FUQUA. We did not, sir.

Mr. PASSMAN. Secretary McNamara seemed to think we had damaged the program last year because of some adjustments that were made by the Congress. It would appear, however, that, instead, we helped the program too much. Not only did you wind up with funding 1963 items out of 1962 appropriations, but you also started many new programs you had not even justified to the Congress. But that, obviously, is the way it operates.

CIVIC ACTION PROJECTS IN AFRICA

Do you have any countries in this area which have been selected to receive civic action projects in fiscal year 1963 or proposed to receive such project aid in fiscal year 1964?

General FUQUA. Yes, sir. I invite your attention to page 35 of the presentation book.

Liberia and Senegal are countries——

Mr. PASSMAN. That is on page 35.

General FUQUA. Page 35, sir.

Mr. PASSMAN. Do you have any others?

General FUQUA. No, sir. Senegal and Liberia are the two countries I mentioned, sir. The other countries shown are not in the area under consideration today.

Mr. PASSMAN. A wide range of specific action projects is involved. There has never been a more accurate statement printed because it is really a wide range.

What connection would public housing have to do with military assistance?

General FUQUA. Public buildings and schools—it is quite possible——

Mr. PASSMAN. Schools and other public buildings.

General FUQUA. Military schools which would educate the military in certain lines would have a good fringe benefit of civic action. They could be used as a barracks, they could be used as schools, and they could be used as other public buildings. They could have a military use, they could have a civic action use—dual use. This applies not only to schools but it applies in many cases to vehicles and earth-

moving equipment, things of that sort, which have a dual use—an obvious dual use both for military and civic-action-type projects.

Mr. PASSMAN. Forestry means you could grow trees that may some day be used for military purposes?

General FUQUA. As General Wood pointed out, forestry, construction, and similar projects are beneficial activities which engineer units could carry out when they are not actually doing straight military-type work.

Mr. PASSMAN. Instead of planting trees, you would be cutting them down?

General FUQUA. Forestry does not necessarily mean trees.

Mr. PASSMAN. I thought forestry had to do with the matter of trees.

General FUQUA. I am not qualified to discuss forestry at any great length, but forestry could be planting trees, clearing out deadwood and fixing up the forests.

Mr. PASSMAN. Would that be limited to strictly the forest, the "deadwood clearing out" phase of it?

General FUQUA. Here is where I have reached the limit of my knowledge on this, sir.

Mr. PASSMAN. Schools and other public buildings—if we just use our imagination a little we could build a 10-story office building, rent a suite on the top floor, maybe to the military attaché. Then it would be what you could call a combination building, would it not?

General FUQUA. If you will permit me, sir, I think your example is a bit far-fetched for some of these African countries.

Mr. PASSMAN. They will be building 20 stories if we keep giving them the money. Two or three years ago this subcommittee was asked, "If you will give us a little money." They were talking about $25 million. I am anxious to see what they built with that $25 million special appropriation. Do you remember that request of 3 years ago?

General FUQUA. You will recall that $25 million dwindled down to a very small amount.

It went down to about $6 million from the $25 million.

Mr. PASSMAN. During the dwindling process what did it dwindle into?

General FUQUA. It was put into country programs, as was indicated when the amount was originally justified. We did not need it and we turned the rest back.

Mr. PASSMAN. Did you call to the committee's attention that you did not need it?

General FUQUA. It was explained last year when we testified.

Mr. PASSMAN. Where did you turn it in and how much was involved?

General FUQUA. The money was not used at all for Africa.

Mr. PASSMAN. For the purpose for which it was appropriated?

General FUQUA. That is correct.

Mr. PASSMAN. But they did use it.

General FUQUA. It was used for other purposes, that is correct. It was only used for legitimate military assistance projects.

Mr. PASSMAN. Thank you, General.

General WOOD. I wanted to clarify the school business or public buildings. The emphasis here is properly on the word "construc-

tion" because what we are talking about in civic action projects is the use of military units, units of the nature competent to do construction, irrigation, roadbuilding, drainage of ditches, et cetera, which are of value as the definition says for health, sanitation, social and economic improvement. This is essential in underdeveloped countries. If you have an engineer unit it is normally in training. You could go down to Fort Belvoir, for example, and see our own U.S. engineer units building roads, bridges, and other structures on the reservation as part of their training. Here we are trying to make some practical use of the training of local forces by having them build a rail bridge, shall we say, for the people of that country, rather than just a training exercise.

We feel the units get as much training and also there is some profit to the people in the country by what they do.

Mr. PASSMAN. Financial profit?

General FUQUA. Profit economically and socially, sir. Another advantage is, of course, that it benefits the Army by identifying the military with the people. In these countries we feel this is highly desirable. It is certainly true in many countries; that military have not had close and friendly ties with the people in the past.

Mr. PASSMAN. I misrepresented this aid program last year. I referred to 11 spigots. I have found out however there were 16 spigots from which you could draw money. You could get into several other categories and get funds for projects of this type. Supporting assistance, for example. That may be limited to a certain number of nations. I do not know whether they have cut it loose on both ends or not. You are familiar with the supporting assistance phase of it?

General FUQUA. I am, sir.

Mr. PASSMAN. We wanted to be sure the record showed that you had the same type of projects financed directly out of the military assistance item as well as the supporting assistance and the other spigots.

General FUQUA. Yes, sir.

Mr. MINSHALL. Would it be appropriate to insert at this point in the record the civic action sheet that they have in their book with the definitions of what civic action is, the objectives, et cetera? They have stricken out because of so-called security reasons, the names of the countries we are supplying civic action aid to.

Mr. PASSMAN. Without objection, all of the unclassified information referred to, although I do not understand why any of it should be classified, will be inserted in the record at this point.

(The information referred to follows:)

CIVIC ACTION

Definition.—"Civic action" is the use of foreign military and paramilitary forces on projects useful to the local population in fields such as education, public works, agriculture, transportation, communications, health and sanitation, and other projects which contribute to social and economic improvement.

Objectives.—MAP-supported civic action is designed to: encourage and support with equipment and training the use of local forces in activities which contribute to social and economic development and, to assist in the prevention or elimination of insurgencies inimical to U.S. interests by improving the relationship between local military forces and the local populace. The emphasis varies greatly from country to country. In nations confronted with serious insurgency problems, such as Vietnam, the primary emphasis is on meeting the insurgency prob-

lem. In countries not facing immediate insurgency problems, civic action is primarily designed to obtain a low-cost economic and social byproduct from the existing military and paramilitary capabilities. An important element of U.S. support is the providing of vocational, technical, and, in some cases, literacy training to local forces engaged in civic action activities.

Endorsement.—Congress amended the Mutual Security Act in 1959 to provide specific legislative endorsement for civic action; a similar endorsement was carried over and included in the current Foreign Assistance Act. In December 1961, the President directed the Department of Defense to undertake expanded support of civic action in the developing nations, and in a special message to Congress, dated March 22, 1962, he stated " * * * military assistance will in the future more actively emphasize internal security, civil works and economic growth of the nations thus aided."

Status

Countries.—MAP-funded civic action projects are or are soon expected to be underway in the following countries: Greece, Iran, Jordan, Liberia, Senegal, Cambodia, Indonesia, Korea, the Philippines, Thailand, Vietnam, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

Projects.—A wide range of MAP-supported civic action projects are involved, including: road construction and maintenance, village development and relocation, irrigation, forestry, construction of schools and other public buildings, rural health services, literacy and vocational training of conscripts, mapping and surveying, navigational aids and oceanography, rural communications, and CCC-type projects for youth development.

Advice.—Department of Defense civic action teams (in some cases Joint State-Defense teams) have been sent to the following countries to assist in formulating and implementing civic action concepts and programs: Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Indonesia, Iran, Panama, Paraguay, Peru, Thailand, and Vietnam. Additional teams will be made available when requested by host countries through the country teams. Presently, permanent Department of Defense civic action advisers have been assigned to Ecuador, Guatemala, Korea, Republic of China, Vietnam, and Indonesia.

Training.—Courses attended by both United States and foreign military personnel at the Army Civil Affairs School, the Special Warfare Schools, and other service institutions, include instruction on civic action. U.S. military personnel en route to MAAG and mission duty receive instruction on civic action at the Military Assistance Institute in Washington, D.C. A selected group of foreign military officers are scheduled to receive training in fields such as economics, public health, and public administration at U.S. civilian universities and institutions. A special 6-week civic action course, for both United States and foreign personnel, has been established at the U.S. Army Civil Affairs School, Fort Gordon, Ga.

Illustrative listing of civic activities.—In Bolivia, after the 1952 revolution, the army was reorganized with the basic mission of aiding the country in its economic development. In some cases, entire units are now used on civic action projects. For example, two Bolivian Army enginer battalions are working on economic projects. One battalion is doing colonization work: a road is being built into a remote area, and land is being cleared there for farming. The other battalion is now surveying a new road, building bridges, and removing slides from other roads.

In Chile, a project has been established for the use of a landing ship of the World War II variety for use in the farm-to-market movement of produce in the southern coastal area. The main effort of this type of U.S.-supported civic action program in fiscal year 1963 has been to open up new areas to markets, particularly in southern Chile, where no north-south roads or railroads exist.

In the Dominican Republic, MAP provided equipment is expected to arrive in July 1963 to assist Dominican units in forest fire protection. These units will engage in operations to clear various roads and paths and to provide fire breaks in a 100-square-mile area.

In Ecuador, the Tulcan project which began in August 1962 provides several hundred military and civilian personnel for the road and street repair in the city of Tulcan, including construction of portions of the Pan American Highway. The project includes necessary ditches and sewer pipe in order to meet specifica-

tions. The history of this project has been one of the high points in the civic action program in Ecuador.

In Guatemala, the program emphasis in fiscal year 1963, the first year that United States support of civic action has been authorized, is in the fields of engineering, education, and medical dispensaries. MAP has funded the equipment and training for an engineer battalion to carry out construction projects. One MAP-supported regiment now operates a press for making adobe and cement blocks, which are transported in Army truck to a school construction site where military personnel assist local builders.

In Jordan, the central water project as well as the east Ghor irrigation project have provided extensive benefits to the country which suffers from severe desert conditions. Through the efforts of both governments, 32 kilometers of quick-coupling surplus U.S. Army pipeline were laid from wells near Hebron to the ancient Solomon's Pools to connect with municipally constructed pipeline into Jerusalem. MAP has provided equipment for both projects, and AID development grants cover the greatest portion of these critical requirements.

In Thailand, the Royal Thai Army has engaged in civic-action projects in 61 villages, primarily in the northeast area where insurgency and subversion appear to be a gathering threat. Village improvement included construction or repairing of bridges, digging wells, repairing schools, irrigation and drainage action, and improving local roads and trails. In all, 15 miles of irrigation and drainage ditches were dug, 25 wells were provided and 20 miles of local roads and trails were rehabilitated. The overall civic action program in Thailand is an important element of the country's internal security program.

In Vietnam, medical civic action increased sharply in January 1963 with a program to give on-the-job training to Vietnamese military medics in the care of Vietnamese civilians in the less secure areas of the countryside. U.S. officers and medics are engaged in this program. Their basic equipment has been provided by MAP; the various expendables such as drugs and medicines have been funded by AID, since these materials are consumed by civilians. Thousands of Vietnamese patients and casualties have been treated in only a few months, and a closer relationship is developing between the military and civilian sectors in the struggle against the Vietcong.

CLASSIFICATION OF COUNTRY PROGRAM REQUESTS

General Wood. I think most countries can be listed.

Mr. Minshall. Why are they classified?

General Wood. Until the proposed program is approved we do not want to tell these countries or anybody else what the program is.

Mr. Andrews. General, we have been told year after year that the reason for classifying the amounts and the countries for the budget year was to keep down jealousy on the part of the various countries.

General Wood. But after the program is approved we can declassify it for most of these countries.

Mr. Andrews. You see that all the way through. Every year is declassified except the current year. In my opinion that is a bad reason for classifying it—just to keep down jealousy.

General Fuqua. Not only that, we do not want the country itself to know what we are recommending.

Mr. Minshall. If they find out eventually what difference does it make? This is asinine.

General Fuqua. If we tell them in advance and it is changed for some reason, then we are put to the problem——

Mr. Minshall. That is too bad

Mr. Passman. You said eventually, so let us correct the record. On two occasions since I have been chairman of this subcommittee, I found out from the Ambassador of the recipient country the amount you had in the budget for his country. The Ambassador came to my office and said, "Here is what they are recommending and you are

giving another country this amount. We think we are entitled to this amount. The figures proved to be accurate. The Ambassador representing the recipient country as early as April knew what would be in the budget for his country on two occasions that came to my attention. They have ways of finding out. They know a lot quicker than the committee, I am afraid.

Mr. SLOAN. If I may address myself to that, I do not believe we conceal from any of our Ambassadors the types of program we are planning.

Mr. PASSMAN. I said the Ambassador of the recipient country. Greece happened to be one of the countries; Taiwan, the other one.

Mr. MINSHALL. Mr. Chairman, on the question of classification, I am a new member of the subcommittee and I know the subcommittee has no part of it, but I am amazed at the general overclassification that the State Department has put on all of this foreign-aid program. It is something that I think should be remedied and something that should be inquired into.

Mr. PASSMAN. May I say to the gentleman, bring your ammonia, because as the hearings progress, the more shocked you will be. The year before last we had a technical assistance program for a country, but it was a violation of security to name the country. Even though we agreed to leave out the amount and type of technical assistance, if we said "Stickumville" was in for technical aid, we violated the security.

Mr. MINSHALL. I also sit on the Defense Appropriations Subcommittee. We have brought before us many matters of a vital security nature. They are not classified one-tenth as severely as they are in this foreign aid program.

Mr. ANDREWS. I will agree with that statement.

Mr. PASSMAN. The subcommittee recognizes that fact.

Mr. ANDREWS. I would like to ask the general one further question, Mr. Chairman.

Mr. PASSMAN. Certainly.

Mr. ANDREWS. Have you seen any evidence of lobbying on the part of these countries to try to have their allocations or allotments increased?

General FUQUA. No, sir. I know of none personally. I have no knowledge of any.

General WOOD. I know of none, Mr. Andrews.

UNEXPENDED BALANCE FOR CAMEROON

Mr. PASSMAN. There is no estimate for Cameroon, but I note the unexpended balance to this country is $65,000. Could you give us a little explanation?

General FUQUA. Yes, sir.

On page 93, sir, of the presentation book, you will note that in prior years there has been a commitment of certain items which are indicated right here. The delivery of these items is not yet complete and there is $65,000 of materiel and services which we have bought, but has not been delivered because of lead time.

Mr. PASSMAN. When did you last disburse from that account?

General FUQUA. I beg your pardon, sir?

Mr. PASSMAN. When did you make the last disbursement from the credit to Cameroon, the obligation against the estimate?

General FUQUA. Fiscal year 1963, sir.

Mr. PASSMAN. In what amount?

General FUQUA. It is $20,000, the fiscal year 1963 amount shown in column F.

Mr. PASSMAN. If all key end items have been delivered as of June 30, 1963, why do you have $35,000 unexpended for supply operations after July 1, 1963?

General FUQUA. Well, sir, they will not all have been delivered. It says July 1963 and after.

Mr. PASSMAN. I am looking at a blank space. According to your justification sheets they will have been delivered.

General WOOD. I think I can answer that if I may, Mr. Chairman. There may be some undelivered items particularly under electronic and communications which are not considered key items sufficiently important to list in the bottom list, but in general these figures, particularly the $——— in the row "Tanks, vehicles, and weapons," applies to spare parts for previously delivered equipment—essentially the vehicle spare parts I would say.

Mr. PASSMAN. But you do list the items and the top figure that you can get for the vehicles, electronics, and communications, is $30,000. According to your own statement it is going to cost $35,000 to deliver the $30,000. Can you arrive at any other conclusions? Let us take our time. This is a small item but it indicates just what we would run into if we had time to scrutinize carefully the entire detail before us. Let us go to page 93 and take all the items for which you have reservations.

General FUQUA. That is $30,000.

Mr. PASSMAN. Yet you have $35,000 thrown in there to make the account balance and under that you put supply operations.

General FUQUA. The supply operation, sir, as was indicated before, is the well-known expression "packing, crating, handling, and transportation." Those come under supply operations. Now the supply operations account, this $35,000 that you see here, is a statistical distribution of the worldwide account for packing, crating, handling, and transportation estimate which covers all of the countries, and no one country can be identified directly into that except by a statistical proration.

It is done on a pro rata share basis and as a result $35,000 is the share that is assigned to that country. It cannot be directly attributed to the undelivered amount shown as you have indicated, sir, as $30,000. You cannot get a direct correlation between this $35,000, which is a pro rata of the worldwide share and the $30,000 worth of equipment that is shown in the other.

Mr. PASSMAN. Let us go back to 1962. Supply operations cost $30,000, did they not?

General FUQUA. In fiscal year 1962, right, sir.

Mr. PASSMAN. Could you give us the amount of deliveries that year? Was it $264,000?

General FUQUA. Have you added them up?

Mr. PASSMAN. No. I am subtracting the $20,000 you carried over in 1963 against the $284,000 and not taking into account any new

appropriation. Would that indicate that for $30,000 you are able to handle $264,000?

General WOOD. The frankest answer is that it is an over-estimate and that it is an area where we would certainly realize a recoupment.

Mr. PASSMAN. We are glad to have it in the record again that you over-estimate and later it brings about recoupments. Let us move into the next year. You handled the same item in fiscal 1963 for $2,000. I think the record speaks for itself.

TYPE OF PROGRAMS UNDER CIVIC ACTION PROGRAM

Mr. RHODES. Mr. Chairman, before you leave that, there is a statement on page 94 that I think deserves a little comment. The statement is under force capability and it says, "——— unit to contribute to economic development is being formed."

I did not realize that the armed services and military assistance were to contribute to economic development as a primary responsibility. Now this goes even beyond the concept of civic action, where you take a unit which is in-being for a military purpose and use it incidentally and temporarily for civilian purposes. Here you have a military unit which is being formed primarily to contribute to the economic development of the country. I think you have got another aid spigot here.

Mr. PASSMAN. When the Congress appropriates more money than they need, as has regularly been the case, they will find some place to spend it.

Mr. RHODES. I think we should have it understood with General Wood that this type of thing is just not to be. If it is going to be economic assistance we should put it under economic assistance.

Mr. PASSMAN. This type of thing is all the way through military assistance.

General WOOD. We explained the other day civic action is a joint responsibility with the AID program, whereby the military assistance program furnishes the military equipment for a unit and the consumables are furnished by economic aid or by the country.

Mr. RHODES. Either you have the wrong words here or you are forming this unit for the wrong purpose.

Mr. SLOAN. Mr. Chairman, may I respond to that question Mr. Rhodes raised?

Mr. PASSMAN. You may.

Mr. SLOAN. In this case the Cameroons. This was a decision of this Government to set up——

(EDITORS NOTE.—Information subsequently furnished indicates no program in the Cameroons.)

Mr. PASSMAN. We are putting up the money; are we not?

Mr. SLOAN. Not entirely. Our military assistance program would contribute only the equipment the military unit will use.

Mr. MINSHALL. We sent millions of dollars worth of military equipment to Guatemala. When I arrived there with George Mahon last fall they had not even begun to acivate an engineering outfit. The equipment was out in some fields, they could not show me where.

Mr. RHODES. Cameroon is not one of the nations listed under civic action. This is over and above your civic action program.

General Wood. There is no program for fiscal year 1964 for Cameroon at the moment, sir.

Mr. Sloan. This is their unit, Congressman.

Mr. Rhodes. You have $65,000 in the pipeline for this country. You say there is no program. There is no new money for fiscal year 1964.

Mr. Sloan. That is correct, sir. They are planning to set up ——— unit there. It is their decision.

Mr. Passman. Would you not think that our complaint is entirely valid? They are getting money from many other spigots. It would reasonably be expected that the military be used in the field of military matters, yet every year we are running into more and more of these civic action projects. Let us see if we have Cameroon under any other aid commitments.

Mr. Sloan. I would like to answer.

Mr. Passman. You may answer.

However, let us get the record straight on the civic action projects. They received $65,000 in the other category. Here, for Cameroon, under one program in AID, you have from $1½ million to $5 million in the economic aid part of it. That is just one item.

Mr. Sloan. I wanted to answer your question, sir. I think the fair and proper answer is that we cannot dictate to these countries the precise form of their military organization, but we have no hesitancy in stating as affirmatively as we can that we encourage them to use their military in wise and constructive ways to help build and strengthen their country, like our own Army helped open our own West. We think that this, as the President said in his special message last year, is a most important thing for the military organizations in these lesser developed countries to do. I am sure you agree that they should do this rather than engage in unprofitable or destructive activities. The military organizations exist and we are most seriously and affirmatively concerned with encouraging them toward constructive activity that will help build their nation.

Mr. Passman. We were told they did not know how to do this planning and that is why we have the Peace Corps and all these other technicians out there, trying to help them plan; now you tell us that we are not permitted to do that.

Mr. Sloan. A lot of our training is oriented in that direction.

Mr. Andrews. If I understand correctly, the budget request before the committee for the military assistance program is $1,405 million. On page 35 you have a program of civic action which is described as:

> The use of foreign military and paramilitary forces on projects useful to the local population in fields such as education, public works, agriculture, transportation, communications, health and sanitation, and other projects which contribute to social and economic improvement.

Now, is part of the budget request for $1,405 million to be used for these so-called civic action projects?

General Wood. Yes, sir; but none for the Cameroon for this year.

Mr. Andrews. I am talking about the overall area of military assistance.

General Wood. Yes, sir.

Mr. SLOAN. None of that money, however, sir, would be programed for providing construction materials, cement, or other material to build things with. It might be that the military equipment, such as a bulldozer would go to a military unit and could be used in this sort of project.

Mr. ANDREWS. Just answer my question now.

Part of the $1,405 million will be used for these so-called civic action projects?

General WOOD. Yes, sir.

TOTAL FUNDING FOR CIVIC ACTION PROJECTS

Mr. ANDREWS. Mr. Chairman, I would like to have placed in the record, if they cannot furnish it now, the total amount in the $1,405 million request which will be used for "civic action."

Mr. SLOAN. We would be happy to supply the information broken down by the money items.

Mr. ANDREWS. I do not care about that. I want to know how much of this total amount will be used for civic action projects.

Mr. MINSHALL. And how many countries, too.

Mr. ANDREWS. And how many countries.

Mr. SLOAN. We will be glad to supply the information.

May I say we cannot describe whether or not a truck which has been furnished to a specific army which has a very badly needed use in an internal security purpose for moving men around might not also be used by that unit in a constructive civic action program.

(The information supplied for the record is classified.)

Mr. ANDREWS. It looks as if somebody in your shop would know it. Be sure and put that amount in the record that can be described as civic action project money.

Mr. PASSMAN. Going, if you will, to the gray area and picking up the defiinition of civic action projects, you will find it in every country, will you not, if there is a civic action project?

General WOOD. Yes, sir. I can put in the record at this moment Mr. Andrews the total amount we estimate will be for this purpose.

Mr. ANDREWS. That will be fine, General. How much is it?

General WOOD. Approximately $36 million. That involves programs in approximately 30 countries.

Mr. ANDREWS. Thank you, sir.

Mr. PASSMAN. Will you tell us the amount of funds on hand presently unliquidated in civic action projects?

General WOOD. That would be a little more difficult, sir.

Mr. PASSMAN. Why would it be more difficult?

General WOOD. Because, as Mr. Sloan has said, a unit may not be used indefinitely for a civic action project, and other units already equipped as units of military forces might be used for civic action projects by the country concerned.

Mr. PASSMAN. You know the amount planned and, regardless of what the country may do, you should know the amount of total appropriation that you had for the civic action programs.

General WOOD. Yes; except this type program is relatively new. We have kept figures on it only for fiscal years 1962, 1963, and 1964.

Mr. PASSMAN. This is a new program?

General Wood. Yes; specifically identifying it as new. Civic action itself is not new.

Mr. Passman. Would it be unfair to indicate that if you had not had funds in excess of the amount needed to reserve or obligate for military purposes you could not have gotten into the civic action projects?

General Wood. I cannot agree with that statement, sir.

Mr. Passman. You have only been in it since 1962. You have had this military assistance program going for how many years?

General Wood. Since 1950, I believe, sir.

Mr. Passman. And after 12 years of operation, if that is the correct number of years, you started the civic action program only about 2 years ago.

General Wood. We started specifically identifying it as a program only 2 years ago. It has been a program as such in many countries for some years. In Korea, for example, since the ending of hostilities there the military forces have been engaged in what we now call civic action projects.

Mr. Passman. Your last answer is different from the other answer. You mean it is a new program so far as the manner in which you obligated the money?

General Wood. Identifying it as such; yes, sir.

Mr. Passman. In the past it could have been 10 times this much, since it cannot be identified?

General Wood. I really do not know the answer to that question, sir.

Mr. Passman. Thank you.

Mr. Rhodes?

MILITARY UNITS FORMED TO CONTRIBUTE TO ECONOMIC DEVELOPMENT OF FOREIGN COUNTRIES

Mr. Rhodes. I would like also to have the record provided, by country, the number of military units which are being formed or have been formed under the military assistance program "to contribute to economic development of the country."

Mr. Sloan. Every one of them can, sir.

Mr. Rhodes. Now wait a minute. You do not find this in any other country. I have never seen these words in this book or any other book before, "a ——— unit to contribute to economic development is being formed" for that purpose alone.

Mr. Sloan. We can provide that. That is their plan to set up a unit.

(The information supplied for the record is classified.)

Mr. Rhodes. I want to say I do not agree with your philosophy, Mr. Sloan. You said we had no choice as to what they did with the material once we give it to them.

Mr. Sloan. No, sir; I did not say that.

Mr. Rhodes. I think you did. Clarify what you meant, then.

Mr. Sloan. What I meant to say is we do not dictate to them the form of their military organizations. We try insofar as our relations with them will permit to encourage their formation of military organizations along sensible, economic lines that will meet the real in-

ternal security and safety requirements of their country. In most cases we are trying to decrease the actual numbers of their people and we would say to them in essence, "Instead of having these people in the barracks, a drain on your economy, and a problem to your own internal security, why don't you put them to work," and this is certainly not a new program. Our Army did it hundreds of years ago and so did the Roman army. It is not a new program.

Mr. RHODES. You are in the economic business, not the military.

Mr. SLOAN. No. We encourage them to use their troops in a useful way to the country.

Mr. RHODES. You can slice it any way you want to but as far as I am concerned this is not now a military assistance program. This is a military and economic assistance program and the fact that you have words like this in the book, at least as far as this country is concerned, bears that out. I do not have any objection to using troops incidentally, for economic purposes as you have mentioned, but I certainly do not want troops to be armed and equipped by this country for any primary purpose other than military. The idea of military assistance is to aid governments which are friendly to us to defend themselves internally and externally. Now if there is any fallout from that purpose, then we have no quarrel, but it should be incidental and secondary to the accomplishment of the primary mission.

Mr. SLOAN. Sir, the Congress specifically enjoined us in the last amendment to the Foreign Assistance Act,

to the entent feasible and consistent with the other purposes, the use of military forces in less developed friendly countries to be used in the construction of public works and other activities helpful to the economic development, shall be encouraged.

This is the injunction of the Congress, with which we agree.

Mr. RHODES. You are deliberately misunderstanding me or I just am not getting through to you.

Mr. SLOAN. Not deliberately, sir.

Mr. RHODES. My point is you should not create military units primarily for economic development. The language of the law you read does not justify that.

Mr. SLOAN. No, sir; we do not.

Mr. RHODES. Well, you just did. Shall I read the language to you again for the third time?

Mr. SLOAN. No, sir. I comprehend your question. Again I say that their decision was that they would form an engineering unit.

Mr. RHODES. And you said we had nothing to do with the decision and if we did not, then somebody has slipped very badly because Congress never intended you to support units against the law and your better judgment.

Mr. SLOAN. I think we probably encouraged them, if they had the 200 men who were producing nothing; our encouragement to them instead of going into some other sort of unuseful program was that they made army engineers out of their people.

Mr. RHODES. Why did you not get Peace Corps or AID to do it? That was not any of your business.

Mr. SLOAN. I think the statute says it is our business.

Mr. PASSMAN. Why did you make such a large allocation that you had to get in this field?

Mr. SLOAN. We did not do that.

General WOOD. Mr. Rhodes, you are on the wrong wicket. We are not supporting this engineering unit. The statement appears in each of the countries—armed forces indicate what forces the country has or would have.

Mr. RHODES. Wait a minute, General. Then why did you even mention this unit?

General WOOD. We did not support this.

Mr. RHODES. Just a minute. You have the key end items that went in there. ——— quarter-ton trucks, which are jeeps, ——— ton trucks, cargo. What units did they go to if they did not go to an engineering unit?

General WOOD. They were identified last year when they were programed as supporting the other units that the country had. It was described as a U.S. impact shipment composed of a small number of vehicles, communications equipment and maintenance parts, which will provide immediate mobility to the security forces. We are dealing with the 1963 program.

Mr. SLOAN. The French Army, which had performed the training in the past, in this part of the world has always been a strong advocate and developer of civic action type programs and I am sure their military has training and focus toward civic action development.

Mr. PASSMAN. We are dealing with just one item here.

Mr. SLOAN. Yes.

Mr. PASSMAN. But in other parts we have identified earlier you do have school buildings and public buildings and forestry and irrigation as civic action projects out of this appropriation request.

Mr. SLOAN. Not out of the appropriation. This is something that the military forces are capable of doing, sir.

Mr. PASSMAN. What military forces?

Mr. SLOAN. This unit which in this particular case——

Mr. PASSMAN. You list in this book what they are doing with this on military, but we have nothing to do with it and make no contribution?

Mr. SLOAN. I think it is well to describe the operation of the military in that country.

UNEXPENDED BALANCE FOR CAMEROON

Mr. PASSMAN. We are talking about this $65,000 unexpended for the Cameroon, where you are indicating $35,000 to supervise $30,000 worth of supply operations. The general said that is where the recoupment comes from, by overestimating.

General WOOD. Sir, we are not asking for any money in the 1964 program for Cameroon.

Mr. PASSMAN. You have $65,000 that you propose to liquidate in fiscal 1964 and only $30,000 of it represents items and the other is for supply operations. It is on hand and unexpended, is it not?

General WOOD. Yes, sir.

Mr. PASSMAN. And it will be liquidated as I just stated?

General WOOD. Yes. Of course all anticipated recoupments are counted in determining our NOA request for the year.

Mr. PASSMAN. You said this was an overestimate and that is where we get our recoupments. The very fact that you have $36 million for civic action programs in the 1964 plan, and you have not so identified them in the past—you started identifying them in 1962—seems to make it a foregone conclusion that the engineering I referred to could just as well be funded out of this as anything else.

I think the record certainly speaks for itself.

CONGO

The next program to be considered is for the Congo. Although there is no firm estimate at this time, page 95 indicates that a military assistance program will probably be provided from the African area program. Page 125, which covers the African area programs, indicates that the Congo is one of the countries that will receive a program ———.

Would you comment ———.

General FUQUA. I will give you my views of it and I will ask Governor Williams to——

Mr. PASSMAN. We want you to give us your views and if Governor Williams wants to comment we shall be glad to hear him. But this is military assistance?

General FUQUA. That is correct.

Mr. PASSMAN. You are here only as an observer on the military part, are you not, Governor?

Mr. WILLIAMS. That is correct, only to back up.

General FUQUA. (Off the record.)

Mr. PASSMAN. I said page 125 indicates that the Congo is one of the countries that will receive a program, and you do so indicate?

General FUQUA. That will probably receive.

Mr. PASSMAN. Does it not indicate that this is so?

General FUQUA. Yes, sir.

Mr. PASSMAN. Let us have your reasons for it.

General FUQUA. The reason is this, sir: With the cessation of hostilities and, you might say, the rebirth of this country as a country with the reintegrating of the Katanga into the Congo, there are a tremendous number of difficulties that will be experienced in maintaining the internal security of that country, including the Katanga. We feel in order for the national Congolese Army to be able to maintain the internal security of that country certain things have to be done to that military force, and it is quite possible that the United States—certainly going into it with other countries, Belgium, the former metropole—will be involved in a program to assist them to maintain their national security and retrain the national Congolese Army.

There is a rationale behind this decision that if it is not done then it is quite likely that the country will degenerate once again, and it is certainly to our U.S. interests in Africa that this country become a self-sustaining country without any internal strife, which has been our experience for the last 10 years.

For that reason we believe there will be required a military assistance program that the United States will be involved in assisting in the formulation of along with other countries.

Mr. PASSMAN. Along with the other 69 countries receiving military assistance?

General FUQUA. I did not say that. I said other countries.

Mr. PASSMAN. If the number of countries I stated is not correct, as to the total receiving military aid, I will swallow one of your buttons.

1963 PROGRAM IN THE CONGO NOT PRESENTED TO CONGRESS

When did you obligate, or reserve, this $3,378,000 for the Congo for fiscal year 1963?

General FUQUA. This was done last year, sir, during the current fiscal year of 1963.

Mr. PASSMAN. What date?

General FUQUA. I do not have a precise date, sir. I will have to furnish that for the record.

(The information supplied for the record is classified.)

Mr. PASSMAN. Did you justify this item to Congress last year?

General FUQUA. We did not.

Mr. PASSMAN. You are going to get us a date?

General FUQUA. We will get you a date, sir, and to reiterate your first question, you asked if we had defended it before Congress and the answer is "No." That was done afterward because the necessity arose after we appeared before Congress.

There was a Presidential determination arrived at because the necessity arose.

Mr. PASSMAN. We discussed how easy it was to obtain a Presidential determination previously. Of the 70 countries involved in the MAP, is it correct that only one country that requested a program was turned down?

General FUQUA. Only one asked for a new program.

Mr. PASSMAN. Did you say that last year no request for a Presidential determination was turned down, so you approved them all?

General FUQUA. I said I would furnish the information for the record.

Mr. PASSMAN. Did you not say that last year there was none which was turned down?

General FUQUA. I don't believe I said that. I said none I knew of in Africa but that I would like to check that and provide it for the record.

Mr. PASSMAN. Secretary McNamara alleged great damage was done to the program because we made a small reduction in the funds last year, yet all along the line we are running into programs that were never justified to the Congress.

General FUQUA. Sir, it is absolutely impossible to predict exactly what will happen in various countries throughout the year.

And I think we certainly have kept the committee informed when a situation arose, as in the case of the Congo, where it was felt required to assist the Congolese.

Mr. PASSMAN. When did you inform this subcommittee?

General FUQUA. It was informed last October if I am not incorrect in making that statement.

Mr. PASSMAN. How did you inform the committee, by what type of communication?

General FUQUA. If my memory serves me right it was done by a written communication of some kind.

Colonel SIMPSON. The committee gets a copy of each Presidential determination and the committee also gets a quarterly report of all MAP equipment to be delivered against funds reserved, and all MAP deliveries.

Mr. PASSMAN. Kindly supply us a copy of the letter.

General FUQUA. Yes, sir.

(The information requested follows:)

DECEMBER 28, 1962.

Hon. CLARENCE CANNON,
Chairman, Committee on Appropriations,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the instructions of the President to the Administrator of the Agency for International Development, there are enclosed copies of Presidential Determinations 63–6 and 63–9.

There are also enclosed copies of the memorandums from the Administrator to the President recommending that he make this determination.

Sincerely yours,

HOLLIS B. CHENERY,
Director, Program Review and Coordination Staff.

Enclosures: Copies of Presidential Determinations 63–6 and 63–9. Memorandum to the President.

SEPTEMBER 21, 1962.

Hon. CLARENCE CANNON,
Chairman, Committee on Appropriations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: There is enclosed a copy of Presidential Determination 63–4 pursuant to sections 503 and 614(a) of the Foreign Assistance Act of 1961, as amended.

There is also enclosed a copy of the memorandum from the Acting Administrator to the President recommending that he make this determination.

Sincerely yours,

HOLLIS B. CHENERY,
Director, Program Review and Coordination Staff.

Enclosures: Copy of Presidential Determination 63–4. Memorandum to the President.

RESERVATION AND EXPENDITURE OF FUNDS FOR TRAINING CONGOLESE

Mr. PASSMAN. I notice that in fiscal year 1963 you obligated, or reserved, $696,000 for training and that you expect to spend $8,000 during fiscal 1963. At this rate of expenditure, it would appear that you have a pipeline of 86 years. Is that correct?

General FUQUA. How do you arrive at those figures, sir?

Mr. PASSMAN. By simple arithmetic.

General FUQUA. One of the earlier countries we are discussing, you cannot use this kind of arithmetic to arrive——

Mr. PASSMAN. Why did you reserve $696,000 for training when you knew you were only going to spend $8,000?

General FUQUA. Are you talking of item 13 in column 8?

Mr. PASSMAN. You reserved $696,000 and you expect to spend $8,000. That will be a nice squeezeout, will it not?

General FUQUA. Sir, it was anticipated, speaking to this $696,000——

Mr. PASSMAN. You reserved $696,000 and you only plan to spend $8,000. Is that correct?

General Wood. You are speaking of training figures. We can analyze this for the record for you.

Mr. Passman. We prefer that you analyze it now.

General Wood. Due to the length of the school year, training courses often end after the end of the fiscal year. I cannot tell how many Congolese are in training or what will be spent shortly after July 1.

Mr. Passman. But you did reserve $696,000 and you will spend only $8,000. Is that correct?

General Wood. That is certainly a bookkeeping figure.

Mr. Passman. What do you mean by "a bookkeeping figure"?

General Wood. As of June 30 only $8,000 will have been spent; that is quite right. On July 30 maybe a larger part will have been spent.

Mr. Passman. You said that on June 30 you will have spent only $8,000, and I find you people are not too prone to underestimating.

General Wood. Sir, you did not pay attention. I said in the training area the school courses often end after the end of the fiscal year. You would not say you spent it on June 30 if you had not spent it until July 30.

Mr. Passman. I think that I am paying attention. Let us go to fiscal 1963, page 28. How many spaces do you have asigned to the training program in the Congo?

General Wood. I do not think I have that information with me.

Mr. Passman. Page 28, sir. According to this, if you spent the $8,000 it would be for a party or something, because you do not have a training space for it on page 28.

General Wood. I would say there were other reasons why the spaces were not used; probably because the country decided not to utilize them after the program was made.

Mr. Williams. If I may reply to this, sir, I think what happened here is that we have been trying to organize a Congolese training program for some time but we have been unsuccessful in getting it started, and I believe we have only a small part that was begun.

Mr. Passman. Then if we only had the date it was begun we would know why there is this squeeze-out.

General Wood. Since the presentation for fiscal year 1963 we have acknowledged that through price changes, items becoming excess, and so forth, we do anticipate recoupments of funds and we take them into consideration by reducing our appropriation request accordingly.

Mr. Passman. If it is good business and good management to overestimate what you need, to build up hundreds of thousands of dollars in excess of your needs—gentlemen, we are having to borrow that money. We are in trouble in our economy. You know we are head over heels in debt and the dollar is losing prestige over the world. Year in and year out unfounded charges are made against the committee to the effect that, by reducing the funds, it is wrecking the program. Secretary McNamara has described it as a concrete program, but obviously it is plenty loose and what we are trying to do is tighten it up.

How long will you leave this large sum of money in that category of reservation for training?

General Fuqua. You mean the $696,000?

Mr. Passman. Yes.

General FUQUA. If we determine the requirement no longer exists, just as soon as we can get it out, we shall.

Mr. PASSMAN. Even though you estimate there will be $8,000 spent, if you turn to page 28, it is indicated there that, in all probability, the entire $696,000 could remain unliquidated; is that not correct?

General FUQUA. There is none shown on page 28, that is correct.

Mr. PASSMAN. There is a possibility you can recoup the entire amount?

General FUQUA. There is the possibility. However, it is quite possible as I have indicated, that we may yet get some of these people in training. As Governor Williams pointed out, we are having a tremendous amount of difficulty getting started on this retraining program.

(The information supplied for the record is classified.)

Mr. MINSHALL. Mr. Chairman, you asked how long they planned to leave this $696,000 in this program, and he said as soon as possible he would take it out. How do you take it out?

General WOOD. As I said in my opening statement, this represents one of the areas where we cannot close the books until the end of the fiscal year. We estimate there will be $25 million altogether in this general category which we will ask to have reappropriated to assist in funding the 1964 program. The training books cannot be closed until all the disbursing authorities who handle these moneys report at the end of the fiscal year, and historically there has been a carryover of $25 million which we ask to be reappropriated.

Mr. PASSMAN. We run into many items that you do not justify but for which you reserve funds. In addition to the $25 million carryover you will have the $40 million that is earmarked for military carryover, the sales program?

General WOOD. The sales program is a revolving fund.

FUNDING OF AIRCRAFT IN 1963 PROGRAM OUT OF 1962 FUNDS

Mr. PASSMAN. But that will be used. You were up here last year justifying a certain type of airplane to be funded out of 1963 funds, but you went back and funded part of it on June 29, Friday, in the amount of $25 million, out of fiscal year 1962 funds. That, too, would have carried over if it had not been obligated at that time.

General WOOD. That was done to get the equipment at the time we required it.

Mr. PASSMAN. But you justified it under the 1963 appropriation request, did you not?

General WOOD. It was in the 1963 program and was justified.

Mr. PASSMAN. But you funded $25 million of it out of the previous year's appropriation?

General WOOD. $25 million of fiscal year 1962 money was used.

Mr. PASSMAN. The next to the last day of the fiscal year?

General WOOD. In order to take advantage of that particular contract; yes.

Mr. PASSMAN. Business must be mighty good with them if they are running you that close on it. It happened on Friday and they would not wait until Monday?

General WOOD. Let us not have it indicated we are not doing the best we can with the program, Mr. Chairman.

Mr. PASSMAN. I would not want to blame you for it.

Do any MAP funds go toward the maintenance of the ——— United Nations forces in the Congo?

General FUQUA. No, sir.

Mr. PASSMAN. Thank you.

Page 96 indicates that the United States will be contributing to a ———. What other countries will be participating in this program?

General FUQUA. It is not yet determined, sir. ———.

Mr. PASSMAN. If it has not been determined, do you not think you should wait until a determination is made?

General FUQUA. At present we do not know exactly what countries will be involved. There are several countries under consideration.

Mr. PASSMAN. This operates on a percentage basis, the United States putting up a percentage and other countries putting up a percentage?

General FUQUA. It is not as simply stated as that. It has not been determined.

Mr. PASSMAN. How can you estimate our part if it has not been determined?

General FUQUA. We have to make some sort of estimate in order to have the money if it goes through.

Mr. PASSMAN. We may not put that much in?

General FUQUA. It is possible.

Mr. PASSMAN. And if we have an overestimate——

General FUQUA. If we do not need it we will not spend it.

Mr. PASSMAN. You are asking for it?

General FUQUA. We are asking for it because we think there is a good chance of having to use it.

Mr. PASSMAN. Why do we have to get in such a hurry in these things? I put in the record the other day, General, a statement showing that from the adoption of the Constitution, 174 years ago, for every dollar our Government has collected in revenues we have obligated $1.81 for services already rendered. We have lost control. We seem to never think of where we will get the money.

ESTABLISHMENT OF MAAG PROGRAM IN CONGO

How soon do you anticipate establishing the MAAG in the Congo?

General FUQUA. We do not know, sir. I cannot give you an estimate. We are still in negotiations and cannot give you a date on it.

Mr. PASSMAN. Ordinarily you establish the MAAG and then work out a program, do you not?

General FUQUA. No, sir.

Mr. PASSMAN. If you have a real military program going, does not the MAAG come first?

General FUQUA. No.

U.S. CONTRIBUTION TO MILITARY OPERATION IN THE CONGO

Mr. PASSMAN. Could you tell us how much the Congo military program has cost us to date? I am talking about the total amount.

General FUQUA. This is money not attributable to the military assistance program.

Mr. PASSMAN. It comes out of another of the spigots. It is military assistance but it is not out of your appropriation.

General FUQUA. That is correct.

Mr. PASSMAN. We are trying to find out how much it has cost us to date.

General FUQUA. As of March 31, $57,188,000 is the amount incurred by the Department of Defense.

Mr. PASSMAN. How about the amount we have contributed through the years? Do you have that information?

Mr. WILLIAMS. I have that, sir.

Mr. PASSMAN. Will you give it to us, Governor?

Mr. WILLIAMS. Yes, sir. Here is a table.

Mr. PASSMAN. This shows total U.S. contributions, 1960–62, of $114,489,290.

If there is no objection, we shall insert this tabulation at this point in the record.

Mr. WILLIAMS. Yes, I will be pleased to submit it.

(The table follows:)

U.S. contributions to the United Nations military operation in the Congo, July 1960 through December 1962

		U.S. contributions	Total U.N. costs
UNOC budget: July-December 1960			$60,000,000
United States assessed contributions (fiscal year 1961 MSA)		$15,745,211	
United States voluntary cash contributions (fiscal year 1961 MSA)	$3,900,000		
United States waiver of initial airlift (fiscal year 1961 MSA)	10,317,622		
		14,217,622	
Total (49.9 percent)		29,962,833	
UNOC budget: January-October 1961			100,000,000
United States assessed contributions (fiscal year 1961 state supplemental)		32,204,061	
United States voluntary cash contributions:			
(Fiscal year 1961 MSA)	$6,450,000		
(Fiscal year 1962 AID)	8,855,596		
		15,305,596	
Total (47.51 percent)		47,509,657	
UNOC budget: November 1961-June 1962			80,000,000
United States assessed contributions (fiscal year 1962 state supplemental)		25,616,000	
United States voluntary cash contributions (fiscal year 1962 AID)		11,400,800	
Total (46.27 percent)		37,016,800	
UNOC budget: July-December 1962		(1)	[1] 60,000,000
Grand total		114,489,290	300,000,000
Recapitulation of U.S. contributions:			
Assessed contributions		73,565,272	
Voluntary contributions		40,924,018	
Total U.S. contributions, 1960–62		114,489,290	

[1] The Congo operation was financed from July 1962–December 1962, from proceeds from the United Nations bond issue. As of Dec. 31, 1962, a total of $120,955,680 of bonds were sold of which the United States purchased $59,672,840. These bonds are to be repaid from the U.N. regular budget over a period of 25 years at 2 percent interest, beginning in 1963. Therefore, the U.S. share of the first installment of the bond repayment costs will be assessed in 1963.

Beginning in 1963 the United States will also receive, under the terms of the U.S. bond legislation, a credit against its United Nations assessments for the installment repayments from the United Nations of the amounts due on principal and interest for U.S. bond purchases.

Mr. PASSMAN. The $57 million is included in the $114 million?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. We do not want the people who read the record to think we are getting by with only $696,000.

General FUQUA. Mr. Chairman, I would like to add something to the statement that I made. I said we spent $57 million; $34 million of that has been repaid, which shows we are on the road to getting some of this back.

Mr. PASSMAN. Repaid by whom?

General FUQUA. Well, part of it, $23.5 million, by the United Nations. It has gone back in the Department of Defense. And $11 million has been paid by transfer of funds from the State Department to the credit of the Defense Department.

Mr. PASSMAN. That is the same as saying if we transfer a million dollars from the Treasury to the Post Office Department the Post Office Department would save that much?

General FUQUA. I am talking about Defense Department expenditures. The Defense Department expended $57 million and has been paid back $34 million.

Mr. PASSMAN. Do you know of any money that has been coming back through your function, Governor Williams?

Mr. WILLIAMS. I know other U.S. contributions as to a percentage of total United Nations costs have been running slightly less than 50 percent.

Mr. PASSMAN. I did quote correctly the U.S. contributions of $114 million?

Mr. WILLIAMS. That is correct. The total United Nations costs were something over $300 million.

Mr. PASSMAN. And some of the rest could have been obtained out of some of these bond issues for which we have been putting up money?

Mr. WILLIAMS. Some of it may have been; yes, sir.

(The information requested follows:)

The $57 million referred to represents costs incurred by the Department of Defense in support of the United Nations peacekeeping operation in the Congo and is only one part of this operation.

The $57 million does include the amount of $10.3 million waiver of initial airlift costs, which were reimbursed to the Department of Defense from fiscal year 1961 MSA funds. Of the balance of approximately $46.7 million, as indicated by General Fuqua, $23.5 million has been reimbursed to Defense by the United Nations. The balance of $23.2 million represents expenditures by Defense for which reimbursement has not yet been received from the U.N.

The funds available to the United Nations for reimbursing the Department of Defense for its airlift and other services come from three sources: (1) U.S. contributions to the U.N.; (2) the contributions of other governments to the U.N.; and (3) proceeds from the United Nations loan.

DAHOMEY

Mr. PASSMAN. For Dahomey no funds are requested for fiscal year 1964?

General FUQUA. That is correct.

Mr. PASSMAN. But there is an unexpended balance of $33,000?

General FUQUA. Yes.

Mr. PASSMAN. $——— of the unexpended balance is for other services?

General FUQUA. This $——— is for a program which has not yet materialized and which may not be implemented at all.

Mr. PASSMAN. That could be a squeezeout item?

General FUQUA. It could be a squeezeout item; yes.

Mr. PASSMAN. You have $8,000 to do nothing with; is that correct, sir? I am trying to be fair. That is why I asked you at the beginning if you could get by without any appropriation. We found $696,000 in just one country. We will help you find more of it if you will cooperate with us.

General WOOD. That could be recoupment, Mr. Chairman.

Mr. PASSMAN. We know it is the recoupment. We could sit here until Christmas and uncover stuff like this throughout the entire aid program.

When was the money for other services obligated and why is there still an unexpended balance on hand?

(The information requested follows:)

In the congressional presentation document—fiscal year 1964 estimates, the statistical pages for Dahomey (p. 97), Ivory Coast (p. 103), Niger (p. 113), and Upper Volta (p. 123) include in column (h), "Estimated deliveries/expenditures fiscal year 1950–63 programs—July 1963 and after," an entry of $——— in each case against "supply operations." This represents a carryover of the reported fiscal year 1962–63 program of $——— in each case.

The packing, crating, handling, and transportation portion of "supply operations" is calculated and controlled only on a worldwide basis. However, for purposes of providing an estimate of country programs which reflects the cost of movement of goods to the countries, statistical estimates have been made of the amounts of packing, crating, handling, and transportation costs attributable to each country.

At one time in the planning cycle, a materiel program was proposed in fiscal year 1963 for each of the four countries and it was anticipated there would be some deliveries of these programs during that same year. ——— It was through oversight that the statistical estimate of the distribution of packing, crating, handling, and transportation charges was not adjusted to reflect this change in plans. The reported undelivered balance of $——— for each country will not be used for the purposes of packing, crating, handling, or transportation of materiel for the countries listed.

To the extent that undelivered balances for "supply operations" are overstated in one country, they may be used to offset understatement in another. In any event, if the amount worldwide is too large, it becomes available for recoupment, and thus would become a part of the program against worldwide anticipated recoupments in fiscal year 1963 and fiscal year 1964.

(Discussion held off the record.)

Mr. PASSMAN. You do have a program for Dahomey?

General FUQUA. No new program.

Mr. PASSMAN. There are unexpended funds?

General FUQUA. There are some unexpended funds which we just mentioned.

(Discussion off the record.)

Mr. PASSMAN. There is no way to make this right. We give them guns and bullets, when there have been more heads of state assassinated since we began the aid program than in any other comparable period of years that I know of, and there have also been more gov-

ernments topple, although receiving U.S. aid, than in any other period, similar period of years that I know of.

Mr. WILLIAMS. Mr. Chairman, I do not want to get into the statistics but today there are at least twice the number of countries than there were 10 years ago. And I think we might bear in mind the number of problems they might have had if there had been no aid program.

The point I think we were making before is that it is useful to have some of these civic action programs.

Mr. PASSMAN. You are not limiting it to civic action programs, Governor.

Mr. WILLIAMS. I realize that.

Mr. PASSMAN. There are 16 foreign aid spigots and this is only 1 of them.

Mr. WILLIAMS. Sir, I think the policy is made by Congress, and part of it was read into the record.

Mr. PASSMAN. The foreign policy is made only after the Executive makes the request.

Mr. WILLIAMS. I think that is correct.

ETHIOPIA

Mr. PASSMAN. The estimate for Ethiopia for fiscal year 1964 is ———. The unexpended balance for Ethiopia as of July 1, 1963, is estimated to be $13,403,000. This does not include $10,526,000 in the excess stocks. Is that correct?

General FUQUA. That is correct.

Mr. PASSMAN. Page 100 indicates that the 1964 program will ———. When was this commitment made and when will it be fully funded?

General FUQUA. In 1960, sir.

There is no termination date, Mr. Chairman, set for the closeout of our military assistance to Ethopia.

Mr. PASSMAN. When did you inform the Committees on Appropriations of the Congress that you had this program planned for Ethiopia?

General FUQUA. When did we inform them?

Mr. PASSMAN. The committee, yes.

General FUQUA. We have been coming before you each year and informing you of exactly what we are doing, sir.

Mr. PASSMAN. We know about your amounts, what you are going to fund, ———.

(Off the record.)

Mr. PASSMAN. I mean by that, fully met and funded.

General FUQUA. Yes. We do not have, as I told you before, a termination date fixed for the program. As I make clear in my original statement before you, sir, ———.

Mr. PASSMAN. The committee, we feel, should know what we are facing in the future with respect to money requests.

On page 99, you indicate that the active military strength in Ethiopia is ———.

General FUQUA. What page?

Mr. PASSMAN. Page 99.

General FUQUA. There are ——— police included in that, sir. In that ——— you will note a parenthetical remark following which indicates the size of the police in terms of security forces.

That means the straight military forces, subtracting that from the ———.

Mr. PASSMAN. We are supporting the entire number of ———, are we not?

General FUQUA. Not under the military assistance program.

Mr. PASSMAN. Are we not supporting them financially?

General FUQUA. Not the police, not from MAP, Mr. Chairman.

Mr. PASSMAN. I mean so far as the U.S. Government is concerned, are we not supporting the other ———?

General FUQUA. I can only speak to the military assistance program.

Mr. PASSMAN. Is this the first time we have ever detected in these books that we had made a commitment to support ——— Ethiopian troops?

When did you first indicate to the committee, that we made such a commitment?

We have been appropriating money every year for Ethiopia but this is the first time I remember seeing in the books that we made a commitment to support the Ethiopian Army ———.

General FUQUA. I will have to furnish that for the record as to when you were first informed of this.

(Information supplied follows:)

The House Appropriations Committee was first informed of the U.S. intent to support an Ethopian Army of ——— men during the congressional hearings on the fiscal year 1962 military assistance program. A statement on page 99 of the congressional presentation book for the fiscal year 1962 military assistance program for Ethiopia reads as follows: "This assistance is provided to fulfill a U.S. commitment to provide equipment for not to exceed———troops."

NAVAL TRAINING PROGRAM

Mr. PASSMAN. Page 100 also indicates the naval training program———. Since we supplied a yacht which was supposed to be used as a training ship, why should there be difficulty in training the Ethiopian Navy personnel? Although we knew this was a palatial floating palace for the Emperor, why should there be difficulty in training the Ethiopian Navy personnel when the Emperor is not aboard?

General FUQUA. As you probably know from previous testimony before this committee, I recall last year when I testified before this committee, if my memory serves me right, I indicated that the Ethiopian Navy———.

(Off the record.)

General FUQUA. In the past——

Mr. ANDREWS. Would you yield for this statement I will read here:

* * * Ethiopian naval personnel are intelligent, eager to learn, and devoted to duty.

Are they the mercenaries you were talking about?

General FUQUA. No, sir. The mercenaries, as I said, are mostly Norwegians who have been hired by the Ethiopian Government to train and man the ships until such time as Ethiopian personnel can be properly trained to operate them. True, the basic sailor, as it

states there where you have just read, is an intelligent man. However, he is an untrained person and he needs training.

They do not have very many of these people and they are experiencing some difficulty in getting them trained. They are making progress and the chairman referred to the boat we gave to the Ethiopian Navy some time ago, which is a training ship, and there has been a good deal of naval training conducted in the past year aboard this ship.

Mr. ANDREWS. That is the yacht you described?

General FUQUA. Yes, sir. The former U.S. plane tender.

Mr. PASSMAN. A training ship?

General FUQUA. That also serves as the flagship of the Emperor.

Mr. PASSMAN. We air conditioned it?

General FUQUA. It is air conditioned; that is correct.

Mr. PASSMAN. Do we have plans for air conditioning our own ships?

General FUQUA. Our ships are air conditioned, sir.

Mr. PASSMAN. All of them, or many of them?

General FUQUA. I do not know to what extent they are air conditioned but I am certain some of the operating spaces in most of our ships have air conditioning, especially those that have to operate in climates such as the climate one experiences in this area.

Mr. PASSMAN. I have been aboard many of them and this is a new one on me, that we have started air conditioning all of our ships.

General FUQUA. One of the officers who works for me in the Pentagon, sir, was out there in Ethiopia this past year and he visited the naval yards.

Mr. PASSMAN. How many naval personnel are there in the Ethiopian Navy?

General FUQUA. Just a moment, sir.

Mr. PASSMAN. Do not include the mercenaries.

General FUQUA. ———.

Mr. PASSMAN. Who is operating this yacht, or as you call it, this boat?

General FUQUA. The flagship for the Emperor?

Mr. PASSMAN. Yes.

General FUQUA. It is the crew.

Mr. PASSMAN. Personnel of what country?

General FUQUA. Norway, sir.

The crew is a Norwegian crew, as I indicated before. There are Ethiopian sailors aboard it, being trained to operate it.

Mr. PASSMAN. In previous years we have given them ships and they turned them back because they could not afford to operate them.

It is ridiculous, so far as I am concerned, to take the American taxpayers' money for a thing like this.

Mr. RHODES. General, could you tell us how the mercenaries are paid? Are they paid through foreign aid funds?

General FUQUA. I have no knowledge as to how they are paid, sir. They are not paid out of military assistance funds. How they are paid, I cannot answer that question.

Mr. PASSMAN. To what extent have these people been able to absorb the training aboard this ship?

You said there is a Norwegian crew and it is bound to be very expensive. Is there any indication as to when the Ethiopian crew might take over?

General FUQUA. I have no indication as to when they might take over.

Mr. PASSMAN. I know of one or two occasions where we gave them certain types of ships and they could not operate them and turned them back. Is there any indication they are going to try to continue to operate this ship and relieve the Norwegian crew, or are they going to decommission as they have in the past?

Mr. RHODES. Mr. Chairman, while he is getting that information, let us have him submit for the record information as to how the Norwegians are paid.

Mr. PASSMAN. We shall request that information.

General FUQUA. I cannot give you an exact date, sir, but I can give you a trend, the existence of a trend. They have ——— Norwegians right now on this ship and they expect to cut the complement of the Norwegian crewmembers by half in this year. It is an indication that more and more of the Ethiopian sailors are becoming trained sufficiently to take over more of the billets on the ship.

Mr. PASSMAN. How are the Norwegians being paid?

General FUQUA. I do not have an answer to that question, except to state that they are not being paid out of military assistance funds.

Mr. PASSMAN. How do you know that if you do not know how they are being paid?

General FUQUA. We are not furnishing any cash to them and that is why.

Mr. PASSMAN. There are many different spigots that this thing is coming out of. They have AID funds out of practically every other category under the AID Agency, do they not, Governor?

Mr. WILLIAMS. They do, but I think they are almost exclusively project loans or grants.

Mr. PASSMAN. Secretary Dillon said the so-called loans were development credits, and I am going to hold to that designation.

Mr. WILLIAMS. They are for projects so they will not be handling cash.

Mr. PASSMAN. They do earn some dollars from what they export, do they not?

Mr. WILLIAMS. From their own exports.

Mr. PASSMAN. Their own exports; and if you give them all of the money they need to buy what they normally use, that would release their dollars for that purpose, would it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. So, if you are not paying them directly you could pay them indirectly, could you not?

Mr. WILLIAMS. They might be using some of their own earned moneys for this and we might be supplying them some money to take care of another purpose.

Mr. PASSMAN. That is right. If we pick up the bills for what they normally buy, then that releases their earned dollars to continue this luxury.

Anyway, you will find out, sir, how they are being paid and out of what funds?

General FUQUA. If you ask it, I shall.

Mr. RHODES. Mr. Chairman, I too, asked for this information.

Mr. PASSMAN. Certainly, and, we want it.

(The information requested follows:)

The Norwegian personnel serving with the Imperial Ethiopian Navy are contract personnel paid by the Imperial Ethiopian Government. Military assistance funds are not involved as only equipment and training is made available to Ethiopia through the military assistance program.

Mr. SCHEINMAN. Mr. Chairman, I believe it would be appropriate to ask this kind of colloquy of Mr. Bell when he appears here. I think Mr. Bell will demonstrate for the committee one of the basic planning tools used for the provision of foreign assistance is the attempt to assure that our assistance is not a substitute for but an additive to the requirements of the country.

Mr. PASSMAN. What did you say he would do for the committee?

Mr. SCHEINMAN. Demonstrate.

Mr. PASSMAN. We are looking forward to his demonstration, I can assure you of that.

Certainly, when you credit to these people with free dollars for what they would normally buy with their earned dollars, it releases their earned dollars to do with whatever they want.

Mr. GARY. Would the Chairman yield?

Mr. PASSMAN. Yes.

ETHIOPIAN ARMY

Mr. GARY. Why does Ethiopia need an army of ——— men?

General FUQUA. The Ethiopian force goal, according to their own military planning, is ———. This is a figure which they have developed and they feel that they require this amount.

Mr. GARY. Who determined that number?

General FUQUA. It was not determined by the United States, sir. It was determined by the Ethiopians themselves, that this would be the goal for which they would strive as far as the number of armed forces is concerned.

This is what they felt. We, the United States, have had no part in the development of this figure and we have agreed——

(Off the record.)

U.S. SUPPORT OF ETHIOPIAN ARMY

Mr. GARY. You said we agreed to support an army of that size, but to what extent do we support them?

General FUQUA. As I indicated, sir, it is shown on the divider sheet here where the MAP is shown. The current strength we are now supporting is about ———.

Mr. GARY. What support do we give them?

General FUQUA. We are giving them support in that we are furnishing certain military equipment to them as indicated here.

Mr. GARY. We do not maintain the Army but we just give them certain equipment?

General FUQUA. We support them through a program of furnishing certain equipment to keep the Army in being, certain equipment to keep it going. That is how we support it.

As indicated here on page 99, our program shows various items which we furnish to the Ethiopian Army for use in its armed forces, and that is how we support them.

Mr. GARY. Is that equipment purchased in the United States?

General FUQUA. This is U.S.-originated equipment, purchased in the United States. That is correct. It is not offshore procurement.

Mr. PASSMAN. We are still discussing grant aid though; are we not?

General FUQUA. Yes, sir.

Mr. PASSMAN. I want to be sure of that on this purchase; we could get it mixed up.

General FUQUA. The military equipment is bought with U.S. funds and is in the grant-aid program.

Mr. PASSMAN. You say so far as Ethiopia is concerned, this is a grant-aid program?

General FUQUA. Correct.

Mr. GARY. Do we give them the money and then they buy American equipment?

General FUQUA. No, sir. We do not give them a cent. We give them U.S. equipment.

Mr. PASSMAN. It is the same thing.

General FUQUA. No, sir.

Mr. PASSMAN. You credit to their account X-number of dollars; do you not? When the Congress makes an appropriation——

General FUQUA. We put that on our books. It is not credited to any account in Ethiopia.

Mr. PASSMAN. Then you issue against that appropriation?

General FUQUA. We do not give any money to the Ethiopians, which is the inference I draw from the last statement.

Mr. PASSMAN. Now, General, it has always been accepted that when we talk about giving money we all understand that this is a credit down at the U.S. Treasury by which they requisition. You ask for an appropriation and the Congress makes it and then you make your allocation.

None of this money actually goes out in the way of dollar bills or hundred dollar bills and comes back, but for proper accounting, we say that we give them so much money and it is a credit to them downtown.

Then they requisition, or you allocate against the credit; is that correct?

General FUQUA. We issue what we call a military assistance program order, a MAP order. When it is finally approved, a MAP order is issued to the Army for a truck, for example. A MAP order is issued for a truck and the U.S. depot that furnishes this particular size or type of truck sends them a truck.

Mr. PASSMAN. That is correct.

General FUQUA. That is how it is done.

Mr. PASSMAN. Congress appropriates the money and you credit it to the account——

General FUQUA. The U.S. Army——

Mr. PASSMAN. You credit it to the account of the Ethiopians at some point downtown and the Treasury winds up paying the bill; is that the main thing?

General FUQUA. Yes, sir. The U.S. Government pays the bill.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. ANDREWS. How many men are in the division that protects the Emperor?

General FUQUA. About ——— currently in the Ethiopian division.

Mr. ANDREWS. How many overall are there?

General FUQUA. About ——— in their armed forces right now.

Mr. ANDREWS. So, about ———

General FUQUA. The ——— stationed in the Ethiopian area, sir, the one referred to in this paper, on page 100. The ——— is stationed in that area, ——— and by its presence provides protection to the imperial household.

(Discussion held off the record.)

Mr. PASSMAN. Is their primary assignment to protect the Emperor?

General FUQUA. I did not say that.

Mr. PASSMAN. I asked a question. Is that the primary assignment of the ——— men?

General FUQUA. No, sir. I do not know exactly the extent of the mission of this particular unit. I do know they have, among other missions, that of protecting the imperial household.

Mr. PASSMAN. We are too good friends to argue about something in the book, but I believe somewhere it says this:

provides protection for the Royal household in place of the imperial bodyguard which has been disbanded since the attempted coup d'etat of December 1960.

What other duties do they perform?

General FUQUA. I do not know.

Mr. PASSMAN. Thank you.

General FUQUA. I would like to make the statement they do perform other duties.

Mr. PASSMAN. Do you know what the duties are? This book would lead the committee to believe they probably have no other duties.

General FUQUA. I would like to furnish that for the record; something to clarify that.

Mr. PASSMAN. If you find that this is the only duty they have, you will also state it for the record?

General FUQUA. I will also state it.

(The information supplied for the record is classified.)

Mr. PASSMAN. You agreed that we would assume they have no other assignment?

General FUQUA. I would agree to that.

Mr. PASSMAN. Have you read the language?

General FUQUA. I have read that.

(Discussion off the record.)

ECONOMIC ASSISTANCE TO ETHIOPIA

Mr. PASSMAN. Let the record show what we have.

What we have given to this little country in the way of economic aid has been a total of $117,600,000 and adding to that the military assistance brings it up to $185.9 million through fiscal year 1963.

General FUQUA. I do not know——

Mr. PASSMAN. Would you verify that figure for the record?

General FUQUA. I do not have the aid figure.

ETHIOPIAN PURCHASES FROM THE UNITED STATES

Mr. PASSMAN. I want to say that since Mr. Bell is going to demonstrate for us, I want to find out the purchases of Ethiopia from the United States out of the dollars they earn, 1940 through 1950; 1950 through 1960; and then 1960 through 1963.

I think those statistics will show that they did not increase their purchases over what they would have otherwise purchased by the amount of the aid.

(The information requested follows:)

Ethiopian commodity imports and purchases of gold from the United States [1]

[Thousands of U.S. dollars]

Year	Commodities	Gold	Year	Commodities	Gold
1940	73.0	0	1952	6,456.0	0
1941	.4	0	1953	4,910.0	0
1942	.0	0	1954	6,965.0	395.8
1943	11.0	0	1955	5,370.0	21.5
1944	849.0	0	1956	5,100.0	0
1945	1,502.0	0	1957	5,495.0	0
1946	745.0	0	1958	10,802.0	0
1947	8,085.0	14.0	1959	9,767.0	0
1948	4,677.0	2.3	1960	7,333.0	0
1949	3,718.0	2.3	1961	10,893.0	0
1950	2,865.0	3.4	1962	23,200.0	0
1951	4,400.0	1.7			

[1] Foreign exchange for invisibles is not available.

Sources: Department of Commerce, Bureau of Census, and Treasury Department.

Mr. MINSHALL. Mr. Chairman, also on page 100 in evaluating the fighting force, the justifications state:

(Off the record.)

FUNDS FOR MILITARY TRAINING OF ETHIOPIANS

Mr. MINSHALL. Have these men been trained in the Coast and Geodetic Survey School here?

General FUQUA. Some of these people have been trained, that is correct.

We have a pretty extensive training program, as you will see here.

(Discussion held off the record.)

Mr. MINSHALL. Pardon me for interrupting you but these words I quoted were your own, not mine.

Mr. SLOAN. That is correct.

Mr. PASSMAN. Whose opinion are you expressing now?

Mr. SLOAN. Mine.

Mr. PASSMAN. Thank you.

Mr. SLOAN. I think our money is much better spent in this sort of an organizational building program than to pay direct cash, American dollars, or gold outflow——

Mr. PASSMAN. How long have you been with this AID program?

Mr. SLOAN. I am not in the AID program.

Mr. PASSMAN. What are you in?

Mr. SLOAN. I am in the Department of Defense.

Mr. PASSMAN. How long have you been in the military assistance group?

Mr. SLOAN. Since I came to Government, about a year and some months ago.

Mr. PASSMAN. How long ago?

Mr. SLOAN. A year and 2 months ago.

Mr. MINSHALL. That was just referring to the Ground Forces and then in their own words, again, they have this to say about the Air Force:

(Off the record.)

General FUQUA. Any outfit has weaknesses and strengths. We are pointing out the weaknesses.

Mr. MINSHALL. What are the strengths and what are the attributes of the Ground Force and the Air Force?

General FUQUA. You just read it yourself. The transport capability had experience——

Mr. MINSHALL. You have been in the Army a long time but would you like to command an outfit like this?

General FUQUA. I would consider it a challenge.

Mr. MINSHALL. It should be a challenge.

Mr. PASSMAN. On page 99 it indicates that you propose to furnish 30-caliber rifles to Ethiopia. I doubt that these are for an army. Am I making a statement of fact, that they want .30-caliber rifles under the program?

General FUQUA. That is what it says.

IVORY COAST

Mr. PASSMAN. There is no estimate for fiscal 1964 for the Ivory Coast?

General FUQUA. That is correct.

Mr. PASSMAN. But to date, $218,000 has been programed, of which $61,000 will be unexpended as of July 1, 1963.

Since the only major unexpended item is $50,000 for training, why do you still have on hand as of July 1, 1963, $8,000 for supply operations? You have $8,000 to crate up and ship nothing; is that correct?

General FUQUA. Yes, sir.

Mr. PASSMAN. Thank you.

General FUQUA. This is another example, as you pointed out earlier——

(This figure is referred to on p. 326.)

Mr. PASSMAN. Gentlemen, it seems quite obvious to me that in all probability when we put this all together it is going to make Secretary McNamara's statement about this being a "concrete" program appear as ridiculous as it sounded. You are hiding this money in almost every country. I do not say "you," but whoever is making these allocations, when you mark up these amounts, when you do not have anything whatsoever to spend it for, and then admit that it is just put in there for future purposes, and maybe deobligate it.

This causes some concern. Do you understand that it would?

General FUQUA. I can understand that it would cause concern, but I would like to state that it is not being hidden. There is no coverup or chicanery involved. It is a bookkeeping entry, as General Wood aptly put it a few moments ago.

Mr. PASSMAN. Put it in and then squeeze it out later?

General FUQUA. Squeeze it out later; if there is no requirement for it, if it is not used.

for it, if it is not used.

Mr. PASSMAN. Am I making a statement of fact that there is nothing listed for which to spend it?

General FUQUA. You are making a statement of fact.

Mr. PASSMAN. All right, sir.

It is not your fault, of course, that some of this stuff has been accumulating 8, 9, and 10 years.

LIBERIA

The next country for consideration is Liberia for which $——— is requested.

CIVIL ACTION PROJECTS

Does this estimate include the $——— civic action project?

General FUQUA. It does.

Mr. PASSMAN. What type of project?

General FUQUA. Engineer.

Mr. PASSMAN. Where do we find it in your book?

General FUQUA. You will not find the civic action program broken out and identified as such.

Mr. PASSMAN. So far as the committee knows at this time, and so far as the information in the book reveals facts, we do not know, and you do not know either?

General FUQUA. We brought it out in the testimony.

Mr. PASSMAN. For this country?

General FUQUA. For this country; that money is being used for civic-action-type projects.

Mr. PASSMAN. General, we also brought in other countries where you had school buildings, public buildings, forestry, and irrigation, and that was plain enough because you defined it, but here is an item of $——— and we do not know what it is. It says just "civic action projects." It could be a water tank. It could be a new city jail. It could be the residence of the head of the country; could it not?

General FUQUA. I do not understand where you get this $———.

Mr. PASSMAN. We will turn back and see if we cannot help you with it. All you have to do is look at page 36.

General FUQUA. As I told you, it is engineer battalion equipment.

Mr. PASSMAN. Please submit a statement concerning the matter.

General FUQUA. I shall, sir.

(The information follows:)

The proposed fiscal year 1964 military assistance program for Liberia contains approximately $——— for materiel and training which can be utilized for civic action projects by the Liberian Army Engineer Battalion. This assistance can be used in a dual role, i.e., military and civic action functions.

Mr. PASSMAN. In other places, you have school buildings, public buildings, forestry, and so forth.

EXCESS STOCKS

What type of excess stock will you furnish to this country at a cost of $———?

About the civic action items on page 335 it indicates projects, a wide range of MAP supported projects.

General FUQUA. I see the page.

Mr. PASSMAN. Civic action projects involving road construction, maintenance, village development, irrigation, forestry, construction of schools, and other public buildings, rural health services, vocational training of conscripts, mapping and survey, navigational aids, rural communications, CCC-type projects for youth development.

Engineering is not mentioned at all.

Tell us about the ———.

General FUQUA. We are furnishing ———.

Mr. PASSMAN. How many would that be?

General FUQUA. $——— worth would be——

Mr. PASSMAN. ———?

General FUQUA. ———.

Mr. MINSHALL. How many?

General FUQUA. ———.

Mr. MINSHALL. Brand new or hand-me-down from our old stock?

Mr. PASSMAN. Excess?

General FUQUA. Excess stock. I do not know what it is.

Mr. MINSHALL. I do not think they are making them any more.

General FUQUA. It is excess stock. We are talking about excess stocks in this case, acquisition value.

Mr. MINSHALL. A pretty good price, is it not?

General FUQUA. Those are the original acquisition costs. These do not represent the cost to MAP. This is the original acquisition cost shown here in our table.

Mr. PASSMAN. How much are we charging for each?

General FUQUA. We are not charging the Liberians anything on this.

Mr. PASSMAN. Just giving it to them?

General FUQUA. They are being furnished to them from excess stock.

Mr. PASSMAN. There is no rehabilitation cost?

General FUQUA. If there is any rehabilitation cost, it will be contained in this $3,000 shown in item No. 11.

Mr. PASSMAN. How many trucks have you furnished to ——— military forces of this country to date?

General FUQUA. Trucks?

Mr. PASSMAN. Yes, sir.

General FUQUA. I can give you them by category.

Mr. PASSMAN. No—the totals.

General FUQUA. ——— will have been delivered by July 1, 1963.

Mr. PASSMAN. How many trucks do you have programed for fiscal year 1964?

General FUQUA. ———.

Mr. PASSMAN. What is a liaison aircraft?

General FUQUA. It is a light, single wing aircraft that uses——

Mr. MINSHALL. What kind of aircraft?

General FUQUA. Single engine.

Mr. PASSMAN. I thought this would be something new.

General FUQUA. A single wing would not work very well, would it?

I was thinking of football.

It is a light, single-engine plane that is normally used in rough, unimproved landing fields.

Mr. MINSHALL. What type?

General FUQUA. I do not know the type in this case.

Mr. MINSHALL. How much did it cost?

General FUQUA. I do not know the cost of this aircraft. Let me take a look. It would be $———.

Mr. PASSMAN. It could land on a little field, river, or bayou?

General FUQUA. This type of aircraft can land on unimproved landing fields.

Mr. MINSHALL. Also used on fishing trips on weekends?

Mr. PASSMAN. Could it be used for that purpose, say, if a tired head of state wanted to go fishing?

General FUQUA. I beg your pardon?

Mr. PASSMAN. Could it be landed very easily around fishing streams or lakes, where you had a little grass runway? It does not require any improved runway; does it?

General FUQUA. I would not say——

Mr. PASSMAN. A good grass strip would get him out?

General FUQUA. Yes, sir.

Mr. ANDREWS. On one of these light fixed-wing planes?

General FUQUA. That is right.

Mr. ANDREWS. Land out in the pasture?

General FUQUA. Certainly.

Mr. PASSMAN. I am not implying too strongly, but if the chief of state wanted to go hunting or do a little fishing, this plane could be used for that purpose; could it not?

General FUQUA. Yes, sir.

Mr. PASSMAN. Thank you.

How many ——— have we programed for this ——— military force to date?

General FUQUA. Here, again, sir, if you will permit me to do a little adding, I will add it up.

Cumulatively up to now in column C, it would be ——— and adding that to the ———, would give you ———.

Mr. PASSMAN. Congratulations. Last year, or the year before that, there was one country to which we furnished two rifles per man and another country, a rifle and a half per man, but this one time, you are going to wind up ——— short of giving a rifle per man.

LIBYA

The estimate for Libya for fiscal 1964 is ———; for fiscal 1963, it is estimated at $2,102,000; and for fiscal 1962, $721,000.

What is the reason for this proposed ——— in this program, especially in view of the fact that Libya oil revenues are increasing almost hourly?

General FUQUA. Sir, we decided, or a decision was made to grant———to the Libyan program, as a result of a request made by the Libyan Government last year and following this request the United States studied the requirements that were stated by the Libyan Government and we determined that it was in our national interest to provide military assistance for a———force.

(Off the record.)

Mr. PASSMAN. Their oil revenues are increasing; are they not? It would appear here, if we just go to the average domestic revenues 1961 was $42 million; 1962, $59 million; 1963, $87 million. Is that correct?

General FUQUA. Yes, sir.

Mr. PASSMAN. While their revenues have doubled our contribution through this program———in the same period; has it not?

General FUQUA. I am not sure of that exact figure but it has gone up.

Mr. PASSMAN. I am saying———. I think it should either be proven right or wrong.

General FUQUA. That would be———times.

Mr. PASSMAN. About———percent. Their revenues have doubled and our contribution out of your program is———.

General FUQUA. Yes, sir.

Mr. PASSMAN. What is included in this estimate of $———for other services?

General FUQUA. At the present time the program which we estimate would amount to about this much is being worked our by the European Command. We do not have at the present time the details of exactly what this is going to be. As I indicated before we have made a study, or a study has been made, of the Libyan requirements and the recommendations are in EUCOM right now in Paris for study and finalization. As soon as we know exactly what it will be we will then be able to give you the exact amounts of equipment and various things that will go into this program.

MOROCCO

Mr. PASSMAN. The 1964 estimate for Morocco is $———.

General FUQUA. For Morocco, that is correct.

Mr. PASSMAN. I shall make this comment off the record.

(Statement off the record.)

Mr. PASSMAN. The estimate for Morocco for military is $———.

General FUQUA. That is proposed for 1964, yes, sir.

Mr. PASSMAN. Our total military aid for Morocco, cumulative through 1963 was ———.

Mr. PASSMAN. Our economic aid to Morocco has been $351,800,000; is that correct?

I am verifying the correctness of this. Do you have the AID book?

Mr. SLOAN. No.

Mr. PASSMAN. Is that correct?

Mr. SCHEINMAN. I will accept those figures.

Mr. PASSMAN. I was giving the figures for economic aid, cumulative through fiscal 1962 only, $351,800,000.

Mr. SCHEINMAN. If it is incorrect, we will correct it for the record.
Mr. PASSMAN. I want to know whether it is correct.
Mr. WILLIAMS. Would you repeat the figure?
Mr. PASSMAN. $351,800,000.
Mr. WILLIAMS. That is the cumulative figure.
Mr. PASSMAN. Yes.
Mr. WILLIAMS. I think that is substantially correct.
Mr. PASSMAN. Is this the same country whose King was over here for a few days and bought if I recall correctly, just offhand, 5 Cadillacs in 5 minutes and 17 other automobiles, 5,000 pieces of bed linen and pajamas with the royal monogram, all in one afternoon?
Mr. SCHEINMAN. That is the same country, sir, although I do not believe we are familiar with the specific items which the gentleman purchased.
Mr. PASSMAN. His total purchases were, I believe, $784,000. I will say he is quite a spender. He is one of our friends to whom we have given aid. That was their way of showing appreciation for the amount of money we have given them. They want to return some of it to the free enterprise system.
Mr. SCHEINMAN. The royal family has an extensive private income which they can spend for anything they see fit in the United States.
Mr. PASSMAN. The King said, according to the news reports, "We are returning to the free enterprise system some of the aid given to us by the United States."
(Discussion off the record.)

NIGER

Mr. PASSMAN. We shall proceed to consideration of the program for Niger. Page 113 indicates no program for Niger in 1964, although the unexpended balance is $32,000, is that correct?
General FUQUA. Yes, sir.
Mr. PASSMAN. Is there a possibility that sum will be recouped? Is that another instance where we have $8,000 to crate and ship nothing?
General FUQUA. It may turn out to be that; yes, sir.
Mr. PASSMAN. You have $4,000 set up for one truck.
I am going now into after June 30. You are going to have $8,000.
General FUQUA. In supply operations.
Mr. PASSMAN. $8,000 to crate and ship nothing?
Mr. WILLIAMS. You have $1,000 up there, haven't you?
There is $1,000 worth of vehicles.
Mr. PASSMAN. You are going to have $8,000 to crate and ship $1,000 worth of vehicles.
General FUQUA. Undoubtedly this would be a case of——
(NOTE.—See p. 326 for explanation of transportation charges.)

NIGERIA

Mr. PASSMAN. Let us look into the program for Nigeria.
The training estimate of ——— is the total program proposed for fiscal year 1964 for Nigeria?
General FUQUA. ——— is correct, sir.
Mr. PASSMAN. Is the civic action project of ——— in addition to this ——— or is it a part of this estimate?

General FUQUA. That is that page that has been crossed out, is it not, sir, the money that you just mentioned?

Mr. PASSMAN. Yes, sir.

General FUQUA. So the answer to your question is we are not showing any civic action program as such. There is no civic action program being shown for fiscal year 1964 for Nigeria.

Mr. PASSMAN. Prior to 1962 you did not show it anywhere, did you?

General FUQUA. That is correct.

Mr. PASSMAN. And you have ——— for fiscal year 1964. Originally you had ——— for Nigeria in civic action projects, is that correct?

General FUQUA. As indicated by the cross out of that page we have made some corrections in the bookkeeping here. We crossed that page out.

Mr. PASSMAN. There will be no civic action project for Nigeria in 1964?

General FUQUA. ———. Let me say this: There is a possibility, and I hope General Wood will correct me if I am wrong, that from the program if it becomes necessary to fund a civic action program, the money could be taken from the program.

Mr. PASSMAN. But you did have one before you changed the book sheets. Now you do not have one, but then in the future you may have one. Have I stated it correctly?

General FUQUA. It is a possibility.

Mr. PASSMAN. You did, you did not, but you may.

General FUQUA. When the book was first made up this page was found to be in error and we changed it.

Mr. PASSMAN. How could it be in error when you say you may have a civic action program?

General FUQUA. I am talking about the uncorrected page from which you are asking this question.

Mr. PASSMAN. It does not make any difference whether you get it from one well or another. You could have a civic action project for Nigeria in an amount greater than the original ———?

General FUQUA. I do not know whether it is going to be greater or not.

Mr. PASSMAN. You just do not know?

General FUQUA. I do not know.

Mr. PASSMAN. There could be a civic action project there?

General FUQUA. There could be a civic action project, that is correct.

Mr. PASSMAN. The same thing is true in every other country. These are illustrative, are they not, of your presentation?

General FUQUA. I would not say you could use the word "illustrative."

Mr. PASSMAN. That is good enough for me. You cannot use that word and be correct?

General FUQUA. No, sir.

Mr. PASSMAN. Others have said yes. There are conflicts.

General FUQUA. In what way? Would you explain?

Mr. PASSMAN. Simply because you may plan it for here but you may use it somewhere else.

General FUQUA. Mr. Chairman, we make every effort to be as forthright as possible when we present this program.

Mr. PASSMAN. I know that you do, but it is illustrative. You do not have to use it where you say you will use it.

General FUQUA. Of course, as I told you one time before, you cannot predict everything that is going to happen in a year.

Mr. PASSMAN. Not everything. But, you can change just about any program in this book, if not all of them, in fact.

General FUQUA. You will find on balance and for the most part the programs that we present are fairly well adhered to. Of course, there are changes. There must be changes. It is a living thing and it has to be changed.

Mr. PASSMAN. I am speaking of the right, General. The AID people tell us, "These programs are illustrative. We believe we are going to spend the money in these countries in these amounts, but we have the right under the law to substitute different countries altogether. We also have the right to substitute different programs. Therefore, it is illustrative."

General FUQUA. If that is your description——

Mr. PASSMAN. Not my description, sir, the AID agency's description.

General FUQUA. If that is the definition of the word "illustrative" then perhaps this is illustrative. I do not think it is illustrative from the point of view, of the normal connotation of the word. We are trying to give you a forthright presentation of our military assistance program. True, we do not hit it on the head every time. We cannot possibly.

Mr. PASSMAN. But you have the right under the law to take out a country, substitute a country.

General FUQUA. Yes, we do.

Mr. PASSMAN. To take out a program, substitute a program.

General FUQUA. We have if all established programs are followed

Mr. PASSMAN. You know other branches of Government are not run that way.

General FUQUA. For instance, we have to have authority before we do it, Presidential determination, for example.

Mr. PASSMAN. That obviously is not hard to get.

General FUQUA. Sometimes it is, sir. It is not always as easy as you think.

Mr. SCHEINMAN. Mr. Chairman, I think it ought to be clear to the general that the AID agency's characterization of its program as illustrative did not refer to the military assistance program but to the planning for development loan funds, which I believe it has previously justified to this committee.

Mr. PASSMAN. How long have you been with the AID agency?

Mr. SCHEINMAN. Since July, sir, in 1962.

Mr. PASSMAN. They have already testified just the opposite of what you said. You read the record and if you cannot find it, Mr. Merrill will look it up for you. I am making this as a statement of fact. It has already been testified by the top echelon people that it is illustrative. The record speaks for itself.

Mr. SCHEINMAN. I was not contradicting you, sir.

The witnesses referred to the military hearings.

Mr. PASSMAN. Top people in the military have said they, too, had an illustrative program.

General WOOD. I have not heard anybody say this year in the military hearings it was illustrative.

Mr. PASSMAN. You must have been absent.

General WOOD. I was here during the military program.

Mr. PASSMAN. We will also refer you to the page number.

General WOOD. You may refer to my own testimony.

Mr. PASSMAN. I am making a statement that it is in the hearings as an illustrative program.

General WOOD. This year?

Mr. PASSMAN. This year.

General WOOD. Let's make a small bet on that.

Mr. PASSMAN. You are making the statement it is not in the record. I am making the statement it is in the record.

General WOOD. One of us——

Mr. PASSMAN. I am going to tell you again it is in the record.

General FUQUA. A Defense witness?

Mr. PASSMAN. I want to say again that the witness said it was not in there, Mr. Merrill looked up his answer, and I want Mr. Merrill also to look up the page for him on that, so you can be helping Mr. Bell to ring loud when he comes down.

SENEGAL

The next country is Senegal, for which the estimate is ———, despite the fact that there is an anticipated unexpended balance of $1,310,000 as of June 30, 1963; is that correct?

General FUQUA. That is correct, sir.

Mr. PASSMAN. I note you programed ——— in 1962 and ——— also in 1962 and that they are not scheduled to be delivered until after July 1, 1963. Why did you reserve or obligate this far in advance for those ———? They will not be delivered until fiscal year 1964.

General FUQUA. The reason they are not being delivered, sir, even though as you said they were obligated, is that the priority list, they are pretty low on the priority list and for that reason we have just not been able to get down to them to make the delivery.

Mr. PASSMAN. But you do have the funds reserved?

General FUQUA. The program was late in starting in the latter part of 1962. That also contributes to the length of time.

Mr. PASSMAN. Then you did obligate the funds in 1962 for these ———, not to be delivered until 1964?

General FUQUA. That is correct.

Mr. PASSMAN. And if the program had been tight, this obligation could just as easily have been deferred?

General FUQUA. Yes.

Mr. PASSMAN. Thank you.

(Off the record.)

Mr. PASSMAN. We will want the Governor to elaborate concerning a lot of this before we get through.

Mr. WILLIAMS. I will do whatever I can in answer to whatever you ask.

Mr. PASSMAN. General, incidentally are you related to the former distinguished Governor of Louisiana, the late Henry Fuqua?

General FUQUA. I am, sir.

Mr. PASSMAN. He was one of Louisiana's great Governors. I think he succeeded the late John M. Parker, did he not?

General FUQUA. I believe so, sir.

Mr. PASSMAN. I believe he owned one of Baton Rouge's largest hardware stores at one time.

General FUQUA. My cousin, Henry, Jr., still operates it.

Mr. PASSMAN. He was a great Governor. We were certainly proud of him.

Mr. PASSMAN. With reference to my previous question, it would appear that country wants military aid but they do not want anybody to know they have it.

General FUQUA. I will defer to the Governor on that one.

Mr. PASSMAN. "We want it but we don't want anybody to know you let us have it," is just about what they are saying.

Of course, there are others in the same category.

Page 121 indicates the 1964 program for Tunisia is estimated at $———.

(Off the record.)

ALGERIA

Mr. PASSMAN. Have we an aid program in Algeria?

General FUQUA. We have no aid program in Algeria.

Mr. WILLIAMS. We have a food-for-peace program, sir.

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

General FUQUA. I refer to military aid, sir.

Mr. PASSMAN. They are pulling it out of those other spigots, are they not?

General FUQUA. I don't know to what extent.

Mr. PASSMAN. They have a food-for-peace program?

Mr. WILLIAMS. Yes, sir. Prior to the EVIAN agreements there was food relief given to refugees both in Tunisia and Morocco and subsequent to the EVIAN agreements there was food delivered to Algeria itself. The Algerians are trying to get on a program where it will be a work relief rather than a direct relief program, sir.

Mr. PASSMAN. So you do have a substantial—as I think of substantial—foreign aid program in Algeria?

Mr. WILLIAMS. We have a substantial food-for-peace program.

Mr. PASSMAN. If Algeria earns money from its exports they would normally spend that money for food. If we give them the food, that releases their dollars, to that extent, to buy whatever they want, does it not?

Mr. WILLIAMS. The Algerians because of the war became a food deficit country and so normally they would have their own food and wouldn't need to import it, sir.

Mr. PASSMAN. Would they normally spend a good part of the dollars they earn from their exports to buy food?

Mr. WILLIAMS. No, sir; because under normal conditions they would grow their own food.

Mr. PASSMAN. If they earn dollars from their exports under, as you indicate, abnormal conditions and need food they would ordinarily spend those dollars for food, would they not?

Mr. WILLIAMS. Yes; they probably would.

Mr. PASSMAN. If we give them the food to meet the deficit, that would release to them dollars they earn from exports to do whatever they want with, would it not?

Mr. WILLIAMS. If they had such exports they could use them.

Mr. PASSMAN. Thank you, Governor.

TUNISIA

Now on page 35 of the justifications it indicates you expect to have a ——— project underway in Tunisia soon, although page 36 does not indicate the funds for such a program in either fiscal year 1963 or fiscal year 1964. We have had a little trouble reconciling the discrepancies.

General FUQUA. Here again, sir, you are reading from the old page which we deleted because of inaccuracies.

Mr. PASSMAN. Not all of the page, part of the page.

General FUQUA. The part you are reading from.

Mr. PASSMAN. Could you tell the committee that you will not have a ——— program in Tunisia in fiscal year 1964?

General FUQUA. I cannot tell the committee that.

Mr. PASSMAN. You could have a ——— program in Tunisia?

General FUQUA. It is possible.

Mr. PASSMAN. Probable, no doubt.

No program is proposed in fiscal year 1964 for the Upper Volta——

Mr. MINSHALL. Mr. Chairman, before you leave Tunisia could I ask a question, please?

Mr. PASSMAN. Surely.

Mr. MINSHALL. How much generally have we put into Tunisia in the way of military aid to date?

General FUQUA. The cumulative total is $———.

Mr. MINSHALL. That is Tunisia?

General FUQUA. Yes, sir; page 121.

Mr. MINSHALL. What have we accomplished there with all that money? Under your force capability on page 122.

(Off the record.)

Mr. MINSHALL. What have we been doing with our money over there?

General FUQUA. We have attempted over the past years to develop a program to put Tunisia on its feet so it could take care of its own internal security and take care of itself. This program was designed to do this. It had limited success. It didn't accomplish the complete mission and the program has expired——

Mr. MINSHALL. For ——— what did we get out of it?

General FUQUA. Well, we did get out of it——

(Off the record.)

Mr. MINSHALL. How much would you think? Can you give a figure?

General FUQUA. I am not qualified to, off the cuff, give you an answer.

Mr. MINSHALL. It is $——— down the drain as far as I am concerned.

Mr. PASSMAN. Would you apply that formula to all of the other nations where the figure has been as great?

(Off the record.)

Mr. PASSMAN. I ask again, should we apply that same formula in evaluating the program in other countries where we have had a comparable expenditure and a comparable failure?

General FUQUA. I would say you can't generalize like that, sir.

Mr. MINSHALL. That is all I have.

SUCCESS OF ASSISTANCE TO AFRICA

Mr. PASSMAN. Governor, as a matter of policy these people either subscribe to our philosophy or they do not. Have we reached the point where they say, "Now you either do it or we are going to go to the Communists"? Is that the position we have gotten ourselves into? I am quite honest in asking that question.

Mr. WILLIAMS. I don't recall that they have ever said this to us. I think that over the years the Tunisians have supported the idea of the free world. I think their leadership was one of the few in Africa that indicated that they felt—I think it was the Hungarian situation which was an unfavorable one in world opinion and as a consequence I think that they have supported the general thrust of the free world.

Mr. PASSMAN. I really meant my question to be general because we are in 104 nations plus 7 possessions and dependencies, and 70 are in with military aid.

We have said, "We are not going to be blackmailed. We are doing it for the good of the people and not in any fear that they may go to Russia." But every year we have gotten a little closer to that philosophy: "Either we do it or the Russians will."

Now, if those people understand communism and the evils of it, how could you push them into the Soviet bloc, just by not bowing to their every little whim that they want eight rifles or possibly ——— an air-conditioned boat or something? If they do not care any more about the evils than that, you are going to lose them anyway later, are you not?

Mr. WILLIAMS. We hope we won't, sir——

Mr. PASSMAN. We know that, but I am talking about the real facts of the thing.

Mr. WILLIAMS. I think the real facts of the thing are, sir, if you add up the scoresheet in Africa that the West has maintained its headway, that we have turned back the Soviet thrust and that communism has not been able to make any considerable penetration in Africa. I think this is to our advantage.

Mr. PASSMAN. I agree that we claim that is so, but are we not using our imagination to a very large extent when we say that dissipating our wealth is succeeding for us in attaining our objectives?

Mr. WILLIAMS. No, sir——

Mr. MINSHALL. I would like to point out that only yesterday morning Mr. Harriman before a group of my colleagues here in the House made a statement in answer to this query: "What is the greatest danger to America today, what is the biggest threat we face?" and I think I quote him rightly, he said that Communist Cuba and the Russian soldiers located there.

Mr. WILLIAMS. I think there is nothing incompatible there with what I have said. The point I made was that I believe our aid pro-

gram and our policies in Africa have been successful in keeping the Russians from getting any considerable foothold there.

Mr. PASSMAN. But, Governor, the record would certainly indicate we have had a complete failure here in this hemisphere, only 90 miles from our shores, where we are supposed to know something about what is going on.

We are in trouble. We have borrowed the money. We have a substantial deficit, we have a large public debt and are adding to it. We are borrowing money from foreign nations and it does not look like there is any way to check this trend.

Now, those are the things that cause me concern, and it would appear to me that a lot of these programs in your region, sir, could be dispensed with or, at least, could be delayed. There is a lot of evidence that we are taking these people too fast out there.

Mr. WILLIAMS. Sir, I think I would say for the record that our programs by and large have been successful in helping bring along the peoples of Africa and to prevent the penetration of the Communists to any considerable extent in this area and I think that is in our interests.

Mr. PASSMAN. I think the roof is going to fall in on us. We have got this thing started and it is getting broader all the time, with more programs. I think were we to dump the wealth of America into Africa in 5 years you would not see very much of the effect of it. I think it is going to take a long, long time——

REDUCTION OF MILITARY ASSISTANCE PROGRAM IN AFRICA

Mr. WILLIAMS. I think you must be pleased with the military program here in Africa because we are cutting it back.

Mr. PASSMAN. I am pleased to see you cut it any and I hope that your objective is to cut it out.

General FUQUA. Our objective is to reduce it as much as possible.

Mr. PASSMAN. These people are just really beginning so far as establishing themselves is concerned, are they not, Governor?

Mr. WILLIAMS. Yes, sir, they are——

Mr. PASSMAN. You say you are cutting it back?

General FUQUA. Well, it shows. I stated that in the beginning.

Mr. PASSMAN. That is wonderful. But, these countries are just emerging, as the Governor says, and you have started a military program. And now, you say, you are cutting it back.

General FUQUA. You can't cut it out—so you try to trim it and keep it as low as possible.

Mr. PASSMAN. You just started some of it yesterday, speaking figuratively.

Mr. MINSHALL. Before you leave this important question I would like to ask the general how many MAAG groups do we presently have in Africa?

General FUQUA. Six.

Mr. MINSHALL. Are you cutting any of those back? You say you are cutting back. Where are you cutting back in your personnel in the MAAG groups? You have five as I look at the chart here in Tunisia.

General FUQUA. Five people.

Mr. MINSHALL. Five people.

General FUQUA. Yes, sir.

Mr. MINSHALL. If you are cutting back why don't you bring some of these MAAG people back? It is an insignificant amount but it would show a good intention.

General FUQUA. I don't know what our figures show on fluctuation of personnel in our MAAG groups. Perhaps I can get that.

Mr. SLOAN. May I address myself to that, please? I would doubt whether, as long as we could maintain a good harmonious relationship with the local military in all these places, we would want to cut back on the programs—as long as we can maintain the training.

General FUQUA. We have cut it back over the last year. We have cut 12 people out.

Mr. MINSHALL. How many did you have there originally?

General FUQUA. 183. Now it is down to 171 total in Africa.

Mr. MINSHALL. What countries did you pull these people out of?

General FUQUA. Sir, I will have to supply that for the record.

Mr. MINSHALL. Supply that for the record.

General FUQUA. I just have the cumulative figures for the whole of Africa.

(The information requested follows:)

The net decrease in strengths for military assistance program activities in Africa from 183 in fiscal year 1963 to 171 in fiscal year 1964 is attributable to a reduction in the staff of the Morocco-United States Liaison Office (MUSLO).

Mr. PASSMAN. Mr. Gary?

Mr. GARY. No questions.

Mr. PASSMAN. Mr. Rhodes?

Mr. RHODES. I have no questions.

Mr. PASSMAN. Mr. Minshall?

Mr. MINSHALL. No, sir.

Mr. PASSMAN. Governor Williams, we started a bit early today. Therefore we were deprived of the pleasure and privilege of officially extending the usual welcome to our distinguished witnesses. We are very happy to have you with us, and we shall look forward to your return when we are considering economic assistance for Africa.

Mr. WILLIAMS. Thank you, sir.

Mr. PASSMAN. General Fuqua, you have always been very forthright with us, and we appreciate that fact.

MILITARY AID TO MALI FOR INTERNAL SECURITY

Mr. MINSHALL. General, Senator Ellender in his report on U.S. foreign operations in Africa at page 9 said the following:

I am convinced that any amount of military aid to the newly independent countries will serve only to bring on chaotic conditions. Here is a most important field where the United States could play a definite beneficial role by staying out of Africa. No military aid in any way, shape, or form should be tolerated. Although we are now supposed to be giving military aid only for internal security, one does not have to look too far to find a program which started out as internal security blossoming out into full fledged military support.

Then he goes on and says:

We have been, in the past, engaged in training paratroopers in Mali at over $600,000.

My question is, can this be called internal security. Are paratroopers needed to maintain order?

Mr. WILLIAMS. May I answer that, sir?

Mr. MINSHALL. Yes, sir.

Mr. WILLIAMS. Mali is a very large country with a relatively small population and to keep troops or security forces statistically on the ground all over would require a much larger force than if they had the ability to transport them by aviation and I think that at least to a certain extent, if not entirely, the utilization of paratroopers does assist internal security.

Mr. MINSHALL. Have the paratroopers ever been employed?

Mr. WILLIAMS. Do you mean have they ever had to——

Mr. MINSHALL. Have they ever been dropped?

Mr. WILLIAMS. They have been dropped in practice sessions. They have been there as a deterrent.

Mr. MINSHALL. There has never been a national emergency as far as Mali is concerned?

Mr. WILLIAMS. No, sir, they have just been there as a deterrent.

Mr. MINSHALL. Do you think the people out in the country know of the presence of these paratroopers? You say it is a deterrent.

Mr. WILLIAMS. Yes, sir, I think they do, and I would like to say something about the military operations here, because I think it was very successful in that the men who were sent out made a very good impression on the Malians, and I think the Mali military have a very friendly feeling toward the United States because of the excellent camaraderie of the U.S. forces.

Mr. MINSHALL. What is the population of Mali?

General FUQUA. It is 4 million.

Mr. MINSHALL. How many paratroopers are involved?

General FUQUA. One ——— sir?

Mr. MINSHALL. How many are in that?

General FUQUA. About ———.

Mr. MINSHALL. ——— paratroopers are going to keep 4 million people in line?

Mr. WILLIAMS. That is why mobility is such an important factor.

Mr. MINSHALL. Once they are dropped they are no longer very mobile. This whole concept is ridiculous.

Mr. WILLIAMS. No, sir, but you take them to the seat of the trouble and this is where they can operate.

Mr. MINSHALL. That is all I have.

Mr. RHODES. Will the gentleman yield?

Mr. PASSMAN. Surely.

(Discussion of the record.)

General FUQUA. I didn't say the country was a threat, sir. I said that Communists from those countries would be a threat. I didn't say the countries.

Mr. RHODES. Are the paratroops Communists?

General FUQUA. I don't know.

Mr. RHODES. Of course you don't.

General FUQUA. I wouldn't say it quite so categorically, sir. We have been training those people and from the way that the success of this U.S. Army-Air Force mobile training team had out there, I

believe we scored a very good record in keeping the Mali military friendly toward the United States.

(Discussion held of the record.)

Mr. WILLIAMS. I believe this was discussed a year ago too, sir.

Mr. RHODES. I don't recall it.

General FUQUA. I believe it was mentioned in my last appearance, sir. I will have to refresh my memory but I am sure we brought it up.

Mr. RHODES. That just strikes me as being a little incongruous. Off the record.

(Discussion off the record.)

Mr. RHODES. You will have a hard time making me believe that paratroops are not offensive weapons. I think they are just as offensive as they can be.

General FUQUA. No one denies that they are offensive, sir.

Mr. RHODES. Well, can you see the——

Mr. WILLIAMS. I think the point is, sir, here is a country that was wavering as to where they were going to orient themselves and the U.S. forces went in and I think did a very significant job in creating a favorable opinion for the United States.

Mr. RHODES. Where you have a situation as politically undependable as this, why didn't you buy them ambulances instead of paratroops? Do you have to buy them offensive weapons? I think this is the height of folly.

Mr. WILLIAMS. Off the record.

Mr. RHODES. Why didn't we buy them atomic bombs, then? This would have given us a lot more influence than just buying them paratroopers. We have been foolish, in my opinion.

Mr. WILLIAMS. Off the record.

Mr. PASSMAN. Governor, who makes the decision, our people or the officials of Mali, as to what they will actually get?

Mr. WILLIAMS. What they actually get is a decision made in the United States, sir.

Mr. PASSMAN. In the event they want something different and we decided that what we recommended was best, our position is final; is that correct?

Mr. WILLIAMS. Yes, sir. They don't get what we don't want to give them, sir.

Mr. PASSMAN. It was testified to earlier about the engineering unit in the civic action program, to the effect that if they said this was what they wanted, we had to give it to them. Now, one statement is certainly not consistent with the other.

Mr. WILLIAMS. I think what we said was we wouldn't give them something they didn't want. If they asked for it in the first place, if it is something we think would serve our interest to give them, we would give it to them but we don't give them things they don't ask for.

Mr. PASSMAN. If they ask for it and we think they should not have it but they insist on it, do we give it to them anyway?

Mr. WILLIAMS. No, sir, we do not.

General FUQUA. We do not.

Mr. MINSHALL. Again from Senator Ellender's report.

Military assistance advisory groups which can be expected to form the nucleus of any forthcoming military aid program are heartily in evidence in many countries where their presence cannot be in the least justified. It is interesting to note that many of our ambassadors have resisted and are resisting with all their might establishment of military missions as well as service attachés. Others, however, have been forced to buckle under to pressure from the Washington level.

Now, I would like to know what kind of pressure that is.

General WOOD. I question that statement unless it is supported by facts, sir.

Mr. MINSHALL. You take it up with Senator Ellender.

Mr. PASSMAN. Is that the statement of Senator Ellender?

Mr. MINSHALL. Yes.

Mr. PASSMAN. The general has a right to question it, but I have a right to believe that it is straight down the line. Now, I am going going to take it up with the Senator and I believe that he can back up what he says there.

General WOOD. I think Senator Ellender may have been misinformed in this case because I know of no such country. He would have to specify which country he was talking about.

Mr. WILLIAMS. Mr. Chairman, may I say that while I don't always agree with him, I have tremendous respect for the hard work that Senator Ellender does and I know he digs very hard to find his facts, but I think it is worth while looking at what we are talking about here because I think there are only 17 posts where we have any military attachés in Africa. Now, I know there are some posts where the Ambassador said that they don't want military attachés but I don't know of any place where the Ambassador has said that where there is one. I will say that in any event I think that the final decision is not the Ambassador's, although the Ambassador's decision must play a great part because the decision has to be made from an overall point of view.

(Off the record.)

Mr. WILLIAMS. Might I add just one more thing? I think sometimes a misunderstanding arises between people in the field and people who go out. Because I had another congressional investigation come back with a point of view that a particular post felt that it should have a smaller personnel roster than the one that we were recommending. And then when I went out later and talked to that fellow he discovered that we were recommending a smaller one than he thought we were and that really the one we were recommending was either the right amount or too small. So I think occasionally there are mistakes that come up in communications.

MILITARY ATTACHÉS IN AFRICA

Mr. MINSHALL. Governor, as long as you mentioned the attaché system, Senator Ellender again in his report—and this will be my closing remark, Mr. Chairman—with regard to the Republic of the Congo, namely Léopoldville, he said:

Service attachés are here in full measure. For fiscal year 1963 one additional officer has been suggested and has actually been recommended by Washington. The colonel, Knute Robertson, the executive officer here, stated to me there is

no need for additional personnel except for enlisted men. The Navy has a commander in charge and why he should be here I can't understand. The fewer armed service personnel we have here the better off we will be. If we must have them, let them wear civilian clothes. The Air Force is represented by two officers and two enlisted personnel. Something must be done at the Washington level to prevent the dumping of excess officers and enlisted men into our service attaché system.

My question is this: What is the story of dumping these excess military personnel into the military attaché system and what is a Navy commander doing in Léopoldville?

Mr. WILLIAMS. May I say this? I think Senator Ellender's position is one which the State Department and I believe the Defense Department would agree with in principle.

Now, I can't, as a nonmilitary person, tell you why individuals should be at the particular posts, but I can say that over the course of the last 2 or 2½ years the military attachés that have been in Léopoldville have rendered an extraordinarily fine service. I am sure that the military people would be much more skilled than I in saying why we should have 1 or 50 persons there.

(Information supplied later follows:)

In all cases the establishment of attaché posts or the augmentation of established posts is the result of a detailed study by the services and the Department of Defense, favorable recommendation for which is based on requirements which cannot be fulfilled by other means. In all cases such recommendations are fully coordinated with the Department of State and the ambassador to the country concerned. Only outstanding officers are selected for attaché duty, using highly selective and competitive criteria.

In the particular case of the Congo, there are four Army, one Navy, and two Air Force officers assigned as attachés. There are no further increases proposed and if and when the situation in the Congo is such to warrant decreases in attaché personnel, such action will be taken. In addition to their basic assignment, two Army attachés and the Air attachés are also accredited to Burundi and Ruanda and the naval attaché is additionally accredited to the Congo (Brazzaville) and Gabon.

The Republic of the Congo is a vast area, the size of that portion of the United States lying east of the Mississippi with widely separated islands of population and no practical road, rail, or water transportation system. This area plus the areas of additional accreditation necessitate the use of attaché aircraft in support of the Ambassador, the U.N. and the basic mission of the attachés. There are two aircraft assigned to the Congo, an Air Force C–47 and a light Army L–23, each necessary for its special qualifications; the C–47 for the more extended trips and the L–23 for jungle operations on small grassy strips unsuitable for the C–47. The desirability of these aircraft with the attendant personnel was established by the Ambassador and to fulfill the requirements for providing up-to-date, coordinated, and accurate information on the Congo.

The naval attaché in the Congo is the only naval officer within the 3,000-mile west African area between Pretoria and Monrovia. He was instrumental in assisting in arrangements for the U.N. seaborne troop lift in addition to his normal duties of providing port, harbor, and beach information on relatively unknown areas within his area of accreditation which includes Congo (Léopoldville), Congo (Brazzaville) and Gabon. He also supplies support for fleet visits to all three of these areas. On May 6 of this year he was designated by the Ambassador to provide liaison functions and duties with the UNOC and interested commands in lieu of a CINCLANTFLT representative.

Some of the activities in which the attachés have played an active and vital role in the Congo is as follows:

(*a*) Provided a large percentage of the information needed by the Department of Defence during the Katangan crisis.

(*b*) Obtained clearances and assisted in landing operations in support of U.N. operations.

(*c*) Assisted in the evacuation of U.S. personnel during the Katanga uprising.

(*d*) Initiated and supervised the military assistance program (MAP).

The establishment and augmentation of attaché posts throughout the world will continue to receive intensive study by the Defense Intelligence Agency acting for the Department of Defense to insure that in each and every case such additions are in the best interests of the nation and are in consonance with national policy.

Mr. MINSHALL. I merely quoted Senator Ellender.

Thank you, Governor.

Mr. WILLIAMS. I recognize that.

Mr. PASSMAN. I have a lot of faith in Senator Ellender and his high integrity. Usually when he makes a statement it is a difficult task to go behind that statement.

Thank you, gentlemen. We shall now adjourn until tomorrow afternoon.

FRIDAY, MAY 24, 1963.

MILITARY ASSISTANCE, NEAR EAST AND SOUTH ASIA

WITNESSES

BRIG. GEN. STEPHEN O. FUQUA, JR., U.S. ARMY, DIRECTOR, NEAR EAST, SOUTH ASIA, AND AFRICAN REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, OASD/ISA

JAMES P. GRANT, DEPUTY ASSISTANT SECRETARY FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

ACCOMPANIED BY:

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ALLEN F. MANNING, MILITARY ASSISTANCE PROGRAM OFFICER, AID

STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID

GUY A. LEE, DEPARTMENT OF STATE, DIRECTOR OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. PASSMAN. The subcommittee will come to order.

General Fuqua, in your position as director of the military assistance program for the Near East, south Asia, and Africa region, yesterday you testified for the African region.

General FUQUA. That is correct, sir.

Mr. PASSMAN. On what region do you testify today?

General FUQUA. Near East and south Asia.

Mr. PASSMAN. You may proceed with your prepared statement, sir.

General Statement of Director

General Fuqua. Thank you, Mr. Chairman, and members of the committee, I am General Fuqua, director of the Near East, south Asia, and Africa region in the Office of the ASD/ISA, Department of Defense. It is a pleasure to be here again to discuss the military assistance program in the Near East and south Asia (NESA) region.

The region for which I am responsible in the Department of Defense comprises the area extending from Greece on the west to include India on the east and south to the tip of the Arabian Peninsula.

CUMULATIVE PROGRAMS AND DELIVERIES

The cumulative program for the NESA region through June 30, 1963, will total $5 billion of which it is expected that $4.3 billion will have been expended by that date with $0.7 billion still in the pipeline.

PROPOSED FISCAL YEAR 1964 PROGRAM

The proposed fiscal year 1964 program for the NESA region is $444.7 million which is $2.2 million more than the fiscal year 1963 program. The increase is basically due to the aid requirements for India. The proposed fiscal year 1964 program covers 12 countries, as did the fiscal year 1963 program. I specifically request that exhibit A, which is an unclassified version of the regional summary of page 127 of the presentation book, be inserted in the record at this point.

(Exhibit A follows:)

	Annual programs				Estimated deliveries/expenditures from fiscal years 1950–63 programs		
	Proposed fiscal year 1964	Cumulative, fiscal years 1950–63	Fiscal year 1963 as of Mar. 19, 1963	Fiscal year 1962	Fiscal year 1963	Cumulative through June 1963	July 1963 and after
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Near East and south Asia	$444,726	$4,932,757	$442,535	$411,065	$360,972	$4,273,985	$658,772
Afghanistan		2,822	126	4	1,179	2,775	47
Greece		1,251,426	89,583	119,372	61,984	1,031,815	219,611
India		60,002	60,002		30,000	30,000	30,002
Iran		632,693	69,742	53,067	58,079	544,010	88,683
Iraq		46,212	85	36	61	46,188	24
Jordan		29,829	5,571	3,894	4,334	22,433	7,396
Lebanon		8,636	87	52	171	8,483	153
Pakistan							
Saudi Arabia							
Syria		5	5	5	1	1	4
Turkey		2,210,143	167,887	179,260	135,710	1,957,629	252,514
Yemen		10	10		9	9	1
Near East and south Asia area programs		690,979	49,437	53,380	69,444	630,642	60,337
Excess stocks	12,446	315,960	14,414	29,678	21,817	289,807	32,753

General Fuqua. The proposed fiscal year 1964 program of $444.7 million will provide $53.4 million for essentially fixed charges such as training, packing, handling, and transportation; $180.6 million for force maintenance to provide spare parts, attrition replacement, repair and rehabilitation of equipment and other consumables to pro-

tect our investment in forces currently in being; and $210.7 million for force improvement. Force improvement will include aircraft, ships, armed personnel carriers, artillery pieces, and tanks.

STRATEGIC SIGNIFICANCE TO UNITED STATES

As pointed out in the recent report of the Clay Committee, several of the countries in the Near East/south Asia area either are contiguous to Soviet and/or bloc military power or are within striking range of Soviet power. These same countries are incapable of providing entirely from their own resources the means to support effective armed forces. Our military assistance programs in the area therefore are designed to help them resist the threat of external aggression and, at the same time, strengthen their capability to maintain internal security which, in turn, assists in promoting political stability.

The strategic importance of Greece, Turkey, Iran, Pakistan, and India stems from their geographic location. Protection of their sovereignty and political independence against Communist encroachments is essential in the interest of free world collective security. The fidelity of these countries to the cause of national independence has been repeatedly demonstrated, most recently by India in its refusal to bow to Chinese Communist military pressure. The strategic significance of the area is also manifest in the fact that four of the countries (Greece, Turkey, Iran, and Pakistan) are members of one or more regional defense organizations—NATO, CENTO, and SEATO—which are in direct juxtaposition to bloc power. Pakistan, in addition to its membership in SEATO, is a full participant along with Iran and Turkey, in CENTO. Greece and Turkey, as NATO members, contribute a valuable asset in the form of substantial forces needed for the protection of NATO's southeastern flank and for control of Soviet shipping into the Mediterranean. It should also be noted that the NESA area contains 65 percent of world's proven petroleum resouces which are not behind the Iron Curtain.

We are convinced that our military assistance programs have contributed to the qualitative improvement of the forces involved, not only in terms of equipment modernization but also by improving the morale and professional quality of the armed forces. The military forces, in all countries where we have materiel or training programs, continue to represent a stabilizing influence strongly anti-Communist in orientation. Certain countries in the area which make facilities available for joint use under the aegis of NATO, CENTO, or SEATO contribute very substantially in this way to the common defense in the area.

In summary, our major programs are concentrated in Greece, Turkey, Iran, Pakistan, and India and are designed to assist these countries, as necessary, to enhance their ability to maintain internal security and to bolster their will and capability to resist Communist subversion and aggression. The other country programs proposed for the area are confined primarily to training, with the ultimate objective of maintaining pro-Western influence. I would now like to discuss the individual country programs.

COUNTRY PROGRAMS PROPOSED FOR 1964

AFGHANISTAN

The proposed fiscal year 1964 program for Afghanistan is $———. This program provides for a continuation of a training program.

GREECE

The proposed fiscal year 1964 program for Greece is $——— which is $——— than the fiscal year 1963 program. The program includes additional ships, vehicles, weapons, and follow-on spares. This proposed program will provide for essentially fixed charges, for force maintenance, and for force improvement.

(Off the record.)

INDIA

The proposed fiscal year 1964 program for India is presently estimated at $——— which is approximately $——— than the program in fiscal year 1963. Our assistance during fiscal year 1963 was in the form of meeting ———.

The Nassau understanding provided for the United States and the Commonwealth to furnish equal shares of assistance under a $120 million ceiling which, in addition to providing support for the six mountain divisions, gives primary responsibility to the United States for the build-up in Indian air transport capability and to the United Kingdom for improvement of the existing Indian tactical air capability.

IRAN

The proposed fiscal year 1964 program is $——— which is $——— than the fiscal year 1963 program. Force improvement proposed for fiscal year 1964 is $———.

The essential fixed charges and force maintenance requirements for fiscal year 1964 amount to $——— and $——— respectively. Iran is an active member of CENTO and makes an important contribution to the defense of a key section of the Middle East, from both a strategic and resources point of view.

IRAQ

The proposed fiscal year 1964 program for Iraq is $——— than in fiscal year 1963. The program consists of training and is maintained.

JORDAN

The proposed fiscal year 1964 program for Jordan is $——— which is $——— than in fiscal year 1963.

LEBANON

The proposed program for fiscal year 1964 continues training for selected Lebanese military.

SYRIA

The proposed program for fiscal year 1964 is $——— and consists of training only.

PAKISTAN

The proposed fiscal year 1964 program for Pakistan is $——— which is $——— than in fiscal year 1963. Pakistan is basically pro-United States and is important strategically to the United States because of its membership in both CENTO and SEATO, and because, geographically, Pakistan lies athwart the historic approaches from central Asia to the Indian subcontinent.

SAUDI ARABIA

The proposed fiscal year 1964 program for Saudi Arabia is $——— which is about the same as the fiscal year 1963 program. Saudi Arabia is strategically important to the United States because of its oil resources. The fiscal year 1964 program will furnish training and training aids only.

TURKEY

The proposed fiscal year 1964 program for Turkey is $——— which is $——— than in fiscal year 1963. The fiscal year 1964 program will provide maintenance support in the amount of $——— for existing forces. Force improvement in fiscal year 1963 amounted to $——— is proposed. (Off the record.)

YEMEN

The proposed fiscal year 1964 program for Yemen is $——— the fiscal year 1963 program. The program covers training and orientation to the Yemeni military.

REGIONAL PROGRAM

The Near East and south Asia area regional program proposed for fiscal year 1964 is $——— than in fiscal year 1963. It includes $——— for the U.S. share of the estimated fiscal year 1964 operating costs of the CENTO Headquarters and an estimated $——— for the storage and maintenance of JUPITER missiles and other components previously delivered to Turkey which are now being withdrawn.

Our major programs are concentrated in Greece, Turkey, Iran, Pakistan, and India. A modest materiel and training program is proposed for Jordan, and the programs proposed for other recipient nations are confined to ———.

Mr. PASSMAN. Thank you very much, sir.

General Wood, I believe during your statement you listed 70 nations which would receive military assistance in fiscal 1963. The plan for 1964, I believe, is listed as 65.

The five nations for which there is no request in the way of additional funds for fiscal 1964 will continue to operate from prior year allotments, will they not? You have a continuing program. I think some were mentioned yesterday, programs where you had money in the pipeline for them and they would continue on the prior year allocations and not out of 1964 funds.

General WOOD. Yes, sir; that is right.

Mr. PASSMAN. Thank you. I would not want to be pointing out that we have a military assistance program in 70 nations without having something to back me up.

CUMULATIVE PROGRAMS FOR NESA REGION

There is frequently a misunderstanding about pipelines. On the first page of your statement you speak of cumulative programs and deliveries. The cumulative program for NESA region through June 30 will total $5 billion, of which it is expected that $4.3 billion will have been expended by the end of the fiscal year, with $700 million still in the pipeline. Is that correct?

General FUQUA. That is right. That figure was a rounding of $658,772,000 as shown on page 127.

Mr. PASSMAN. There is a point of contention there, but I think there are other good points in the record which might point up the deficiencies without having to go back into the discussion of yesterday over the pipeline.

PROGRAM IN IRAN

On page 5, the proposed fiscal 1964 program for Iran is ———.

General FUQUA. That is correct, sir.

Mr. PASSMAN. Is this the country where they have no budget, as we know budgets?

Mr. GRANT. No, sir.

Mr. PASSMAN. Will you go to the record of last year before you are too positive that I am not correctly indicating that Iran is a country where they had no budget and we were endeavoring to set up some kind of a budgetary system for them. That is in the heaings. That is why I ask the question.

Do you want to speak to that point briefly, Mr. Grant?

Mr. GRANT. My understanding, sir, is that last year they had a long delay after the start of their fiscal year before there was final agreement on their budget. This was the reason why there was no firm budget figure.

Mr. PASSMAN. We are talking not of the firmness of the budget, but that they had no budget. There were only three or four who handled the money, and there were very few people to whom they had to account. They were attempting to justify some funds to go out to Iran and set up a budget so they would know something about their internal financial affairs.

I wish you would consult the hearings of last year and see whether there has been any improvement in that condition.

Mr. GRANT. I would be glad to provide an insert on this, Mr. Chairman.

Mr. PASSMAN. Submit it for the committee if you will, sir.

Mr. GRANT. Yes, sir.

(The information requested follows:)

THE IRANIAN BUDGET

The Iranian state budget for the current year 1342 (Mar. 21, 1963, to Mar. 20, 1964) was approved on April 20, 1963, 1 month after the fiscal year began. This represented an improvement over the experience of the previous 2 years, which were almost half over by the time a budget was approved. Some improvement in the Iranian budgeting practice resulted from the elimination of certain special accounts which had hitherto been beyond the jurisdiction of the Treasury—but it does not reflect any fundamental overhaul of the Iranian fiscal system.

Under the Iranian budgetary system, the Ministry of Finance is in firm control of actual expenditures and is thereby able to exercise some control over any

excessive outlays, over and above required salaries, even though these may be authorized in the budget. The degree to which this is done in any given year depends on understanding and forcefulness of the incumbent Minister of Finance and his associates, and the political pressures with which they must cope.

GOVERNMENT OF IRAQ

Mr. PASSMAN. What form of government do they have in Iraq?

General FUQUA. It is a republic, sir.

Mr. PASSMAN. Who heads the Government?

General FUQUA. It is a President, sir.

Mr. PASSMAN. If I am not mistaken, this is the country where they killed the head of Government a few years ago.

General FUQUA. That is right.

The former head of the Government was killed not too long ago.

Mr. PASSMAN. There is no indication of trouble at this time?

General FUQUA. Not that I know. Perhaps Mr. Grant would like to comment further on this.

Mr. PASSMAN. Yes, we would like to have him comment.

Mr. GRANT. As you know, Mr. Chairman, any prediction in the Near East does not necessarily have a long lifespan.

Mr. PASSMAN. Thank you, Mr. Grant.

Mr. GRANT. But as of the moment there is relative stability in Iraq. I must say we view the situation there as having improved very substantially since that of some months ago when there was a strongly Communist-supported Government under Kassem.

Mr. PASSMAN. We recognized what some referred to as stability there 3 days before they killed this leader.

PROGRAM FOR SAUDIA ARABIA

When did we get back into the good graces of Saudi Arabia? Last year I thought we were told you had no military assistance program for Saudi Arabia.

Did you request money for Saudi Arabia in 1963?

General FUQUA. Yes, sir.

Mr. PASSMAN. Was that to finish some particular program that we had started?

General FUQUA. The program for 1963 for Saudi Arabia was ———; that is correct, sir.

Mr. PASSMAN. What amount are you asking for fiscal 1964?

General FUQUA. We are asking for ———, approximately the same.

Mr. PASSMAN. What has been the total amount for Saudi Arabia since the inception of the military assistance program?

General FUQUA. Cumulative program ———.

Mr. PASSMAN. It has been several years now since the King shook us down for that $25 million.

If you are not familiar with it I can explain it. An air base was involved, and we thought we were picking in high cotton until we sent the special ambassador out there with the black satchel.

I think we finally said it would be for something else. Are you familiar with that shakedown deal?

Mr. GRANT. Only most generally, sir.

Mr. PASSMAN. Do they still have the same habits as they had then, pretty generally, or have they reformed?

Mr. GRANT. Sir, as you will note from the record here, the assistance we are now providing them is almost entirely, if not entirely, training assistance.

General FUQUA. That is correct.

Mr. PASSMAN. Have they improved any in their conception of fair-play and how to do business, or it is about the same as it always has been?

Mr. GRANT. Frankly, sir, we have seen a real improvement, I think, in the management of the Government in Saudi Arabia. Crown Prince Faisal has taken over running the Government.

UNEXPENDED BALANCE FOR NEAR EAST AND SOUTH ASIA

Mr. PASSMAN. What is the estimated unexpended balance for this area as of June 30?

General FUQUA. As of June 30 the unexpended balance is $658,772,-000.

Mr. PASSMAN In the military program there is a reservation made and subsequently they obligate out of the reservation for the allocation made to these countries.

It is a little complicated. Most agencies obligate, but in military you have the right to reserve. The Defense Department reserves for the military assistance program, places the order, and then when the material comes in it is allocated and then it takes the next step into an obligation phase. Is that correct?

General FUQUA. That is correct, sir.

Mr. PASSMAN. What amount did you give, sir?

General FUQUA. $658,772,000.

LENGTH OF PIPELINE

Mr. PASSMAN. Is the pipeline about 18 months?

General FUQUA. It runs——

Mr. PASSMAN. I believe that is right.

You have about 18 months of leadtime to reserve, procure, and deliver? I speak generally now.

General FUQUA. That in some cases is the case——

Mr. PASSMAN. I am averaging it.

General FUQUA. In some cases it is longer. In the case of certain types of more sophisticated equipment, such as aircraft, leadtime is sometimes 2 or 3 years.

Mr. PASSMAN. We are working on the average.

General FUQUA. In a general sense it is between 18 months and 2 years, sir.

Mr. PASSMAN. We had worked it from 22 months to 18. I would regret to see it go back to 22 months in 3 days.

General FUQUA. It is difficult to say just what it is as a general statement.

Mr. PASSMAN. We have to deal in generalities because there is no way to pin this down. We have to get as close to it as we can.

Thirty-six percent of it comes off the shelves, and you procure 64 percent?

General FUQUA. Let us say 18 to 20 months, then.

Mr. PASSMAN. All right, 18 to 20 months. So you have about an 18-month pipeline, do you not?

General FUQUA. Just about that; that is correct.

Mr. PASSMAN. In the event Mr. and Mrs. America should get a little disturbed about what we are doing to oncoming generations, spending their wealth, and insisted that we cut back, you could stand some cut, could you not?

General FUQUA. I don't think so. I don't think you can apply this rule which you have just discussed here, sir, to cutting the program. These things are in the pipeline and procurement has been undertaken and initiated. It will have to run its course. Hitting it across the board you might say 18 to 20 months. In some cases it would be longer.

To say you can arbitrarily cut the program just because of the size of the pipeline I do not think is a fair statement, sir.

Mr. PASSMAN. I think it is fair.

General FUQUA. Yes, sir.

Mr. PASSMAN. You are asking for $444 million and you had $442 million last year, so you are increasing the request by approximately $2 million. Is that correct, sir?

General FUQUA. That is correct, sir.

EFFECT OF CONGRESSIONAL REDUCTION FOR FISCAL YEAR 1963

Mr. PASSMAN. If the reductions made by the Congress last year had the effect that some claimed would be the case, then you would have increased this request more, would you not? Even with the reductions you have an 18-month pipeline, which is equivalent to leadtime.

General FUQUA. You cannot apply this overall reduction and adjustment of the program worldwide right down to one particular area.

Mr. PASSMAN. We get the same answer, General, from your counterparts in every region. This is an illustrative program, as we agreed yesterday. This is subject to be transferred anyplace on the face of the earth. You have the right to adjust it anywhere.

We appropriate funds to you as a lump sum. The legislation gives the Director and the Defense Department the right to shift this all over the world and to spread it wherever they want to.

You have here a pipeline, almost the equivalent of your leadtime, and you are asking for additional money.

So there will be no misunderstanding about how we "wreck" this program every year, in 8 years the budget requested was $14,510 million for the MAP. Congress appropriated $11,602,500,000. There was a reduction of $2,907,500,000.

Even after those reductions you wind up with unappropriated funds, in 1 year over a half billion dollars.

It gives you an idea of the difficult task we have in trying to arrive at the actual need. I do not think there ever has been an admission from that side that you can stand a cut. Yet we make the cut and in subsequent years you say it is a better program. However, you say if we do it again the program will be ruined. That has been repeating itself for 9 years to my certain knowledge.

EXCESS STOCKS FOR TURKEY AND GREECE

What countries are scheduled to receive the $12,446,000 in excess stocks?

General FUQUA. Turkey and Greece, Mr. Chairman.

Mr. PASSMAN. They will get the entire amount?

General FUQUA. Turkey and Greece are the only ones.

Mr. PASSMAN. The $12,446,000 for Turkey and Greece, so far as the military assistance appropriation is concerned, you will charge against that only the rehabilitation cost?

General FUQUA. That is right.

Mr. PASSMAN. Can you give an estimate of the rehabilitation cost?

General FUQUA. Yes, sir. For Greece it is $———; for Turkey it is $———.

Mr. PASSMAN. Will you break down for the record the $12,446,000 between Greece and Turkey? In effect, there is about $11 million more in military equipment going to these two countries than would be indicated by the dollar allocation from the appropriation?

General FUQUA. That is correct, sir.

EXCESS STOCKS PROGRAMED FISCAL YEAR 1963–64

Mr. PASSMAN. I wonder if it would be too much trouble, General, for you to put together for us a sheet covering fiscal 1963 and fiscal 1964, the amount of excess stocks given to countries in your region.

Give us the acquisition cost of the excess stocks given to all the countries in your region.

General FUQUA. It is right in the book.

Mr. PASSMAN. $14,414,000 for fiscal 1963, but you are not breaking it down individually, are you?

General FUQUA. You can go to each page, each country page, and it will show the amount of excess stocks for that country.

Mr. PASSMAN. We know that. I wanted you to prepare a table. You know how far you can go in giving us the information. If you have to put country C so much, and country D so much, then it would be your responsibility. If you give it to us here, you will have to delete some of these countries. However, if you give it to us and pick up those which are not classified, then substitute perhaps a letter of the alphabet for the countries where it is classified, but give us the total, then we can point it out to the membership.

General FUQUA. These excess amounts are not classified. They are shown, as I indicated, sir, on each country page.

For instance, take page——

Mr. PASSMAN. None of the excess stocks are classified?

General FUQUA. The amounts are not classified.

Mr. PASSMAN. And the country getting the excess stocks? You refer to 1963 only now. Is that correct?

General FUQUA. We are talking about 1963.

Mr. PASSMAN. We want fiscal 1963 and 1964.

General FUQUA. 1964 is now classified, sir.

Mr. PASSMAN. All countries are classified?

General FUQUA. The figures.

Mr. PASSMAN. The one total would be classified, also?

General FUQUA. The total for the area would not be classified. However, the individual figures would be.

Mr. PASSMAN. All right, sir. Could you substitute A, B, C, and so on, for countries and then give it to us?

General FUQUA. We can do that.

(The information requested follows:)

Near East and South Asia region, excess stocks programed, fiscal year 1963–64

[In thousands]

Country	Fiscal year 1963	Fiscal year 1964	Country	Fiscal year 1963	Fiscal year 1964
A			H	$1,233	
B	$1,250	$298	I		
C			J	7,616	$12,148
D	965		K		
E					
F	3,350		Total	14,414	12,446
G					

TOTAL MILITARY ASSISTANCE TO NEAR EAST AND SOUTH ASIA

Mr. PASSMAN. If you would do that, please. This is an additional military allocation. To them it is just as good if we had bought it last week. That is a tremendous amount of military assistance we are giving without charge.

General FUQUA. That is right. You want to show the amount in addition to the military assistance program we are providing.

Mr. PASSMAN. When you figure the total going out to your countries in the region since the inception of the program, the top figure——

General FUQUA. On page 127, sir?

Mr. PASSMAN. That is right. In your region, the Near East and South Asia, $4,932,757,000 was spent. Does that include the excess stocks we gave them?

General FUQUA. No, sir.

Mr. PASSMAN. I wish you would inform Mr. McNamara of that fact some time.

AFGHANISTAN

The next country is Afghanistan. The estimate for the fiscal year is———. Is that right?

General FUQUA. That is correct, sir.

Mr. PASSMAN. Do we still have the same type of relationship with this country that we had last year?

General FUQUA. We have essentially the same relationship.

Mr. PASSMAN. Are we getting along with Afghanistan this year about the same as we did last year?

General FUQUA. I would say we are getting along a little better, sir. I would like Mr. Grant perhaps to comment further.

Mr. PASSMAN. We shall get to him a little later.

General FUQUA. We are getting along a little better, I think, sir.

Mr. PASSMAN. Is it because we increased the aid? Has the amount gone up?

General FUQUA. The amount we asked for this year as opposed to last year is a little bit less.

We believe that the military assistance program we have is having some benefit in providing exposure to the West for some of the Afghanistan military. This is the reason stated for the program.

We believe the amount expended is having some tangible results.

EQUIPMENT ACCUMULATED AT AFGHANISTAN BORDER

Mr. PASSMAN. How about all this equipment we accumulated, or planned to accumulate, up at the border? Did we ever get it in? I will ask Mr. Grant. Are you familiar with that matter?

Mr. GRANT. Yes, sir.

General FUQUA. You mean aid——

Mr. PASSMAN. They had just about everything imaginable.

General FUQUA. No military equipment.

Mr. PASSMAN. You remember the accumulation?

Mr. GRANT. Yes, sir.

Mr. PASSMAN. Did you ever get it across?

Mr. GRANT. The great bulk of it went across. There are some items still there which arrived after the border closed again.

In response to your earlier question as to how our relationships are with Afghanistan, our willingness to provide economic and military assistance to keep it going, despite the border closure, did play an instrumental role in heartening the pro-Western elements in Afghanistan.

There was a recent change of government there whereby the past regime under Prince Daud went out, and there is a new regime under Prime Minister Jusuf.

This regime is largely Western educated, the first regime without any members of the royal family in it. We have found it very friendly so far, and as of today there is a meeting going on in Tehran between the Afghans and the Paks to sign to reopen the border. There are good prospects that within the next month the border will be opened again.

Mr. RHODES. Mr. Grant, will the border stay open or is it now open just to let the rest of the aid come in?

Mr. GRANT. No, sir; if the border opens this time it should stay open. In other words, the Pakistani are prepared to discuss the opening of the consulates and trade missions in Pakistan which they closed down and which precipitated the border closing.

Mr. RHODES. Thank you.

Mr. PASSMAN. It is speculative, though, as to whether it will stay open, is it not?

General FUQUA. Everything in this world is somewhat speculative.

Mr. PASSMAN. But not somewhat as speculative as this.

We were told last year that we had accumulated a lot of equipment and supplies at the border between Pakistan and Afghanistan.

Mr. GRANT. That is correct, sir.

Mr. PASSMAN. And Pakistan was willing to open up and let the material flow through, but the recipient nations themselves apparently did not actually want the aid. It was through arm twisting and persistence that we finally got them to agree to accept it, and it was up to them to make the decision to open the border to get what we wanted to give them.

Is that a statement of fact?

Mr. GRANT. You are correct in that they closed the border by their own volition. This was very painful because it shut off not only the aid goods but it shut off all their own commercial goods, and they had a large number of their own crops which spoiled.

Mr. PASSMAN. Also, is it not true that the people who appeared before us said they had put together a package, funding some stuff 10 to 15 years ahead of completion date? They stated all of this material would be accumulated at the border, and in the event the Afghans opened the border it could all be rushed in.

In the event the border was not opened then we would reallocate it to other regions in that section.

Do you remember that testimony before the committee?

Mr. GRANT. I believe that testimony was given on the subject. I was not here at the time.

Mr. PASSMAN. Does it not really make us appear stupid to think we will obligate to an unfriendly country, doing 55 percent of her business with Russia, to accumulate some $20 to $30 million worth of material on their border and say, "We want to give you this. Please open the border and let us take it in, and take it in years in advance of the need for it"?

That is something I cannot digest.

Mr. GRANT. Sir, it was the fact that the United States was prepared to keep out a friendly hand that encouraged a solution of their problems with Pakistan and an improvement of their problems with the West.

I think we may be seeing it now.

Mr. PASSMAN. We are in 104 nations with our aid. Regardless of what happens the attempt to justify it is always made.

The same type of testimony you are giving today, the same type of response you are giving to questions, Mr. Grant—and I have high regard for you, sir—is no different from what was given this committee 7 or 8 years ago and through the years since then.

Mr. GRANT. As you know, at least in our part of the world, the situation is far better than it was 5 or 6 years ago.

This committee deserves a considerable part of the credit for recommending the appropriations.

The interests we are seeking in this discussion today are substantially better served today than they were 5 or 6 years ago.

Mr. PASSMAN. We are thinking of Afghanistan now. I refer to this one country. I am holding some information here until we get around to the economic part and then we shall get into it in detail.

Mr. GRANT. Yes, sir.

MILITARY ASSISTANCE FOR TRAINING IN AFGHANISTAN

Mr. PASSMAN. Last year, if I recall correctly, General, you requested a training program of $924,000 which was contingent upon its acceptance by Afghanistan. Is that correct, sir?

General FUQUA. That is correct.

May I add something further?

Mr. PASSMAN. All you want.

General FUQUA. We asked for $924,000 but it was reduced to about $126,000 by the time the program reached the present stage.

Mr. PASSMAN. You requested, I repeat, a training program of $924,000 which was contingent upon its acceptance by Afghanistan.

General FUQUA. That is correct, sir. All programs are contingent upon acceptance.

Mr. PASSMAN. At a subsequent date you allocated only $126,000.

General FUQUA. That is right, sir.

Mr. PASSMAN. Was it because Afghanistan would not accept the full amount?

General FUQUA. It was a combination of two things, sir. One, Afghanistan did not want that amount. Two, we decided that the program and the amount of money we had allocated was probably too big in relation to other requirements and the reduced total appropriation, and subsequently cut it down.

Mr. PASSMAN. You said last year, when you requested the money, it was contingent on its acceptance by Afghanistan.

General FUQUA. That is right.

Mr. PASSMAN. You allocated $126,000 and I asked whether you allocated the lesser amount because Afghanistan did not want that much. You said "Yes," and you conditioned it on the fact that then you, too, had decided it was too much.

General FUQUA. As we went through the year, sir, looking at the program, when we determined that Afghanistan did not care to receive as much as we were prepared to give them, we also felt that perhaps the program which we had put forth and presented to the Congress was, in fact, too big.

Mr. PASSMAN. Thank you, General.

General FUQUA. It is a combination of the two.

Mr. PASSMAN. You had no alternative other than to adjust it downward from the original figure if Afghanistan said they did not want that much. You had to reach that decision then, did you not?

General FUGUA. That is quite true.

Mr. ANDREWS. Mr. Chairman, I would like to know a little more about the situation in this particular case.

If I understand your question and the answers given, here is a country, Afghanistan, for which money was requested of the Congress for a certain purpose—I believe it was training?

General FUQUA. Yes, sir.

Mr. ANDREWS. And it appears that Afghanistan did not want the program. How do those situations arise, General?

General FUQUA. They arise in this way: they originally requested training, we decided we would set up a military assistance training program in the amount of about $924,000 which we were prepared to offer the Afghans.

Mr. ANDREWS. And you offered it?

General FUQUA. We offered training. We didn't go to the Afghans and say "We have $924,000 for you." We did not do that.

Mr. MINSHALL. When you say "We" whom do you mean?

General FUQUA. The United States offered spaces for training to the Afghans. They accepted only the lesser amount we have just arrived at.

Mr. PASSMAN. But the lesser amount was arrived at after they had declined to accept the full amount. Is that correct?

General FUQUA. We didn't offer them the full amount, sir. We were prepared to offer the full amount to them.

Mr. PASSMAN. They submitted a program calling for less money?

General FUQUA. That is correct.

It was decided when we offered training to the Afghans that this was all they cared to receive.

Mr. PASSMAN. They had a program which called for less money than the program you had envisioned?

Generally FUQUA. Essentially that.

Mr. ANDREWS. I don't think there should have been any program, period.

TRAINING PROGRAM FOR DEVELOPMENT OF AFGHANISTAN

Who dreamed up the program for the training of these Afghans, since the Afghanistan Government had not requested it?

General FUQUA. It was developed in the country-by-country team, sir.

Mr. ANDREWS. What team?

General FUQUA. The country team consisting of the Ambassador, the Army——

Mr. ANDREWS. Our Ambassador?

General FUQUA. The U.S. Ambassador in Kabul, the head of the country team.

Mr. ANDREWS. Our people thought up the idea of the training program. Is that right?

General FUQUA. Sir, as I testified yesterday, the cycle for military assistance starts with the recipient country.

Mr. ANDREWS. That was my understanding.

General FUQUA. They asked for training. It was determined appropriate in the furtherance of U.S. policy that training would be all right to give them. Then a program, in this case simply a training program, is developed in the country by the country team—the Ambassador, the AID man and the military attaché in this case because we have no military assistance advisory group there. The program is developed, and it is sent back to the United States.

Mr. ANDREWS. I understand the channels through which these requests go after they originate, but I still am at a loss to know why you should have requested money for a program, be it training, construction, or what-not, for a country when the country did not want the program.

Mr. PASSMAN. In effect, it already has been said for the record, but it can be said again. Afghanistan asked for a training program, and you requested of the Congress $924,000 for the training program, to learn later that they wanted a training program of only $126,000. Is that correct?

General FUQUA. I beg your pardon, sir?

Mr. PASSMAN. Afghanistan, we are told, asked for a training program. Our Ambassador and the other American personnel worked up a training program and submitted it to the Congress, for $924,000. Then when you went back to Afghanistan, they wanted a training program of only $126,000.

General FUQUA. Yes, sir.

AFGHANS ACCEPTANCE OF THE 1964 PROGRAM

Mr. PASSMAN. This 1964 program is also contingent upon acceptance by the Afghans; is that correct?

General FUQUA. Absolutely correct.

Mr. ANDREWS. What assurance have you, General, that they would accept the 1964 program if we give it to them?

General FUQUA. I cannot give you a rock-ribbed assurance, sir, but I can tell you that we have here in the United States right now certain Afghan military. I had the opportunity the other night of meeting a colonel in the Afghan Army who is a student at our U.S. Command and General Staff College at Fort Leavenworth. I had a long conversation with him.

(Off the record.)

General FUQUA. The impression I gained from him in the course of about a 45-minute conversation was that this man is learning a great deal.

(Off the record.)

General FUQUA. He will not receive any classified information during the course of his instruction. He receives only unclassified instruction.

I think we will have gained something by having had this man go to our school and meet our people.

Mr. ANDREWS. You have not answered my question, which is: What assurance do you have that if we appropriate the money for this program for 1964, that they will accept it? I am sure that man who talked with you over here in the United States has nothing to do with the question of whether or not the Government of Afghanistan will accept our offer of services.

General FUQUA. Sir, you do not appropriate country by country, do you?

Mr. PASSMAN. No, sir. It is an illustrative program, as we know.

General FUQUA. In answer to the question, I cannot say categorically they will or will not. They have accepted it now, sir, and we have people in training. That is an indication that they will next year.

Mr. PASSMAN. You come here and ask the Congress to appropriate money for a nation such as Afghanistan contingent upon your persuasion to get them to accept it. So, as you said, you asked for $924,000, and they would accept only $126,000. You are back in this year asking for more money, and it is still contingent upon acceptance by the Afghans.

If we go further, from your own books on page 130, the program provides for a continuation and possible expansion of the limited training program, if accepted by Afghanistan. Again, it is contingent upon some person in our State Department persuading these people to let us get in with this program.

There is an expansion from $126,000 or an expansion from $———. I am looking at page 129. There is an expansion from what figure, from $——— or $126,000?

General FUQUA. I would say from $———. Sir, I would like to make a statement about this. We are not going out there and pleading with them or persuading them.

Mr. PASSMAN. I do not say you get on your knees. You come here and you do not give us any more information than necessary to try to justify this money, but you admit you are asking for money contingent upon getting the nation to accept it. It is things like this which cause some of us to wonder in what direction we are traveling.

SOVIET BLOC AID TO AFGHANISTAN

Mr. GRANT. Mr. Chairman, I happened to be in Afghanistan about a year ago, and was struck by the change since my last visit. The Soviets have moved in to provide assistance to the Afghans. There are literally hundreds of Russian advisers there. There are many hundreds of Afghans in training in the Soviet Union today. There are some tens of millions of dollars of hardware provided by the Russians.

Mr. PASSMAN. Sold to them by the Russians.

Mr. GRANT. Some of it has been sold on credit terms. The army in a country such as this is one of the principal modernized forces, power forces, as we have seen in a whole series of countries in this area. These are the groups that may well end up in control in the not too distant future.

Our concern here is to leave some channels of communication open among the military to the West, so this is not a military force that feels that it can turn only to the Soviet Union. It is completely Soviet trained.

(Off the record.)

Mr. PASSMAN. Someone had to plant the idea. Evidently we planted the idea or you would not have asked for $924,000, to be told later they wanted only $126,000. We did not become great on that type of foreign policy.

You are saying this year the same type of things that were said 6 or 7 years ago when we discussed this country. We remember the road that the Russians were building, only to find out later they made hard loans for that.

Mr. MINSHALL. I would like to ask a question about Afghanistan.

Mr. PASSMAN. In just a moment, please. I quote from a report which says:

*** * * when you consider that the country has a long common border with Russia and that 55-percent of its business it with Russia and that it is one of the worst dictatorships in Asia.**

Mr. GRANT. What report?

Mr. PASSMAN. This is a so-called white paper report. I will discuss it with you when you come before the committee with a request for economic aid for them.

Mr. GRANT. I think you will be very encouraged by the recent change of the regime there.

Mr. MINSHALL. May I ask one question, again as a new member of the subcommittee.

AFGHAN MILITARY PERSONNEL TRAINED IN UNITED STATES

I hate to preface the question with that statement, but I have much to learn. I am interested in the General's statement about how we spent this $126,000 for training in Afganistan. Just what was the

nature of this training? Will you give us more specifics on it? What did you do? If they do not want to be trained, how did you train them when they are unwilling?

General FUQUA. They were willing, because they came to the United States and underwent the training.

Mr. MINSHALL. That is what I want to find out. How did you use this $126,000—for transportation of people and their education at Leavenworth, or what?

General FUQUA. Education at Leavenworth and other schools.

Mr. MINSHALL. How many people did we train?

General FUQUA. In fiscal 1963, we have 45 people in the United States being trained.

Mr. MINSHALL. Where are they being trained mostly?

General FUQUA. I do not have a breakdown of exactly where they are being trained, but they are trained in various service schools throughout the United States, depending upon the grade of the person.

(The information requested follows:)

AFGHAN TRAINING

At present there are 36 Afghan students training in the United States. The number of students and place of training is as follows:

Place of training:	*Number of students*
Army:	
Belvoir, engineers (officers)	2
Fort Sill, artillery (officers)	2
Leavenworth, Command and General Staff College (officer)	1
Air Force:	
Brooks Air Force Base, Tex	2
Chanute Air Force Base, Ill	1
Craig Air Force Base, Ala	4
Keesler Air Force Base, Miss	5
Lackland Air Force Base, Tex	3
Nellis Air Force Base, Nev	4
Randolph Air Force Base, Tex	2
Reese Air Force Base, Tex	2
Sheppard Air Force Base, Tex	1
Vance Air Force Base, Okla	7

Mr. MINSHALL. Have all these 45 completed their training?

General FUQUA. They have not completed their training, no, sir.

Mr. MINSHALL. In other words, they have not gone back home yet to spread the gospel.

General FUQUA. Some of them who took shorter courses may have gone back, and some of them may still be here in the United States.

PROGRAMING PROCEDURE

Mr. MINSHALL. This idea was originally dreamed up by our attachés and the Ambassador in Afghanistan; is that correct?

General FUQUA. The Afghan military people are the ones, as I have indicated before, sir, who started it by saying they would be receptive to taking U.S. military training. This is how it started, as all military programs start. They start with the recipient country.

Mr. MINSHALL. Who approves it? What is the rest of the chain of approval or chain of command?

General FUQUA. The chain it goes through is this: After the recipient government indicates its desire for it, it is studied by the

country team in the country. It then comes back to the United States.

Mr. MINSHALL. And then it is given to your shop?

General FUQUA. It comes back to the United States or goes to the European Command if appropriate, if it is under the European Command's jurisdiction. It comes back finally to the United States. The program is then studied here.

Mr. MINSHALL. You have to put your stamp of approval on it yourself somewhere along the line?

General FUQUA. The Department of Defense puts on its stamp of approval.

Mr. MINSHALL. That is you in this case, is it not?

General FUQUA. It is I and General Wood.

Mr. MINSHALL. In talking to Mr. Andrews, you kept using "we." Who are the individuals?

General FUQUA. I am talking about the Department of Defense when I say "we."

Mr. MINSHALL. You and General Wood and who else in the Department of Defense? How many are involved?

General FUQUA. The Office of the Secretary of Defense does it.

Mr. MINSHALL. McNamara does not do this.

General FUQUA. His office does it. General Wood, who represents the Secretary of Defense in matters of this kind, has the authority to recommend the establishment of new programs to the Secretary of Defense and the Department of State.

Mr. MINSHALL. Have you some civil service people over there doing this, or just you and General Wood? How does it work? I want a picture of this.

General FUQUA. Do you want me to give you a description of how the office is set up?

Mr. MINSHALL. In a nutshell, capsule version.

General FUQUA. A proposed program comes back to the Department of Defense. It goes to General Wood, who is the Director of Military Assistance. It is reviewed by the Programing Division of General Wood's office, and my office is consulted on the political aspects. Between the two offices, a decision is reached.

Mr. MINSHALL. How many individuals are concerned, altogether, when it gets back here to Washington, who actually work on this job?

General FUQUA. In my office, the number of individuals concerned would be a maximum of three, and I would like to ask General Wood to state how many people in his office might be working on it.

General WOOD. Of course, any one country program is only a small part of the total program. The whole program is put together for the Secretary to approve after coordination with the AID. I have about 30 people working on programs.

Mr. MINSHALL. Who works on the program for next year when you do not even know whether or not they are going to approve it?

General WOOD. For fiscal year 1964, it is worked on by my programing shop.

General FUQUA. There is one quick thing I would like to throw in. The State Department is brought into this, too. The program is jointly reviewed and approved in conjunction with the State Department.

Mr. PASSMAN. Of course, it starts at the State Department level.

General FUQUA. It starts at the ambassadorial level.

Mr. PASSMAN. It originates at the State Department level out in the field.

General FUQUA. Yes, sir, the Ambassador; that is correct.

Mr. PASSMAN. I know you want the record to show that, because we have been told that this is a State Department plan and they make the decision that there is to be a military program.

General FUQUA. They determine the advisability of a program, yes, sir.

Mr. PASSMAN. The same process is followed in all of your regions, is it not, with respect to the military assistance? It starts at the country, and then Washington, and they are all the same?

General FUQUA. The cycle is the same.

Mr. PASSMAN. The general plan is the same?

General FUQUA. This is correct.

Mr. PASSMAN. Are all the requests inflated as much as the Afghan request was inflated or have we had more success in getting the other countries to accept what we decided they need than we did in Afghanistan?

General FUQUA. The answer to the question is "No," sir.

Mr. PASSMAN. Then, who reached the decision that you were going to have a $924,000 training program, only to learn later that they wanted only $126,000 for such a program? Would it not be better to ascertain first the size program these countries want, before working up a larger program and then fitting it down to what they want, as in this case?

General FUQUA. I agree with you, sir, if all is well, if you can fix it at the level which it is going to reach at the beginning, it is certainly better. If we are wrong, we were wrong on that. It is certainly better if you can get it right the first time. There is no question about that.

Mr. PASSMAN. Of course, you are doing your best. We are all doing our best. Sometimes, however, I do not think we would get very many medals for our best with regard to this program.

GREECE

The next country for consideration is Greece. The 1964 estimate was $———?

General FUQUA. That is correct.

LENGTH OF THE PIPELINE

Mr. PASSMAN. What is the amount in the bank to the credit of Greece at this time?

General FUQUA. You mean column (h), sir?

Mr. PASSMAN. Yes, the kitty or bank, or whatever you call it. The column runs all the way down. I am talking about this little block.

General FUQUA. $219,611,000.

Mr. PASSMAN. Based upon your 1963 expenditures, you have about a 4-year supply of funds, have you not, if it remains the same as 1963?

General FUQUA. Here again, sir——

Mr. PASSMAN. I said "if." If your expenditures should remain at $61,984,000, the same amount you had in fiscal 1963, then you would have approximately a 4-year pipeline?

General FUQUA. If. This is very iffy, sir.

Mr. PASSMAN. At least, you have $219 million. Did you find you had a sufficient program for Greece in fiscal 1963? Your requirements were taken care of reasonably well?

General FUQUA. I believe so, sir.

Mr. PASSMAN. Thank you very much, sir.

ASSISTANCE FROM OTHER NATO COUNTRIES

In view of Greece's defense burden, and her importance to NATO, what have the other NATO countries, besides the United States, contributed financially to enable Greece to achieve her NATO goals?

Mr. GRANT. Mr. Chairman, this year for the first time there was a consortium of the NATO nations under which assistance was provided to Greece by the other NATO nations as well as the United States.

General FUQUA. Your question asked for what other countries?

Mr. PASSMAN. Yes, sir.

General FUQUA. I will give you the list of the countries.

Mr. PASSMAN. All right, sir.

General FUQUA. Belgium, Canada, Germany, Italy, Luxembourg, Netherlands, and the United Kingdom.

Mr. PASSMAN. What amount for each?

General FUQUA. In the case of Italy ———.

(Off the record.)

Mr. PASSMAN. Let us limit it to what has been given. That is $12 million.

General FUQUA. Plus.

Mr. PASSMAN. Ours in 1963 was $89 million. Ours is entirely grant aid. Were you talking about loans when you listed the contributions of this consortium?

General FUQUA. Yes, sir, in part, but mostly grants.

Mr. PASSMAN. Could you give us the terms and the rates of interest?

General FUQUA. I cannot give you that, sir. Perhaps Mr. Grant can provide that.

Mr. PASSMAN. You said it was loans.

Mr. GRANT. Some grants and loans.

Mr. PASSMAN. Let us say some grants. You could give a man a firecracker worth 6 cents and the rest of it would be loans. We want you to put in the record, if you will, General Fuqua, any exceptions.

Do you know of any nations that made grants rather than loans?

General FUQUA. I do not have that information precisely.

Do you know that, Mr. Grant?

Mr. PASSMAN. Let us deal with you for a while.

General FUQUA. I said I do not know.

Mr. PASSMAN. Thank you very much. Of the $12 million, did Germany have a $5 million loan?

General FUQUA. My information does not call for $5 million.

Mr. PASSMAN. I thought you said so.

General FUQUA. No, sir. I said France, sir.

Mr. PASSMAN. So far as you know, it could all be loans. You have no positive knowledge as of this time that any grants were involved?

General FUQUA. I have no knowledge.

Mr. PASSMAN. Thank you, sir. If it should all be loans, it still would be a very small percentage of what our grant aid amounts to. Is that right, sir?

General FUQUA. I do not know what the percentage would be, sir.

Mr. PASSMAN. Let us stop and figure it out, then. The $12 million against $89 million last year. It would be about 13 or 14 percent.

General FUQUA. Yes, sir.

Mr. PASSMAN. When you get the terms of the loans, also provide the interest rates, if you can.

General FUQUA. Very well, sir.

(The information supplied for the record is classified.)

F–104G AIRCRAFT FOR GREECE

Mr. PASSMAN. Page 131 indicates you have programed ——— F–104G aircraft for Greece, and that delivery of these ——— planes is scheduled for sometime after ———. Is that correct, sir?

General FUQUA. Yes, sir.

Mr. PASSMAN. Would you comment on that statement on page 6 of the justification which reads as follows: "Increased costs of F–104G aircraft?" That refers to Greece.

General FUQUA. I am referring to page 6. Your question was?

Mr. PASSMAN. Would you comment on this statement on page 6 of the justifications which reads as follows: "Increased costs of F–104G aircraft?" Am I reading that correctly?

General FUQUA. You are reading it correctly.

Mr. PASSMAN. That information is classified?

General FUQUA. That is correct.

Mr. PASSMAN. I thought we were told when we entered into this arrangement that we would get them at a fixed price and had an agreement as to the cost.

General WOOD. This is a mixture of Canadian and United States production of aircraft going to Greece. The price rise in connection with the individual aircraft is in the case of Canada, because there we agreed to contribute $150 million out of $200 million for the total production, and would get an unestimated number of aircraft, depending upon the cost. We think we will get 110 aircraft, but as is too true in the case of aircraft in general, during the production run some costs increase. The total allocated here, as I recall, is on the order of $1.5 million of the total. These aircraft were purchased out of 1962 money. We had to add in the 1963 program that amount of money to get the total we needed for the F–104G's for Greece.

Mr. PASSMAN. General Wood, I wish you would have one of your assistants do a little research on this matter. We shall not belabor the issue, but I think we were told that we would have a definite price of either $1.2 or $1.4 million. When we start talking of increased costs, we would like at least to know what the increased costs will be over what was originally estimated.

(The information supplied follows:)

A price estimate of $1.4 million per aircraft had been furnished for the F–104G aircraft to be provided as U.S. grant aid from the European F–104G consortium. The aircraft programed for Greece will not come from this source.

SWITCH TO F–5 AIRCRAFT

After programing ——— F–104G aircraft for Greece, you have switched in fiscal year 1963 to the F–5 aircraft, when an additional ——— F–5 aircraft proposed for fiscal year 1964. Is that correct?

General FUQUA. Yes, sir. We are programing ——— F–5's.

REHABILITATION OF EQUIPMENT

Mr. PASSMAN. Why do you need $——— for "Repair and rehabilitation of equipment?"

You are asking for only ——— for excess stocks. Yet you are asking for ——— for rehabilitation costs.

General FUQUA. The rehabilitation in line 11 does not apply exclusively to excess stocks in line 15. It would apply to any item of materiel that goes into the program. Many times, sir——

Mr. PASSMAN. You would not have a rehabilitation cost on new equipment, would you?

General FUQUA. Not on new equipment; no, sir, but there are other items of equipment that go in.

Mr. PASSMAN. What are they, sir?

General FUQUA. Reading straight down, we have in line 5, ships, tanks, ammunition.

Mr. PASSMAN. We are in the key end items category. We think the above totals the items that you are going to refer to in this column.

General FUQUA. Some of the items which are shown here may not be brand new. I do not know what items are brand new and what items require rehabilitation.

Mr. PASSMAN. Rehabilitation would refer to something that is excess, would it not, but it would not necessarily be used?

General FUQUA. The rehabilitation does not apply to excess, exclusively. The rehabilitation could apply to items that are new in the program. It could apply to items that are already in the country on hand.

Mr. PASSMAN. Do you mean new procurement from factories——

General FUQUA. No, sir; I am not talking about new procurement. Some of the items that you send into a country are not new. Some of them require repair and rehabilitation. So, some of the items in column (b) here, proposed for 1964, may require rehabilitation.

Mr. PASSMAN. When we look at the categories at the top, then we look at the amounts, and we move down then to keep end items: Excess stocks, value at acquisition, $———.

General FUQUA. Right.

Mr. PASSMAN. Then you have a rehabilitation cost of $———.

General FUQUA. That is correct.

Mr. PASSMAN. In the past, we have always applied the top to the bottom to get the real cost, have we not?

General FUQUA. The rehabilitation cost shown in line 11 does not apply exclusively to the excess stocks shown in the other line.

Mr. PASSMAN. Move us in to what equipment you are going to spend it on. This looks like a fill-in.

General FUQUA. The amount shown in line 11 could apply first to the excess stocks, second to the stocks that are the key end items that are shown in column (b), some of which may not be new. It could also apply to items which are already in the country which require repair and rehabilitation, in column (c).

Mr. PASSMAN. Are you asking the Congress for money out of this appropriation to repair equipment originally charged out against the program in Greece?

General FUQUA. I cannot give you an exact breakdown—I would like to do so for the record—as to exactly what the ——— million is for. I can say that it can apply to any of the items which I have just mentioned.

Mr. PASSMAN. We have not had this come up before, have we——

General FUQUA. Not in my testimony, sir.

Mr. PASSMAN (continuing). Where you had a rehabilitation cost that exceeded several times the original acquisition cost?

General FUQUA. You are applying that, sir, again, only to the excess stock, and it does not apply exclusively to that.

Mr. PASSMAN. We have been told in the past the only charge from excess stocks would be the rehabilitation cost.

General FUQUA. That is correct.

Mr. PASSMAN. In this instance, you are asking for a rehabilitation cost fund in the amount of $——— and the acquisition cost of the excess stocks that we would expect you to rehabilitate is only $———.

General WOOD. This figure covers what it cost us to rehabilitate the excess stocks. In addition, this figure covers part of what we call force maintenance. For example, if there are vehicles in the country which can be repaired and rendered serviceable, it is cheaper to do so than to furnish new ones. That is a part of protecting our investment that we already have there in the way of equipment which has been furnished in the past.

The other area which he mentioned would include items coming from service stocks which have been there for some time. A good example is ammunition. It may have been in storage for several years. When it is taken out of storage, it is inspected and repaired, if necessary, before being shipped.

Mr. PASSMAN. Greece and Turkey are close together.

You have in Turkey, equipment similar to that you have in Greece; do you not?

General FUQUA. A good many of the items are the same.

Mr. PASSMAN. The excess stocks that go in would be quite similar?

General FUQUA. They would be; yes, sir.

TURKEY

EXCESS STOCKS REPAIR AND REHABILITATION

Mr. PASSMAN. Now let us take a look at the program for Turkey, if we may, on page 155. Excess stocks, value or acquisition cost, going into Turkey in 1964, $———. The repair and rehabilitation is $———. That makes sense.

General FUQUA. Yes, sir; that makes sense, but let me point this out. As I indicated before, this repair and rehabilitation does not apply exclusively to excess stocks.

Mr. PASSMAN. Would not that fact apply also in Turkey?

General FUQUA. It applies in Turkey, and I will give you for the record the amount of money which was spent in repair and rehabilitation of both the excess stock figure in Greece and in Turkey.

Mr. PASSMAN. All right.

General FUQUA. It is what you are asking for.

Mr. PASSMAN. That is right, but would you not expect to have just about the same percentage of maintenance on equipment in Turkey that you would in Greece?

General FUQUA. Not necessarily, sir, because the repair and rehabilitation is used only where this service is required. Could I read for the record?

Mr. PASSMAN. Surely.

General FUQUA. In Greece, as I said before, we had $——— worth of excess stock, acquisition cost, as shown on the Greek page. Included in the figure shown for repair and rehabilitation of $———, is $80,900. That is required for repair and rehabilitation of the $——— worth of excess equipment. The remainder is used for repair and rehabilitation of other equipment.

Mr. PASSMAN. Would that apply in all of the areas, especially a country like Turkey, where you started about the same time?

General FUQUA. The amount shown for Turkey in excess stocks is $———.

Mr. PASSMAN. The rehabilitation——

General FUQUA (continuing). Would be $———.

Mr. PASSMAN. In that instance, using round figures, sir, it simply means that the rehabilitation cost is about 15 percent of the acquisition cost. In the other instance, it means that the rehabilitation cost is about 800 percent of the acquisition cost.

General FUQUA. No, sir.

Mr. PASSMAN. Just look at the record.

General FUQUA. I do not understand your comment.

Mr. PASSMAN. You have $——— in acquisition cost of excess stocks and you have $2 million——

General FUQUA. No, sir.

Mr. PASSMAN. $——— for repair and rehabilitation. I am looking at both figures. It is just the opposite when you go into Turkey.

General FUQUA. Sir, the amount is contained in the total amount for repair and rehabilitation.

Mr. PASSMAN. Why would not the same thing be true in Turkey?

General FUQUA. It is.

Mr. PASSMAN. You are asking for $——— for rehabilitation cost, and you list only $——— in excess stocks; and then when you get over to Turkey, you are asking for $——— for rehabilitation, and you have excess stocks of $———. I can understand that latter figure. They would cost that much to rehabilitate.

General FUQUA. Mr. Chairman, the amount it cost to rehabilitate the excess stocks in Turkey, totaling $———, is $———.

Mr. PASSMAN. Of course, you did not get up these figures, did you?

General FUQUA. I personally did not.

Mr. PASSMAN. To what page are you referring now?

General FUQUA. I am on Turkey, page 155, sir.

Mr. PASSMAN. Where are you getting the figures that you are giving us? How do you know what part is repair and what part is rehabilitation before it is shipped?

General FUQUA. I cannot break it down between repair and rehabilitation. I do not have that breakdown, but I have it for both repair and rehabilitation.

Mr. PASSMAN. In this one instance, then, following your testimony of previous days, you are going to have to assess against Greece $——— for $——— in excess property.

General FUQUA. No, sir.

Mr. PASSMAN. Our past understanding of this matter will have to be completely changed, then. How are we to find out what it is costing to rehabilitate?

General FUQUA. I have told you, sir.

Mr. PASSMAN. How are we going to find from the page we just referred to, what it is costing to rehabilitate the excess stocks we are going to give Turkey?

General FUQUA. By reading the record, sir. I have just given you that information.

Mr. PASSMAN. Please give it to us again, the rehabilitation cost for Turkey.

General FUQUA. The amount of excess stock for Turkey is $———. The repair and rehabilitation cost for excess items is $———.

Mr. PASSMAN. What does the other go for, the difference?

General FUQUA. The difference between that and the $——— is for repair and rehabilitation of other items, such as——

Mr. PASSMAN. Where do we find that in your book?

General FUQUA. You do not find that in my book. That is not in my book.

Mr. PASSMAN. That is just one of these "please accept my word" things?

General FUQUA. No, sir; it is not. I will get you the information. It is not in the book, sir.

Mr. PASSMAN. If you had told us you did not have it, that would have been something else.

REHABILITATION COSTS FOR EXCESS EQUIPMENT IN GREECE

Let us go, if you will, to Greece. On page 131, what is the rehabilitation cost for the $——— of excess equipment?

General FUQUA. The rehabilitation cost for excess items for Greece is $———.

Mr. PASSMAN. For the time being, at least, let us say that is a pad-in to be able to get up to the $1.405 billion, and if you have something to the contrary, please insert it in the record. You have to make this thing balance with your request. We ran into one item of $8,000 to crate up and ship nothing. It is not your fault. You could not possibly do it all. Do the best you can to let us know the purposes for which you are spending it.

General FUQUA. Yes, sir.

(The information supplied for the record is classified.)

FORCE MAINTENANCE VERSUS FORCE IMPROVEMENT

Mr. PASSMAN. In view of your statement on page 132 that "obsolescence of equipment is a major problem in all services," how much of this proposed budget of $——— is for force maintenance and how much is for force improvement?

General FUQUA. That is shown in the book.

Mr. PASSMAN. As I have said before, if we are just going to read these books, you people could be fishing while we are reading them. We are holding hearings, and we want to ask some questions about these matters.

General FUQUA. Force maintenance is $———, sir—I am reading from my statement—and force improvement is $———, sir.

Mr. PASSMAN. Thank you.

The third country for consideration in this area is India. We have given them around $4 billion, I think.

Mr. RHODES. Before you leave Greece, might I ask the general a question? I imagine this would be directed to General Wood.

AREA PIPELINE AND DELIVERY SCHEDULES

General, I find it difficult to understand the pipeline with this column (h), the only information we have. Is it possible to furnish another column for projected deliveries in the next fiscal year? I can understand why you could not go any further than the next fiscal year, in your projection, but this would be helpful to me.

General WOOD. I added to my statement a breakdown of the unexpended balance by functional areas, not country areas showing the amount to be expended by fiscal year. Would you like to have it for countries, sir? For example, out of the total in the reservation account of $2.3 million, my statement shows $1.2 million to be delivered in fiscal year 1964.

Mr. RHODES. I would find it much easier to understand the pipeline if that could be done in the future.

Mr. FLYNT. General Wood, did I understand you to say that you could do it by country areas but not by countries?

General WOOD. I said the easiest way to do it, as I showed in my statement, is by items because that is the way you figure leadtime. I have aircraft, ships, missiles, tanks, and so on, broken down into different kinds of aircraft, different kinds of missiles, different kinds of ships. To make such a delivery schedule by countries, we could take those particular items in each country, of course, and add up the totals and come out by country what we expect to deliver in fiscal year 1964, 1965, and 1966. It can be done.

Mr. FLYNT. But in response to my question, instead of determining the requirements for each country and the deliveries to each country and adding those together to get the area deliveries, you take your area deliveries first and work down instead of up?

General WOOD. Not areas, sir. We take items.

Mr. FLYNT. The answer to my original question would be no, then. I asked you if I understood you correctly to say that you could give it by areas but not by countries.

General Wood. No, sir. If I said that, I corrected it. We could give it by countries as easily as by areas, because of course the area total is a compilation of country totals.

(Off the record.)

AIRCRAFT TO GREECE IN FISCAL YEAR 1964

Mr. Rhodes. What about the deliveries of F–104 aircraft? None have been delivered to Greece as yet. Do you expect to deliver any in 1964?

General Fuqua. We do, sir.

Mr. Rhodes. How about the F–5A?

General Fuqua. The F–5A in fiscal ———, sir.

INDIA

Mr. Passman. General Fuqua, India, for which $——— is requested in fiscal year 1964. Is that the total amount of the request for India for fiscal 1964, or will there also be some in the nonregional category?

General Fuqua. We have $——— proposed for fiscal 1964. There may be money requested for fiscal 1964 coming from the nonregional area program.

Mr. Passman. The nonregional program is another bank, is it not, which you draw from for the region, and is not in the country program?

General Wood. Specifically, this year we put in the region reserve a total of $43 million. There was $100 million in a similar category last year. It was designed for possible use in Vietnam and Thailand, and was so used. This year, the Secretary realized that his figures for Vietnam might increase because there is a battle going on there, as you know. Also, the India program for fiscal year 1964 is still being discussed on the political level. Secretary McNamara wanted to establish an Asian reserve for possible use for either one or the other countries. It is quite possible, of course, that it might be used for something other than Vietnam or India, but essentially it is for that purpose.

Mr. Passman. I am trying to understand this nonregional program in addition to the country program as it is identified by country. Is it not another "kitty," or bank, or reservation, or obligation, from which additional funds may be drawn for programs identified by country?

General Fuqua. This is true.

General Wood. For that particular item, that is true. As to General Fuqua's NESA area program, that is not correct.

General Fuqua. There is a NESA area program to which General Wood just referred which I can describe and discuss with you at this time, if you wish.

Mr. Passman. That is not necessary.

General Fuqua. As General Wood explained, this is money which the Secretary has requested for possible use in the Vietnam area or possibly in the India area.

Mr. Passman. All I am trying to do is to indicate that when you look at the bank, or the "kitty" or the reservation up in the corner

here, that is not all the money that may go to that particular country. You may not get money out of the nonregional account for all of the countries, but you do for some of them. There is another source if the people who are in command should decide it is necessary to use it.

General FUQUA. That is correct.

SOURCE OF FUNDS ALLOCATED TO INDIA IN FISCAL YEAR 1963

Mr. PASSMAN. You allocated out of the regular MAP appropriation, to India last year, $60,002,000?

General FUQUA. That is correct.

Mr. PASSMAN. Was that out of the reduced appropriation, or did you have to go into some other section for funds for this item?

General FUQUA. We used the military assistance appropriation.

Mr. PASSMAN. There has been no supplemental or no other source used to finance these plus projects? This all came out of the regular reduced appropriation that the Congress approved last year; is that correct, sir?

General FUQUA. That is correct.

Mr. PASSMAN. It came out of the fat we left in the bill. Thank you for the smile.

UNITED STATES-GREAT BRITAIN ASSISTANCE TO INDIA

Briefly, this fiscal year 1960 program was the result of the Nassau agreement, under which the United States and Great Britain agreed to supply $120 million worth of military assistance, divided equally?

General FUQUA. Yes, sir.

Mr. PASSMAN. Will Great Britain match this proposed $60 million for fiscal year 1964?

General FUQUA. It is not known at this time, sir, to what extent Britain will become involved in 1964. Perhaps I could ask Mr. Grant, who may know more about this.

Mr. PASSMAN. You do not know?

General FUQUA. I do not know. We do not know to what extent they will contribute.

Mr. PASSMAN. You said you did not know, and I do not know, either. Let us wait and see.

General FUQUA. It is not known, sir. That is why I said I do not know.

TYPE AND TERMS OF AID TO INDIA

Mr. PASSMAN. The $60,002,000 that we gave, if I understand correctly, was grant aid. Is that correct, sir?

General FUQUA. I beg your pardon, sir?

Mr. PASSMAN. The $60 million to India was military grant aid?

General FUQUA. It is carried under the grant aid program, but actually there is being negotiated a sale agreement with India.

RUPEE REPAYMENTS

Mr. PASSMAN. Is it repayable to us in dollars?

General FUQUA. No, sir; a rupee repayment.

Mr. PASSMAN. What are the terms?

General FUQUA. I am not familiar with that.

Mr. GRANT. We can provide it for the record. I believe it is about 10 years.

Mr. PASSMAN. You do not know?

Mr. GRANT. We will provide the exact terms for the record.

Mr. PASSMAN. Presently you do not know the terms?

General FUQUA. I do not know.

Mr. PASSMAN. It will be repaid in rupees?

General FUQUA. That is correct, rupees.

Mr. PASSMAN. We have those things running out of our ears already.

General FUQUA. We have a very large number of them.

Mr. RHODES. When Mr. Grant furnishes that information for the record, could we also have any restrictions that are placed on the expenditure of the rupees we get for this?

Mr. GRANT. Yes.

It is my understanding there are no restrictions.

Mr. RHODES. This is ours to spend if we can find some place to spend it?

Mr. GRANT. It is my understanding, sir.

Mr. RHODES. If it is different, furnish the information for the record.

(The information supplied follows:)

TERMS OF U.S. MILITARY AID TO INDIA

The proposed agreement on conditions and terms of payment for U.S. military assistance to India envisages payment by the Government of India, either in dollars or in rupees, at the latter's choice. The proposed terms provide that India shall pay 10 percent of the value of each order for equipment or services at the time the order is placed and shall pay the remaining 90 percent in 18 equal semiannual installments. In addition to repaying the principal, India shall pay an interest charge on the unpaid balance of ¾ percent per annum.

We have been providing military assistance to India since the Chinese Communist attack last October under section 503 of the Foreign Assistance Act of 1961. In an exchange of notes between the Governments of India and the United States on November 14, 1962, India undertook to permit U.S. inspection of equipment supplied to it and also agreed that the equipment would only be used for defense against Chinese Communist aggression. This together with determinations by the President and AID Administrator qualified India to receive grant aid under section 506 of the Foreign Assistance Act of 1961.

TERMS OF UNITED KINGDOM'S AID TO INDIA

Mr. PASSMAN. Do you know the terms of Great Britain's $60 million to India?

General FUQUA. I do not know.

Mr. PASSMAN. You may put the information in the record.

General FUQUA. We will furnish that.

(The information supplied follows:)

TERMS OF BRITISH MILITARY AID TO INDIA

The Nassau agreement between the United States and United Kingdom provided for provision of $120 million emergency military assistance to India on a 50–50 cost-sharing basis with the United States providing $60 million and the United Kingdom, together with its Commonwealth partners, providing a similar amount. The British are providing their share of the Nassau program on a grant aid basis.

Mr. PASSMAN. I asked the question about Great Britain matching our fiscal year 1964 programs because I am informed that General Taylor testified before the Department of Defense Appropriations Subcommittee as follows:

(Off the record.)

He also stated:

I think some form of aid is necessary, related to that furnished by the Commonwealth. The Commonwealth has a primary responsibility, well ahead of our own.

Do you care to comment concerning General Taylor's remarks before the Defense Subcommittee?

General FUQUA. I have no comment.

Mr. PASSMAN. Do you have any comment, Mr. Grant on General Taylor's remarks?

Mr. GRANT. Our feeling is we should be associated with the Commonwealth in providing assistance to India. Actually, the question of who provides what share is something which can only be worked out. In considerable part, it is where the item comes from. If there are particular types of equipment manufactured in the United States, obviously it would be American funds required. If it is from the United Kingdom, or Canada, it would be British funds.

Mr. PASSMAN. That is an answer, all right. The record speaks for itself.

They do not know whether the United Kingdom will match our 1964 program or not? It is too early to determine?

Mr. GRANT. That is correct.

INDIAN REQUESTS FOR ADDITIONAL ASSISTANCE

Mr. ANDREWS. Mr. Grant, did I not read a few days ago where the chief officials of the Indian Government came over here to discuss an additional military assistance program?

Mr. GRANT. Yes, sir.

Mr. ANDREWS. Beyond this $60 million?

Mr. GRANT. It is beyond the $60 million for 1963.

Mr. ANDREWS. (Off the record).

DEFENSE NEEDS FOR INDIA

Mr. MINSHALL. I have a copy of a news report from the Washington Post that I think should be in the record.

(The article follows:)

[From the Washington Post, May 22, 1963]

UNITED STATES, INDIA FAR APART ON HER DEFENSE NEEDS

(By Chalmers M. Roberts, staff reporter)

The United States and India are still in disagreement over how to protect India militarily from Communist China, despite the visit here of a high-level mission from New Delhi.

A strong hint of this came yesterday from T. T. Krishnamachari, India's Minister for Defense and Economic Coordination. He said he had neither asked for nor been given any commitment, although India is seeking $1.5 billion in arms aid from the United States, Britain, and Commonwealth nations.

Krishnamachari also commented that in his Monday meeting with President Kennedy the Chief Executive, while appreciating India's position, had wanted India to understand the U.S. position and its other commitments.

The Indian Minister did not spell this out, but American officials did. They said the United States believes that India needs a smaller defense force, at less cost, than the one India seeks. India cannot absorb, within its 18-month defense plan, all that it is seeking in military help, it was added.

India will get more arms aid, officials said. But it will be given more likely on an item-by-item and piece-by-piece basis than in one lump sum.

The fundamental difference of views appears to be this:

India wants enough arms and other help to put it in a position to meet any Chinese attack by the end of 18 months. The United States doubts that this can be done, even regardless of the size of the aid. And the United States believes that if there were an all-out Chinese attack on India, the only real counterforce would have to come from this country, Britain, and other nations friendly to India.

That sort of dependence on the West, however, sounds too much like an end to India's nonalinement policy for many Indians to stomach. And some fear it would end the current friendly Indian-Soviet relationship.

Krishnamachari said yesterday that he did not want any American to come to India and sacrifice his life to defend that country.

The United States favors joint training for Indian air defense, including new radar installations, but no agreement has yet been reached on this. The Indians, on the other hand, want new supersonic jet aircraft, very expensive items, included in the $1.5 billion figure. So far, the United States has turned a cold shoulder to this request.

The United States also has not given up hope of a settlement of the Kashmir issue, which divides India and Pakistan. The latter is a formal American ally, unlike India. An American suggestion to name a mediator to consider Kashmir and other Indo-Pakistani differences has been accepted, at least in principle, by India and is under consideration by Pakistan.

Mr. PASSMAN. General Taylor said:

(Off the record:)

Mr. PASSMAN. He said also, and I quote again:

I think some form of aid is necessary, related to that furnished by the Commonwealth. The Commonwealth has a primary responsibility, well ahead of our own.

With respect to this program planned for fiscal year 1964 of ———, I have something from a newspaper article:

INDIA UPS REQUEST FOR ARMS HELP

India is asking the United States, Britain, and Commonwealth countries for a total of $1.5 billion in military assistance in the next 3 years, Indian sources said here yesterday.

This is a higher figure by about $300 to $400 million than American officials believed would be required to help India meet the foreign exchange needs of its rearmament program.

RUSSIAN EXCHANGES OF RUPEES FOR U.S. DOLLARS

Russia is selling India fighter planes, are they not?

Mr. GRANT. Yes, sir.

Mr. PASSMAN. I believe India is paying for them with rupees. Russia is exchanging the rupees into dollars and dollars into gold; is that correct?

Mr. GRANT. I have no knowledge of that.

Mr. PASSMAN. It could work that way?

Mr. GRANT. It is my understanding these are rupees for the procurement of goods in India.

Mr. PASSMAN. According to my information, the way I just recited it is the way it goes. They may exchange rupees into dollars and dollars into gold, because they have a right to demand gold for the dollars they accumulate.

Mr. GRANT. My understanding is the rupees generated by the Russians in India through the sale of the aircraft cannot be converted into foreign exchange.

Mr. PASSMAN. I said they have a right to demand gold for their dollars, do they not, if they have dollars?

Mr. GRANT. If they have their own dollars; yes, sir.

Mr. PASSMAN. Who else's dollars would they control?

Mr. GRANT. I am sorry. I thought you said they would take the rupees they got in India for the sale of aircraft.

Mr. PASSMAN. I said they are selling fighter planes to India, India is paying them with rupees, and I have information indicating they are exchanging rupees into dollars and dollars into gold. We intend to check further into this matter.

Mr. GRANT. I would be very surprised if the rupees were being converted into dollars.

Mr. PASSMAN. I am afraid you are going to be surprised.

POSSIBILITY OF ADDITIONAL COMMITMENTS TO INDIA

What position are we going to be placed in if India pushes her claim for this type of military buildup, as we are up to our necks in India now with billions of dollars in commitments undisbursed? Are we going to have a firm program and say this is it, or is there a possibility you are going to have to increase your request for India?

General FUQUA. When we started the India program, the agreement made between ourselves and the Indians would be that we would support the conversion of six divisions to mountain divisions for the Indian's purpose of containing the Chinese on the north.

This is the extent of our present ground forces commitment, our agreement with the Indians.

Now, to that end, in fiscal year 1963 we furnished, as indicated in the book, about $60 million worth of equipment to help these divisions to convert themselves into mountain divisions and for other requirements. This is the extent of the agreement we have with the Indians. If they ask for more we do not have to give it to them. Everything will have to be negotiated with the Indians.

Mr. PASSMAN. I know we do not have to give it to them.

General FUQUA. I cannot say whether we are going to, or whether we are not going to.

Mr. ANDREWS. Will not a determination of that question be out of your shop?

General FUQUA. This will be a policy question at the highest level, as to what extent we are going further in the India program.

Mr. ANDREWS. Would you sit in on that policy determination?

General FUQUA. I personally probably would not.

Mr. ANDREWS. My question was, Will not that decision be made at a higher level?

General FUQUA. Yes.

Mr. ANDREWS. A political level?

General FUQUA. A political decision by the U.S. Government.

Mr. ANDREWS. The State Department?

General FUQUA. The Department of Defense would certainly be represented on any discussions of this sort. That is correct.

Mr. PASSMAN. The $60,002,000 is the limit of our commitment at this time; is that correct?

General FUQUA. Yes.

Mr. PASSMAN. So the $——— you are requesting is in reality a reserve fund? It may or may not be used?

General FUQUA. Right, sir.

USE OF PRESIDENT'S CONTINGENCY FUND

Mr. RHODES. Is that not what the President's contingency fund is for?

Mr. PASSMAN. Yes.

Mr. RHODES. This is in addition to the President's contingency fund.

Mr. ANDREWS. He will not have that sort of money in his fund.

Mr. PASSMAN. $———?

Mr. ANDREWS. I am talking about $1.2 billion.

Mr. PASSMAN. We are talking about the $——— contingency they are asking for India that may or may not be used.

General FUQUA. He could not use the contingency fund for military assistance.

Mr. PASSMAN. He has a way to use it.

Mr. RHODES. You have transferability?

Mr. PASSMAN. That is right. There is more than one way to skin a cat. They have learned the other ways.

Mr. RHODES. There are some other ways I am sure we do not know.

Mr. PASSMAN. We could cite you half a dozen for the record. You can even take the contingency fund into the U.N., mix it up with the other, and then it winds up as economic aid in the Congo.

This is a contingency fund. It may or may not be used. That same criteria would not be applicable to your entire request. This is the only one I know of. Do you know of any others?

General FUQUA. No, sir.

Mr. GRANT. Mr. Chairman, we are reasonably certain some of this additional sum will be used. As the President said publicly at his press conference the other day, there will be some further military assistance for India. The exact amount of this is under negotiation and it will be some time before we know exactly what will be involved.

Mr. PASSMAN. I am going to take the general's word that it may not be used.

NECESSITY FOR A PRESIDENTIAL DETERMINATION TO COMMIT 1964 FUNDS

In view of the fact that Indian Defense Minister, Y. D. Chavan, stated in the Indian Congress on March 19 that representatives of countries giving military assistance would not have access to operational areas in order to satisfy themselves that weapons were being put to proper use, will any of the proposed fiscal year 1964 program require a Presidential determination?

General FUQUA. For the fiscal year 1964 program?

Mr. PASSMAN. That is right. If it is spent.

General FUQUA. We have an agreement with the Indians which fulfills all the requirements of the law as far as the military assistance is concerned.

With regard to the amount of money that has already been spent, the equipment sent in, we are in effect fulfilling the provisions of the law in this respect.

Mr. PASSMAN. I was talking about the 1964 program.

General FUQUA. As far as the fiscal year 1964 program is concerned, if we enter into the program and we get a definite program and spend any money, it will be determined that we will fulfill the requirements of the law. It will either be done by including it in the bilateral agreement we already have, or some other way. As you indicated, possibly a Presidential determination.

Mr. PASSMAN. I am asking you a question.

Do you know whether or not it would take a Presidential determination to give India any money out of this $50 million reserve fund we are setting up, or the contingency fund?

General FUQUA. I do not.

Mr. PASSMAN. Thank you very much.

Mr. GRANT. We do have a bilateral agreement with India.

Mr. PASSMAN. Extending beyond fiscal year 1963?

Mr. GRANT. Yes, sir.

PAYMENT OF FREIGHT CHARGES BY THE UNITED STATES

Mr. PASSMAN. Did India pay the freight on the $60 million program out of their own earnings, or did we pay the freight?

General FUQUA. This was paid for by the United States. It was part of the money shown for the program.

Mr. PASSMAN. We shipped it to them and prepaid it?

General FUQUA. The transportation is included in that amount, sir.

INDIAN MILITARY PURCHASES FROM YUGOSLAVIA

Mr. PASSMAN. I note in an AP article from New Delhi, dated April 3, that India has agreed to buy rifles, machineguns, and mountain artillery from Yugoslavia. Is that your understanding, that they are buying some of this equipment from Yugoslavia?

General FUQUA. I have no direct knowledge whether they are or not.

Mr. PASSMAN. Are you familiar with the AP report to which I refer?

General FUQUA. I have not read the article. It was discussed with me. There was an AP article to this effect.

Mr. PASSMAN. Mr. Grant, are you familiar with this arrangement, if there is an arrangement?

Mr. GRANT. No, sir; I am not.

Mr. PASSMAN. Will you find out whether or not they are buying, or have agreed to buy, from Yugoslavia these machineguns and mountain artillery?

General FUQUA. I do not know they are doing it. We will attempt to find out if this report is true and give you a complete coverage on this article how they are paying for it and other things.

Mr. PASSMAN. If you verify it, will you find out whether or not they are paying Yugoslavia for these weapons?

General FUQUA. Yes.

Mr. PASSMAN. And if so, whether or not it is currency that can be spent freely, or whether it is limited to purchases in Yugoslavia?

General FUQUA. Yes.

(The information supplied for the record is classified.)

NO PROPOSAL FROM INDIA TO PAY FOR 1964 U.S. PROGRAM

Mr. PASSMAN. Has India offered to purchase, or pay for, any part of our proposed $——— 1964 program, or is that static for the time being?

General FUQUA. The $——— for 1964?

Mr. PASSMAN. Yes.

General FUQUA. There is no proposal as far as I know, sir.

IRAN

Mr. PASSMAN. The fourth area is Iran, for which a program of $——— is proposed for fiscal year 1964.

I note that the unexpended balance for Iran, estimated on July 1, is $88,863,000. Is that correct?

General FUQUA. That is correct.

Mr. PASSMAN. What was the comparable figure on July 1, 1962?

General FUQUA. $77, 020,000.

FIVE-YEAR PROGRAM

Mr. PASSMAN. I note, on page 138, that the United States presented a 5-year military assistance program to Iran and that this 5-year program was accepted by the Government of Iran, and that this agreement was based upon a reduction in Iranian armed forces. In return, the United States agreed to provide approximately $——— in grant aid.

Would you expand a little bit on this proposal?

General FUQUA. I can give you a brief description.

You want to know how we arrived at $——— is that correct, sir?

Mr. PASSMAN. We do have a 5-year planned program?

General FUQUA. That is correct.

This is, of course, subject to congressional appropriations.

Mr. PASSMAN. Is that tied into the agreement there will be ——— personnel?

General FUQUA. The agreement is that the Shah will reduce the forces; that is correct.

Mr. FLYNT. Regarding your statement subject to congressional appropriations, is there any doubt if Congress should eliminate this item, it would be done out of the contingency fund?

General FUQUA. I cannot say it would be done or it would not be be done out of the contingency fund.

As I indicated, we cannot use contingency funds for military assistance programs, sir.

Mr. FLYNT. Do you think this program is contingent entirely upon a congressional appropriation, or that it will be done regardless of the congressional appropriation?

General FUQUA. All of the programs that we have, sir, are subject to the approval of the Congress. The whole is a sum of all its parts,

so each part, therefore, does have a dependence on the Congress appropriations.

Mr. PASSMAN. May I ask you this—you will just have to bear with me.

General FUQUA. Yes, sir.

Mr. PASSMAN. When I see my country entering into an agreement with a little country like this, with 22 million people, in addition to all the other aid we have given them, to get tied up on an aid program of $———, I am considerably disturbed.

This refers to only 1 of the 16 spigots, and that is military. When I think of our public debt, our deficit, and the diminishing purchasing power of the dollar, and the loss of faith in the dollar around the world, it literally makes me sick.

We are diplomatically begging these countries to take this money. I do not know what it is going to lead us into, and what sort of thinking is going into it. It simply means as far as I am concerned that we are on this treadmill picking up speed every day, and we do not know how to get off.

AID TO INDIA

Mr. NATCHER. I just hope the Associated Press story that appeared in all the papers yesterday quoting our Ambassador as saying since he had been Ambassador to India he had secured $900 million in loans for India was incorrect. I just hope that is wrong. That story was carried throughout the United States yesterday. The Ambassador of this country, during the time he has served, which is about a year and a half, has succeeded himself in borrowing $900 million for India.

Mr. PASSMAN. Would the gentleman from Kentucky mind if I mention that these things are not loans at all?

I asked Secretary Dillon, "Do you call these things loans?"

He said, "No. They are development credits."

Altogether, through June 30, 1962, we had given to India, $4,265 million.

NECESSITY FOR PROGRAM IN IRAN

General WOOD. Could I put a couple of sentences in the record?

From a military standpoint, as I said in my opening remarks, the nine countries which abut the Sino-Soviet bloc, are the ones getting the majority of our program in fiscal years 1963 and 1964. These are the countries where we think the troops and forces which those countries provide enable us to have a forward strategy which, if we maintain our present U.S. foreign policy, we would have to implement with Americans if we did not have these forces supported by military assistance. Iran is one of these countries.

The Secretary in his discussions with the Iranians felt it desirable to achieve a reorganization of their forces to a lower level of strength which would cost less to support and, at the same time, which would provide better forces to man part of that line I have discussed.

CURRENT PROGRAM AGREEMENT WITH IRAN

Now, speaking to the agreement that he made, you notice that the $——— which is mentioned is deliveries between July 1, 1962, and June 30, 1967.

That would include, of course, the $88 million in the MAP program funded but not delivered. If the appropriation this year allows us to get approval of a program for $———, some $——— of the $——— will have already been funded.

Mr. PASSMAN. Let the record show you can charge off and allocate, and it does not have any more effect upon the Treasury balance than what we are saying this afternoon until you spend the money. It follows that the expenditure will have to come out of future tax collections, or money we borrow, in the amount of $———.

You are talking about something that has been marked up on paper. When you start shipping that stuff is when you start drawing the checks.

General WOOD. We work on the basis of obligations, as all the departments of Government do.

Mr. PASSMAN. We want the record to show the figures you talked about were figures in the past. You are going to draw a check some time. We are committed by this. I think that I am correct, to a total of $———.

DISBURSEMENTS IN IRAN

Let us see what the disbursements have been in Iran; $58 million in disbursements. We are talking about $——— as a military loan. The Shah came over about 3 years ago and our President gave him a $15 million gift to lift him out of a tight spot. About 3 months later he requisitioned $16,200,000 of gold from our declining reserves, so around we go.

DIFFERENCE IN CESSNA AIRCRAFT REQUESTED AND PURCHASED

How many Cessna 185 aircraft did you request last year in the 1963 budget for Iran?

General FUQUA. None.

Mr. PASSMAN. We want to keep the horse ahead of the cart this time. Let us see what you requested.

General FUQUA. There were no 185's; there were 15 180's requested last year.

Mr. MINSHALL. How much did you pay per airplane?

General FUQUA. Cessna 185's cost $18,000.

Mr. MINSHALL. How much did you pay for the 180's?

General FUQUA. We did not buy any 180's.

Mr. MINSHALL. You just said 180.

General FUQUA. As I pointed out just a moment ago, when the program was adjusted, there were no Cessna 180's left in the fiscal year 1963 program as of March 19. We did not put any in. We did purchase Cessna 185's.

Mr. PASSMAN. How many Cessna 185 aircraft did you request last year in the 1963 budget?

General FUQUA. None. But we did ask for 15 Cessna 180's.

Mr. PASSMAN. I am willing for you to substitute one for the other.

General FUQUA. We asked for no 185's. We requested funds for 15 180's.

Mr. PASSMAN. How many did you program?

General FUQUA. We purchased no 180's fiscal year 1963, but we did purchase ——— Cessna 185's.

Mr. PASSMAN. Will you please refer to page 137 of your 1964 justifications?

General FUQUA. I see no 180's were procured. I see ——— Cessna 185's.

Mr. PASSMAN. We were talking about 185's. But let us substitute one number for another number. You requested 15 aircraft in the class of the Cessna 180's?

General FUQUA. That is right.

Mr. PASSMAN. How many did you program?

General FUQUA. We did not purchase any 180's but purchased ——— 185's after revising the program.

Mr. PASSMAN. Where did you get the money after we messed this program up last year by making some reductions? We are running into more stuff that you are setting up money for that the committee did not know anything about. You requested 15 and you are programing ———?

General FUQUA. That is correct.

Mr. PASSMAN. Where did you get the money? Out of what surplus?

General FUQUA. I cannot tell you the exact source.

Mr. PASSMAN. What do they cost?

General FUQUA. They cost $18,300.

General WOOD. The money came from within the program.

Mr. PASSMAN. We know.

After listening to the testimony the other day of Secretary McNamara, I want to say again that I never ran into so many irregularities in my life. If Mr. McNamara ever reads this testimony and finds out how we ruined that program, with all the surplus stuff you could allocate, he will read it over before he comes before the committee again, I believe.

Mr. MINSHALL. Off the record.

(Off the record.)

USAGE OF THE CESSNA 185'S

Mr. PASSMAN. Let us turn to page 599 of last year's hearings. But, before reading from the testimony, where does a plane of this type tie into the military?

General FUQUA. This type of plane has a number of military uses. It is a light plane. It can be used for short hops and land on shorter fields. It does not require a long runway.

Mr. PASSMAN. Are there gunners aboard?

General FUQUA. No, sir.

Mr. PASSMAN. In reality, is it a little executive-type pleasure or business plane, primarily?

General FUQUA. I would not say it is an executive-type pleasure plane.

Mr. PASSMAN. It is not a bomber or fighter?

General FUQUA. That is correct.

Mr. PASSMAN. What kind of plane is it?

General FUQUA. It is a liaison-type aircraft, a light aircraft that can be used to transport small amounts of material, or small numbers of people, into smaller fields than the larger aircraft.

Mr. PASSMAN. It is the same type of plane that a lot of executives use in America. These over here are a little more dressed up. The Cessna 180 is a popular executive-type plane in the United States.

General FUQUA. That is correct.

Mr. PASSMAN. Now I want to quote from page 599 of last year's hearings:

Mr. PASSMAN. We want you to tell us where we can find your request for money for these aircraft last year. Give us the page number in the 1962 justifications.

General FUQUA. I think it was obviously put in after——

Mr. PASSMAN. After the bill was presented to this committee and the Congress.

General FUQUA. Yes, sir.

Mr. PASSMAN. There were no justifications anywhere last year for these—aircraft, and you allocated funds for them after the Congress adjourned and went home. Now you have ——— this year?

General FUQUA. Yes, sir.

You are now repeating the process this year.

To take extra money you have on hand and fund aircraft of this type for Iran, when you have no justification whatsoever, is, to me discouraging and disheartening.

General WOOD. Iran has few roads, as you know, Mr. Chairman. This airplane is essential for the gendarmerie which is the basic internal security force, like a State police force.

So far as buying the Cessna-type aircraft—the detailed specifications of which I will supply for Mr. Minshall—a study last year determined that no light aircraft would be available for military assistance from the military departments. This study concluded that where requirements could not be met by the aircraft in service inventories, and where high procurement costs would preclude further production of those models that the services had, we should get a less expensive type of off-the-shelf aircraft capable of fulfilling mission requirements for forces such as the gendarmerie. These are also planned for other countries.

This study determined that the Cessna 185 is capable of fulfilling the observation and light utility requirements in MAP recipient countries.

The military model is not plush. It is cheaper to maintain, easier to fly, and costs less than comparable standard military items.

The U–6A and the U–1A are no longer being procured by the service departments. These aircraft can be obtained only through new procurement with MAP funds. Estimated new procurement cost of the U–1A would be approximately $110,000, and U–6A would be about $22,000, and the present cost of the military version of the Cessna 185 is $18,300. That was the reason for the decision to use this type aircraft.

Mr. MINSHALL. General Fuqua referred to the 180. You referred to the 185. You have mentioned everything except the 182.

General WOOD. The 185 was the one procured.

Mr. MINSHALL. The 180's you bought the previous year?

General FUQUA. We asked, as Mr. Passman indicated, for 15 Cessna 180's last year, but during the course of the year it was determined that the 185 would be more appropriate. We changed to the 185 in fiscal year 1962. This aircraft is the cheapest type of aircraft that will fulfill the requirements.

Mr. MINSHALL. Why did you need a 185 rather than a 180. The 185 is a six-place airplane and the 180 is not. The 185 is considerably more expensive.

General FUQUA. The 185 was considered to be appropriate for the needs of the Iranian gendarmerie.

Mr. PASSMAN. That is their police force?

General FUQUA. The internal police force in Iran. It has a longer range than the 180.

Mr. MINSHALL. The 185 is the more expensive version.

General WOOD. $18,300 is about as cheap as any airplane you can get; less expensive than the 180, at $21,000.

Mr. PASSMAN. That is not my complaint. We have a responsibility to the American taxpayer and the constituents who elect us. They do not expect us to recommend funds on the basis upon which you are spending money. To do this one time, there would be some reason. Now, however, you are repeating.

In 1962 you did not request any funds for 180's or 185's. After we had recessed and gone home then you went ahead and allocated funds for this aircraft.

Last year you asked for funds for 15 180's. There was some question about whether we should recommend the funds, but since it was illustrative, and all in the program, we did not have too much to say.

Now we come back and find that you have allocated ——— of these aircraft and not the 15 you mentioned to the committee last year—15 was the number you justified last year?

General FUQUA. That is correct.

Mr. PASSMAN. Last year you justified 15, and you gave them ———. I think the people on that side of the table realize this subcommittee can never go through all this voluminous detail and pick out the thousands of items in the economic aid program and the military with these discrepancies.

I do not think we are facing up to our responsibility unless we let the record show that to get the money is the first thing, then after you get it you do about what you want to with it.

Just to turn this money loose and let you spend it anyway you want to is not a reasonable way to do business.

General WOOD. Did you not say there is legal authority for reprograming? A program like this requires flexibility.

Mr. PASSMAN. There is no reprograming. You just spent the money. Nevertheless, the Secretary of Defense attempted to establish that we had adversely affected this program last year by making reductions in the funds.

We are, however, running into item after item that could be delayed.

You did not reprogram to take care of that $10,200,000 ammunition shortage in Turkey, and the destroyers, and things such as that. And we run into item after item that you did not justify.

Mr. MINSHALL. It would be interesting to find out if they have done this same kind of maneuvering in other countries with light aircraft.

General WOOD. The changes are set forth in pages 4, 5, 6, 7, 8, and 9.

My understanding is that we make a quarterly report to the committee. Are we doing anything illegal, Mr. Chairman? I am new to this, as you know.

Mr. PASSMAN. I do not think you are doing anything illegal intentionally, anyway.

But, let us say you are breaking faith with the committee and the Congress. You reprogram—that is one thing, but when you allocate this out of a program we have ruined—for a police force out there——

General WOOD. You have roads in Louisiana.

Mr. PASSMAN. I do not think the committee or the Congress appreciates this system of running the shop. Perhaps we can help you change it.

General WOOD. We are only trying to meet requirements which constantly change.

Mr. PASSMAN. As long as we have these people out there straining to give something away, things such as this will happen.

AIRFIELDS ACCESSIBLE TO LIGHT AIRCRAFT

Mr. MINSHALL. How many airfields do you have that these planes can use in Iran? How many did you have to build?

General FUQUA. We have had to build no airfields for these aircraft.

Mr. MINSHALL. How many places are accessible to these aircraft?

General FUQUA. I do not know. I will have to furnish that for the record. I do not know how many fields this plane can get into.

Mr. MINSHALL. It has a short field capability, but it cannot land in a plowed field and take off again.

General FUQUA. That is true.

We have not built any airfields to take care of these aircraft. I can furnish for the record the number of airfields in Iran which this airplane can get in and out of.

(The information requested follows:)

AIRFIELDS IN IRAN WHICH CAN ACCOMMODATE CESSNA 180'S AND 185'S

There are 21 improved airfields in Iran. These airfields have concrete runways and aircraft control facilities. The Cessna 180 and 185 can operate from unimproved strips, roadbeds, riverbeds or any level piece of terrain of approximately 300 feet long. This means that there are few areas in Iran where these planes cannot operate. The overriding consideration in selecting an aircraft for use in Iran is that it have characteristics which will enable it to operate from unimproved airstrips in the many remote areas where the Iranian Armed Forces are located.

Mr. ANDREWS. The book says ———.

General FUQUA. These are Army and gendarmerie-type aircraft. These are not Air Force aircraft.

CONSTRUCTION PROGRAMS INCREASED OVER AMOUNTS REQUESTED AND ALLOWED BY CONGRESS

Mr. PASSMAN. Last year you requested $1,359,000 for construction; is that correct?

General FUQUA. Yes, sir; we did.

Mr. PASSMAN. The justifications, on page 137, indicate you have programed $———, an increase of $——— over what you requested in last year's budget; is that correct?

General FUQUA. Yes.

Mr. PASSMAN. The 1964 budget estimate for construction is $———?

General FUQUA. Yes.

Mr. PASSMAN. What type of military construction is contemplated for this amount of money?

General FUQUA. It is contemplated that $——— will be put in ——— would be in miscellaneous construction such as buildings and hangars and such other equipment.

Mr. PASSMAN. The fact is, you get the money and do whatever you please with it.

Why would you justify $1,359,000 for construction in Iran and spend $———, an increase of $———, especially after we had been accused of damaging the program by reducing the funds?

General FUQUA. After we came before this committee last year and presented our program, we made the agreement that was discussed earlier with the Shah of Iran, after his visit to the United States and subsequent signing of the agreement. It became necessary in our estimation to get started in some of these areas as soon as possible.

As a result, we went into the fiscal year 1963 program and made certain adjustments in order to get started on some of the things that we agreed to do.

Mr. PASSMAN. Are you not discussing April 12, 1962, prior to the completion of the hearings?

General WOOD. I see in presenting the 1962 program we planned to spend $——— for construction and, probably due to the reduced appropriations, we spent only $——— in that year and the remainder was deferred into 1963.

Mr. PASSMAN. In 1962, you asked for $——— and you programed $———. Now, where is the slippage? It slipped up and not down.

General WOOD. It slipped probably due to other reasons.

Mr. PASSMAN. Let us see how it slipped.

General WOOD. I will withdraw a statement about slippage. It was justified for fiscal year 1962 so it had been previously justified.

Mr. PASSMAN. Your budget request was $———, and it slipped up to $———.

General WOOD. The item slipped from fiscal year 1962 to fiscal year 1963 construction.

Mr. PASSMAN. You did not justify it.

General WOOD. We justified it for fiscal year 1962.

Mr. PASSMAN. You slipped it up in 1962 above your justification, from $———. It slipped upward, which is not unusual.

You seem always to find ways to spend it after you get these excessive requests through the Congress, even after cuts are made. It slipped again.

EQUIPMENT FOR CIVIC ACTION PROJECTS

What type of equipment do you propose to furnish to the Armed Forces for civic action projects in Iran?

Let the record show we are talking about the military program. Most of these countries are drawing out of the other 15 spigots which are available. If they do not ask for it, we will sell them on the idea they should have it.

General FUQUA. I do not have a list of the equipment. I have the amount, Mr. Chairman.

Mr. PASSMAN. What is the amount?

General FUQUA. The amount for fiscal year 1964 in Iran is $———.

Mr. PASSMAN. Any school buildings provided for in that amount?

General FUQUA. I said I did not know what the amounts are for.

Rather than give you erroneous information, I should furnish it for the record.

(The information, supplied for the record is classified:)

MAAG PERSONNEL FOR IRAN

Mr. PASSMAN. For what reasons do you need 460 personnel in the MAAG for Iran?

General FUQUA. In the MAAG, as you know, sir, we have a training mission. It is called the Army mission combined with the MAAG. We have in Iran teams out in the various areas which are there to advise and help train various Iranian Army units.

Mr. PASSMAN. Train them to do what—police, and fly the 180's or 185's or do you have something more serious for them to do?

General FUQUA. We do, Mr. Chairman. We most certainly do.

These men are out and live right in the field with the units to which they are attached. They work with them. They train with them. They impart, to the best of their ability—and I do say we have some success in this field—the doctrine, organization, tactics of the U.S. Army.

CONSTRUCTION OF NAVAL VESSELS FOR IRAN

Mr. ANDREWS. General, I notice that naval vessels will be replaced in 1964 by ——— frigates now under construction.

Where are they being constructed?

General FUQUA. These frigates are being built in the United States, sir. They are being built to certain specifications agreed to between the United States and this nation.

EQUIPMENT FOR CIVIC ACTION PROJECTS

Mr. ANDREWS. Then you state we are buying equipment for increasing the capability of the armed forces to more actively engage in civic action projects.

Would you discuss that statement?

General FUQUA. As I said before to the chairman, sir, we are programing $——— for civic action type projects. I do not have the breakdown of that and indicated I would furnish it for the record. I do not have it at this time.

Mr. ANDREWS. That is all.

NEWSPAPER ARTICLE ON AID CORRUPTION IN IRAN

Mr. MINSHALL. I have an article from the Washington Post dated May 17, 1963. The headline reads "Senate To Probe Alleged Corruption in Aid to Iran."

Mr. PASSMAN. The article will be inserted in the record at this point.

(The newspaper article referred to follows:)

[From the Washington Post, May 17, 1963]

SENATE TO PROBE ALLEGED CORRUPTION IN AID TO IRAN

The Senate Investigations Subcommittee is looking into charges of foreign aid corruption which, if borne out, "would be one of the biggest scandals in the country's history."

This description was given by a subcommittee member yesterday after Chairman John L. McClellan, Democrat, of Arkansas, announced he has ordered a preliminary check to determine whether full-scale hearings are warranted.

McClellan said the allegations and supporting documents came from the Khaibar Kahn, whom he described as leader of the Bakhtiari Tribe of Iran.

"The documents, if corroborated, point to gross corruption and misuse of funds in excess of $100 million in connection with the administration of U.S. aid to Iran," McClellan said in a statement.

The press counselor at the Iranian Embassy, Ali Mohammad Shapurian, denounced McClellan's informant and challenged his story.

Shapurian told a reporter the man's real name is Khaibar Gudarzian, and said he had lost his Iranian citizenship through long residence in the United States. He said the title of Khan, meaning head of a tribe, was abolished by law in Iran in the 1930's.

McClellan said the man testified at a secret session of the subcommittee, saying he spoke for a group known as the "K.K. United Patriots for Justice."

It was learned that the evidence was offered first to the Senate Foreign Relations Committee, which normally oversees the foreign aid program, but this group questioned its authenticity and referred the offer to the Justice Department.

A State Department spokesman said he knew nothing about the charges and had no comment.

U.S. economic aid to Iran totaled $731.5 million from 1946 to 1962. Military aid during the same period amounted to $563 million.

A spokesman for the Agency for International Development said State Department officials got in touch with Khaibar about a month ago after learning about his allegations.

"Despite repeated requests during extensive interviews," the AID statement said, "Khaibar Khan would not make available to the Department of State any of the documents which he said he had in his possession to support his allegations."

The Agency added that the State Department is "continuing its efforts to ascertain whether there is any substance to these allegations."

CHANGE IN FIGHTER AIRCRAFT FROM F–86'S TO F–5'S

Mr. RHODES. I notice on page 138 you mention that one of the deterrents to the capability of the Air Force is ———. Yet we are giving more sophisticated aircraft. They have trouble keeping the F–86's in commission and we are getting them F–5's.

General FUQUA. The latter is a less sophisticated aircraft in some respects.

Mr. RHODES. Than the F–104 but not the F–86's. I will ask the colonel.

Colonel SIMPSON. The F–5A will be a relatively easier aircraft to maintain. One design concept employed to achieve high reliability, and reduce the maintenance effort required, involved the maximum use of component exchange. By simplifying the procedure to isolate a component that has failed and by simplifying component exchange, the number and technical competence of line personnel is held to an absolute minimum. This allows the more skilled and scarce technicians to specialize the testing, alining, or repairing of the individual components or subsystems. This "black box exchange" concept should

materially reduce the maintenance effort required to maintain the F–5.

Mr. RHODES. That is the best news I have had today.

ANTIAIRCRAFT CAPABILITY

Mr. MINSHALL. Does Iran have any antiaircraft capability at the present time?

General FUQUA. They have a limited capability, sir. From the ground they do have a limited capability. They also have an aerial capability.

Mr. MINSHALL. What is a limited capability?

General FUQUA. They have some antiaircraft units which are smaller. I cannot give the exact number.

Mr. MINSHALL. It would not be effective?

General FUQUA. I wouldn't say that. They do have, however, an aerial capability in the use ———.

(Discussion held off the record.)

IRAQ

Mr. PASSMAN. For Iraq, the fifth country to be considered in this area, you have a budget estimate of $———. Is that correct?

General FUQUA. That is correct.

Mr. PASSMAN. If I understand the narrative on page 142 correctly, it appears to me that this estimate of $——— is being requested just in case Iraq wants to participate in the training program. Is that correct?

General FUQUA. That is correct, sir.

Mr. PASSMAN. Gentlemen, is that not another case of getting the cart before the horse?

You ask for $——— and you do not know at this time whether or not they want to participate in the training program. Is that correct?

General FUQUA. We don't know at this time, sir.

Mr. PASSMAN. Thank you.

Mr. GRANT. It is worthy of note, if I may speak on this, Mr. Chairman, that on February 8 Iraq had a coup against Kassem, and in this the Communists were supporting Kassem.

In the process of that revolt some hundreds of Communists were killed and at the present time still some 6,000 to 10,000 Communists are in jail.

Under the new regime there is a very much greater likelihood that they will be seeking assistance from Western sources as distinguished from Soviet.

Mr. PASSMAN. But at this time it is a guess.

General FUQUA. It is an educated guess, Mr. Chairman.

They have training now and the indication is that they will request it in the future.

Mr. PASSMAN. You answered the question to the point.

Mr. Grant, at this time you know no more than the General whether or not they will accept this training program, do you? It is speculative, is it not?

Mr. GRANT. I do not know how much of a training program they will request.

Mr. PASSMAN. You do not know whether they will request any, do you?

General FUQUA. May I answer that question, Mr. Chairman, as it is a military question?

Mr. PASSMAN. You have already answered it, but if you want to change your answer it is all right.

General FUQUA. Then why do you ask further questions about it, sir?

Mr. PASSMAN. Because Mr. Grant offered to testify further. He was supplementing your answer.

General FUQUA. You will not accept a qualification that since we have people there in training now we perhaps would have them in fiscal year 1964?

Mr. PASSMAN. I asked a question and you gave an answer. If you want to elaborate, all right.

ISRAEL

DIRECT AND CREDIT SALES PROGRAMS

While we have no grant-aid program in Israel, I note that Israel participates in both the credit sales program and the direct sales program. The total of both of these is $——— for fiscal 1964. Is that correct, sir?

General FUQUA. Total is $———; that is correct.

Mr. MINSHALL. Have you long-range plans to step up aid to Israel?

General FUQUA. We have no aid to Israel.

Mr. MINSHALL. I am talking about long-range plans.

General FUQUA. We have no plans, sir.

MISSILE PROGRAM

Mr. PASSMAN. It seems to me I read in the newspapers that we have been supplying, or are planning to supply, Israel with missiles.

General FUQUA. We have not supplied them yet, sir. We have made an agreement with the Government of Israel to sell them a missile system.

Mr. PASSMAN. Is this under so-called loan assistance?

General FUQUA. Yes, sir; under credit assistance.

Mr. PASSMAN. That is the same long-term credit?

General FUQUA. That is right. I can give you the details on the credit, if you like, sir.

Would you like the terms?

Mr. PASSMAN. No; we know what they are.

JORDAN

The next country for consideration is Jordan, for which $——— is requested for fiscal 1964.

General FUQUA. $———. That is correct.

Mr. PASSMAN. I note the 1963 program is $———. What was the estimate for this program for fiscal year 1963?

General FUQUA. $———.

Mr. PASSMAN. That is another instance where you were able to up the program out of a "ruined" program.

What is the estimate for this program for fiscal 1964?

General FUQUA. $———, sir.

Mr. PASSMAN. Page 145 indicates that Jordan is programed to receive $3,350,000 worth of excess stocks. How much did you request for this purpose in fiscal year 1963?

General FUQUA. How much rehabilitation? We requested no money for that.

Mr. PASSMAN. I shall repeat: Page 145 indicates Jordan is pronngramed to receive $3,350,000 worth of excess stocks.

General FUQUA. That is right.

Mr. PASSMAN. How much did you request in fiscal year 1963 for this program?

General FUQUA. Nothing, sir. This is not chargeable to MAP, as I stated before.

Mr. PASSMAN. It is charged to the American taxpayer. You asked for zero and gave them $3,350,000. I suppose you got it rehabilitated free?

General FUQUA. May I ask for a moment to take a look at this 1962 program?

Mr. PASSMAN. Please do.

General FUQUA. Yes, sir.

I have checked what I want to check sir.

LEBANON

Mr. PASSMAN. Let us go down to Lebanon now, for which $——— is requested.

How many personnel do you propose to train with your Lebanon dollars, General?

General FUQUA. We propose to train ———, sir.

Mr. RHODES. All in the United States?

General FUQUA. ——— in the United States and ———.

AIRCRAFT DELIVERED

Mr. PASSMAN. Last year's justifications indicated that ——— HAWKER-HUNTER aircraft had been delivered to Lebanon under prior year military assistance programs. Why does not this same information appear on page 147 of this year's justifications?

The same thing is true in Jordan. We want to pin down only one country.

General FUQUA. We have no materiel program with Lebanon, and have not had since 1959.

Mr. PASSMAN. How did you deliver——

General FUQUA. We didn't put the HAWKER-HUNTER's in there, sir.

Mr. PASSMAN. Why were they in last year's justifications, then?

General FUQUA. They were shown as part of the cumulative in last year's, sir.

Mr. PASSMAN. That is correct.

General FUQUA. We didn't——

Mr. PASSMAN. That is just what I said, delivered to Lebanon under prior year military assistance programs. Why does not the same information appear on page 147 of this year's justifications?

General WOOD. We didn't consider it a key item this year.

Mr. PASSMAN. The same question could have applied to Jordan.

General FUQUA. As General Wood said, they were delivered some time ago and it was not considered appropriate to put them in the book again.

Mr. PASSMAN. You do it for other countries that way, do you not?

General FUQUA. Yes, sir.

Mr. PASSMAN. Thank you. We shall never know the exceptions, but let the record show there is an exception.

General FUQUA. It is not intended to be an exception in that sense, sir.

Mr. PASSMAN. What sense?

General FUQUA. There was no deliberate reason for leaving them out.

Mr. PASSMAN. I just said this is an exception. I did not even ask you the reasons.

General FUQUA. Yes, sir.

PAKISTAN

Mr. PASSMAN. The ninth country in this area is Pakistan. When was Ayoub elected President?

General FUQUA. I am not sure. It was several years ago.

Mr. PASSMAN. Did he have close competition or was it a landslide?

Mr. GRANT. He took power in 1959. He was not elected.

Mr. PASSMAN. He took power? For how long did he take power?

Mr. GRANT. At the present time Pakistan has introduced a constitution and they have a phase period under which constitutional processes have been introduced into Pakistan.

Mr. PASSMAN. He is now serving at his own consent. He took power, so he is serving with his consent and not that of the Pakistanis, as we think in terms of electing people to public office?

Mr. GRANT. He was not elected to public office.

Mr. PASSMAN. When did he take power? Do you remember what year?

Mr. GRANT. I believe it was 1958.

Mr. PASSMAN. That is a pretty good system if you can make it work.

Mr. GRANT. I should say he has been making a major effort to reintroduce the democratic process into Pakistan.

Mr. PASSMAN. He did not get in through democratic processes, did he?

Mr. GRANT. No, sir; but he is guiding the country down that direction.

Mr. PASSMAN. The best proof he could give that he wants to go to the democratic process is to hold an election.

When we went to the rescue of India he entered into an economic compact with Red China within a matter of days and even threatened to do so militarily.

Then he issued a statement that he did not know what his position would be in subsequent years.

You are requesting $———. Is that correct?
General FUQUA. We are requesting $———, sir.
Mr. PASSMAN. The money request for Pakistan is $———.
General FUQUA. You are correct, sir.

EXCESS STOCKS TO PAKISTAN

Mr. PASSMAN. Page 149 of the justifications indicates you have programed $——— in excess stocks.
General FUQUA. For fiscal year 1963?
Mr. PASSMAN. That is right.
General FUQUA. That is right.

GRANT AID PROGRAM

Mr. PASSMAN. What was the estimate for this phase of the grant aid program last year?
General FUQUA. $———, sir.
Mr. PASSMAN. In round figures, it was upped in an amount about triple the justifications?
General FUQUA. That is right.
Mr. PASSMAN. Why are the figures relating to the military assistance program for Pakistan classified?
General FUQUA. At the request of the Pakistani Government, sir.
Mr. PASSMAN. I note that you have $——— programed in the 1963 program. Did you justify this request to the committee last year?
General FUQUA. We did not, sir.
Mr. PASSMAN. What is the acquisition cost of that ———?
General FUQUA. $———, sir.
Mr. PASSMAN. You requested zero and programed one, then?
General FUQUA. Yes, sir.
General WOOD. Requested a destroyer, and substituted ——— for it, sir.

MAAG PERSONNEL

Mr. PASSMAN. By what amount are you increasing the MAAG strength?
General FUQUA. By two people, sir.

SAUDI ARABIA

Mr. PASSMAN. For Saudi Arabia you ask for $——— for 1964?
General FUQUA. That is correct, sir.

CONSTRUCTION

Mr. PASSMAN. As you did not request the $——— construction program for fiscal year 1963, would you tell the committee what type of construction you are doing? Am I making a statement of fact that you did not request this construction but you did program $———?
General FUQUA. May I have the question again?
Mr. PASSMAN. You did not request funds for construction last year in Saudi Arabia, did you?
General FUQUA. We did not.

Mr. PASSMAN. You programed $———, however?

General FUQUA. That is right.

Mr. PASSMAN. Would you let the committee in on what type of construction you will do with the money?

General FUQUA. These are Government costs in connection with construction from prior programs, sir.

Mr. PASSMAN. Prior programs?

General FUQUA. That is right.

Mr. PASSMAN. If you knew about it and had any intention of funding it, should we not have been told about it last year?

General FUQUA. These are Corps of Engineers supervision costs. They are inherent in the construction which had been justified in earlier presentations, sir.

MAAG PERSONNEL

Mr. PASSMAN. You are also increasing the MAAG strength in Saudi Arabia?

General FUQUA. Yes, sir. It is increased by 11 persons.

SYRIA

Mr. PASSMAN. Now we go to Syria. This country was added in the 1963 program after you left the Congress; is that correct?

General FUQUA. That is correct. There was no program.

Mr. PASSMAN. What did you program for Syria after you got the money?

General FUQUA. Training only, sir.

Mr. PASSMAN. How much money?

General FUQUA. $———, sir.

Mr. FLYNT. Is Syria currently part of the United Arab Republic?

General FUQUA. That is correct, sir.

Mr. GRANT. Excuse me; sir, Syria is still an independent country.

General FUQUA. Affiliated in the new organization. Perhaps Mr. Grant can answer that better than I can.

Mr. FLYNT. I will address it to Mr. Grant. Do you want to elaborate on that?

Mr. GRANT. There was a joint statement issued by the United Arab Republic, Egypt, Syria, and Iraq on April 17 in which they contemplated the creation in the future of a new United Arab Republic which was to incorporate all three countries, but this was not to take place until there were plebescites in each country within 6 months of April 17.

Mr. FLYNT. Of this year?

Mr. GRANT. That is right. These plebescites have not taken place, and, as you can gather from the press, may not take place.

Mr. FLYNT. The next question would be this: If the plebescite should go through, would our military assistance be directed toward the United Arab Republic or toward the component parts of the United Arab Republic?

General FUQUA. Component parts, sir.

Mr. GRANT. Each of the component parts would retain a separate military force. This would, in effect, be a highly federalized country with Iraq, Syria, and Egypt retaining many of the rights of an independent country.

However, their foreign offices would be merged into one, but the military forces would remain intact in each country.

What there would be is a unified military command.

Mr. FLYNT. Am I correct that we do not have any military assistance program for Egypt?

General FUQUA. That is correct, sir.

Mr. FLYNT. And yet if the plebescite should be approved by all three countries we will be granting grant-aid programs to two of the three countries which make up the United Arab Republic and denying it to the third country of the United Arab Republic?

Mr. GRANT. That would be the case if we went ahead with the training which is called for here. It should be noted that the United Arab Republic has not asked for any military assistance from us.

Mr. FLYNT. Then that brings me to the next question. If the plebescite should be in the affirmative in all three countries, Iraq, Syria, and Egypt, and if the United Arab Republic had not requested any military aid, would we still give this portion for training to one of the component parts of the United Arab Republic?

Mr. GRANT. I would say that if the plebescite takes place and is affirmative the entire situation is one we would have to reexamine at that time.

General FUQUA. We would have to review it.

Mr. PASSMAN. I think we agreed earlier there is more than one way to skin a cat.

EGYPT

We are in Egypt with one of these expensive aid programs.

Mr. GRANT. Pardon me, sir.

Mr. PASSMAN. We are in Egypt with one of these superduper aid programs.

Egypt earns dollars or convertible currency from its exports. Is that right?

General FUQUA. Yes, sir.

Mr. PASSMAN. It is a foregone conclusion that if they have exports they earn either dollars or other convertible currencies.

GRANT AID AND DEVELOPMENT CREDITS

It would appear that in 1962, and not going further back, in Egypt you had grant aid of $65,201,000. Then you had the disguised grant aid and development credits that some people list as loans, almost $159 million.

The total is $608 million and we have yet to get to fiscal 1963.

Mr. GRANT. What are these you are describing, Public Law 480 transactions?

Mr. PASSMAN. Our gifts to Egypt. I do not know what it all is.

I mentioned the disguised development credits, $385,900,000, and grants, as it states, $222,500,000.

EGYPTIAN PURCHASES OF RUSSIAN ARMS

We have given them $608,400,000. We are giving them stuff for which they normally would spend their money. So doing that releases to them dollars they earn from their exports with which to buy from Russia, and that is what they are doing.

If you go ahead and give me money for my grocery bill, that releases my money for me to use to buy good whisky if that is what I like next after groceries.

When you go ahead and fill up the larders with all the commodities they want and give them credit, it releases to them their earnings to buy whatever they want to buy.

Mr. GRANT. Mr. Chairman, the UAR is one of those economically unique situations where they currently have and have had for quite a number of years a surplus of cotton which they have held back from the world markets.

Mr. PASSMAN. We know that.

Mr. GRANT. As we have. Their purchases of arms from the Soviet Union have been a barter transaction for this surplus cotton which they have held off the market.

This point, I think, is worth bringing out because there is widespread concern that the provision of these hundreds of millions of dollars worth of Public Law 480 food——

GRANT AID AND DEVELOPMENT CREDIT

Mr. PASSMAN. Not only that but other types of grant aid. Look at the total, $648 million.

Do you disagree with me? If you provide for Egypt the commodities they need on which they would spend their earnings that releases to them their dollars or other convertible currency to buy whatever they please?

Mr. GRANT. That is right.

Mr. PASSMAN. I did not quite get that, you said it so quickly.

Mr. GRANT. That is right. During this period what we have seen is a 300-percent increase in the Egyptian development budget. The increase in their development budget is substantially more than the value of our aid.

Mr. PASSMAN. That is fine. But, if you give nations something, what difference does it make if you give military aid if you pick up the check for everything else for which they otherwise would use their exchange credits?

Mr. GRANT. It is important to note that the UAR was buying greater volumes of arms from the Soviet Union before our aid program started in the post-Suez period than afterward.

Mr. PASSMAN. It nevertheless follows that you have a tremendous grant aid program for Egypt at this time. If they earn convertible currencies, foreign exchange they need for food, say, if we supply food for them they can take those earnings and buy their guns and military assistance from other countries, and if it is a barter it makes no difference.

If I need a suit of clothes, if a haberdasher will take a refrigerator for a suit of clothes it is the same thing as long as I can barter with him. I will have to sell the refrigerator to get the dollars to buy the suit. If he takes the refrigerator it just saves me time.

UAR MILITARY PROGRAM

Mr. FLYNT. Are we failing to give to UAR military aid because they have not requested it or because we have denied a request that they have made?

Mr. GRANT. They have not requested military assistance from the United States.

Mr. PASSMAN. Would they be eligible for consideration if they should request it?

Mr. GRANT. They certainly would be eligible for consideration.

TURKEY

Mr. PASSMAN. Next is Turkey. You are requesting $——— for 1964?

General FUQUA. That is correct.

Mr. PASSMAN. That is about $——— above fiscal 1962 and an increase of approximately $——— above the 1963 program?

General FUQUA. That is correct.

General WOOD. This is one of the countries where you can give us a plus. Last year we requested $200 million for the program. We funded only $167 million.

Mr. PASSMAN. You have a satisfactory program going in Turkey?

General FUQUA. I believe so.

Mr. PASSMAN. You do not know of any serious deficiencies which would frighten you at this time?

General FUQUA. None that would frighten me; no, sir.

Mr. PASSMAN. Thank you very much.

YEMEN

Next is Yemen.

General FUQUA. We are asking for $——— there for a small training program.

Mr. PASSMAN. Have we ever had a military assistance program in Yemen of any kind in prior years?

General FUQUA. No.

Mr. PASSMAN. You never have had a military program in Yemen before?

General FUQUA. We started one in fiscal 1963, sir.

Mr. RHODES. Which one of these armies are you training? There are two there, are there not?

General FUQUA. The training spaces which would be filled would be filled by members of the current regime in Yemen, the new Republic.

Mr. PASSMAN. Have you ever in the history of the military assistance program requested of this committee any funds for Yemen until this year?

General FUQUA. No; we have not.

Mr. PASSMAN. Then did you by chance allocate any funds to Yemen that you did not request of Congress in 1963?

General FUQUA. Yes, sir.

Mr. PASSMAN. How much?

General FUQUA. $10,000.

Mr. PASSMAN. How much of it did you spend?

General FUQUA. None of it.

Mr. PASSMAN. Do you think you can cancel it out without any difficulty? Did Yemen request this $10,000 consideration?

Off the record.

(Discussion held off the record.)

General FUQUA. The answer to the question is that none are in training now.

Mr. PASSMAN. You are getting mixed up now. This year is the first time you ever requested funds for Yemen?

General FUQUA. That is correct.

Mr. PASSMAN. But you did program $10,000 which you did not request for Yemen?

General FUQUA. That is correct.

Mr. PASSMAN. Up to this time no expenditures have been made from that fund?

General FUQUA. That is correct.

Mr. PASSMAN. Thank you.

Did Yemen request this consideration, or did our Ambassador work it up for us?

General FUQUA. It was requested by the Yemeni Government, sir. The Ambassador did not work it up.

Mr. PASSMAN. How did they get it in their mind all at once? After all these years, now Yemen comes along and wants to get in.

General FUQUA. The program started last year before the revolution. It has been held in suspense during the revolution. At the present time, it has not been picked up by the Yemeni military.

Mr. PASSMAN. Do you know which side you are going to finance?

General FUQUA. Yes, we do.

The Yemeni Government which we have recognized, sir, and we may train certain of their military.

Mr. PASSMAN. What is the population of Yemen?

Mr. GRANT. Approximately 5 million.

General FUQUA. 4 million.

Mr. PASSMAN. What is their main source of income, from what product?

Mr. GRANT. Mocca coffee is a very famous coffee from Yemen.

Mr. FLYNT. Before we leave that point, let me ask another question. I should like to ask, who generated the request? Did the old regime do it, did the new regime do it, or did the United States do it?

General FUQUA. The old regime.

Mr. PASSMAN. Is the old regime out and another regime in?

General FUQUA. Yes, sir.

Mr. FLYNT. Has the new regime ratified the request?

General FUQUA. No, sir.

Mr. PASSMAN. We just have to give this money away? If they change governments, we just automatically transfer it?

General FUQUA. Sir, we are not giving it away, as you put it.

Mr. PASSMAN. If this is a loan, I take it back.

General FUQUA. If the spaces are picked up by the Yemeni Government, we will train these people in the United States.

Mr. PASSMAN. Is this a grant or a loan?

General FUQUA. Grant.

Mr. PASSMAN. Then it is giving it away. It is a question of interpretation.

General FUQUA. We will not give it away until——

Mr. PASSMAN. But you are giving it away if they pick the spaces up. You committed yourself to the old regime, from what source the request came we do not know.

General FUQUA. I have already stated for the record how it was generated, sir.

Mr. PASSMAN. You told us earlier today that the local people talked with our Ambassador. It was also established for the record in one instance, I think, you allocated $924,000, and when you finally got around to letting the people know what you had allocated, they said, "We want only a $126,000 program." Evidently you do not work it out with them or you would not wind up in a mess like that; would you, General?

General FUQUA. I have never said anything, sir, except that the request for military assistance originates in the recipient country.

Mr. PASSMAN. But we did establish for the record that you had allocated a very large sum, I think $924,000, and at a later date when you got ready to consummate the agreement with the recipient country, they wanted a training program of only $126,000?

General FUQUA. That is right. We were wrong in that case.

CONTINUATION OF MAP AFTER CHANGE OF REGIME

Mr. FLYNT. Pursuing that one step further, if regime A requests or agrees to a program whereby a certain number of spaces will be filled in the U.S. military schools, and that regime falls and a new regime comes in, do we automatically retain the same grant of the request made by the predecessor government?

General FUQUA. If the new regime is one which we recognize and in which we would have the same objective as we had with the former regime, then we would continue to offer these spaces for the new regime. That is correct.

Mr. FLYNT. So, if one regime is overthrown by another, it is the plan and purpose of the military assistance program to cooperate with either one, even though one may be friendly to the United States and the other one may be unfriendly?

General FUQUA. No, sir.

Mr. GRANT. For example, when the Menderes regime was overthrown by the army in Turkey and they promptly announced that they stood by all their obligations with the West and with NATO, and they wanted to continue all their existing arrangements with the United States, obviously we went ahead, even though at that time we had many Turks outside the country——

Mr. PASSMAN. I do not think there is any record that you have canceled out credits to a nation if it was overthrown and it had an unfriendly government, with the possible exception of Cuba.

General FUQUA. Yes, sir.

Mr. PASSMAN. Egypt, as far as I know, is the best example, and I know what I am talking about. You had a credit to Egypt under the old regime that carried forward for years and years, and we hashed it out in this committee. They said, "We hope some day there will

be a friendly government there again." You go to your records and you will find that is true. You may have canceled out items, but there was never any case that I know of in the total aid program where you have erased all credits to a nation because it changed governments, and Egypt is one I know about specifically, because we kept it going every year. "Do you still have Egypt in?" "Yes." "Why?" "Well, they may some day be friendly again." Am I making a statement of fact with respect to Egypt?

Mr. GRANT. Sir, we kept the Egypt account in suspense.

Mr. PASSMAN. I did not say you did not keep it in suspense. I said you did not deobligate the money and use it somewhere else and start over again. You merely kept it carried over to their credit.

Mr. GRANT. That is correct, sir. I believe an example of where programs were clearly brought to an end was in the case of Cuba in 1960.

U.N. PROGRAMS IN CUBA

Mr. PASSMAN. I want also to say for the record that we are giving aid to Cuba now right out of the American taxpayers' pockets, and we are doing it out of several funds, as you well know. There is the Special Assistance Fund in the U.N., for example. I think we are putting up 40 percent of it. Only recently they made an allocation out of that fund. There is the World Health Organization, and I think 21 Russian jeeps wound up in Cuba out of that fund for which Uncle Sam puts up 33 percent of that money. So, you may have suspended Cuba—I do not think they are in the book any more—but we certainly have it going in through the United Nations. That is true, is it not?

Mr. GRANT. For every time when something that we have not liked has happened under the U.N., I suspect there have been many more that the Russians did not like.

Mr. PASSMAN. You are getting completely aside from the point. Is it not true? We do have an aid program in Cuba out of the U.N., out of the Special Fund, in which we are putting up 40 percent.

Mr. GRANT. The U.N. does have projects in Cuba; yes, sir.

Mr. PASSMAN. I believe we put up 40 percent of that Fund, do we not?

Mr. GRANT. I believe that is the case, sir.

Mr. PASSMAN. We also have a program—I say "we," and I am talking of the U.N. now—under the World Health Organization in Cuba, do we not?

Mr. GRANT. I am not aware of it. It is outside my area.

Mr. PASSMAN. Is that correct, Mr. Scheinman?

Mr. SCHEINMAN. Yes.

Mr. PASSMAN. I believe we put up one-third of that World Health Organization fund.

Mr. SCHEINMAN. We contribute a percentage. I do not remember the specific amount.

Mr. PASSMAN. We closed the front door and opened up the back door.

I yield to Mr. Rhodes.

MAP TRAINING IN YEMEN FISCAL YEAR 1963

Mr. RHODES. I have just one question which is bothering me about Yemen. We spent ——— in 1963 to train Yemeni officers, presumably?

General FUQUA. Officers, did you say?

Mr. RHODES. Are they not officers?

General FUQUA. All the training would be for officers; yes, sir.

General WOOD. Actually, I think the money has not been spent. It was, of course, estimated as of the end of June 1963 because it was still programed. It has not been spent because the new regime has not picked up the opportunity to fill the spaces that were programed.

Mr. RHODES. There actually have been no bodies trained?

General FUQUA. That is correct; no bodies trained.

TERMINATION OF CUBAN COMMITMENTS

Mr. FLYNT. I would like to ask Mr. Grant one more question about Cuba. He said that all commitments to Cuba had been terminated; is that correct?

Mr. GRANT. I said it is my understanding the aid program to Cuba was terminated in 1960.

Mr. FLYNT. That clarifies it a little bit. In that connection, the sugar quotas for Cuba have been held in suspense; is that correct?

Mr. GRANT. I do not know, sir. Cuba is outside of my area of responsibility today.

Mr. FLYNT. I wonder if you could get from your Department and supply for the record whether it is true that the sugar quotas for Cuba have been held in suspense at the request of the U.S. Department of State, rather than being distributed to other countries.

Mr. PASSMAN. At the time of the overthrow of the Batista government, I believe we continued disbursing funds into Cuba until the situation became so bad that we had to say' "This is it." Would you furnish to the committee the dates that we canceled out all obligations for Cuba, the amount of the cancellation, and what disposition was made of the funds? Could you get that information for us?

Mr. GRANT. Yes, sir.

Mr. PASSMAN. I hope you do not find that they are still credited, but I would not be surprised if they are, because we carried it for Egypt many, many years, hoping they would be friendly again, and we all hope that we will in the not too distant future see Cuba back in the orbit of the free nations.

Mr. SCHEINMAN. I wonder if you would like these inserts submitted for the record at this point, or in connection with Mr. Moscoso's testimony.

Mr. PASSMAN. Submit them to the committee. We have asked that they be inserted. Insert them in the record, but bring us a copy of them—the amount, when you stopped disbursing funds, what disposition you made of the deobligated funds from the amount that you had obligated for Cuba.

(The information supplied follows:)

TERMINATION OF AID TO CUBA

Assistance to Cuba is considered to have been formally terminated by President Eisenhower on May 14, 1960, at which time the mutual defense assistance pact was canceled. At that time approximately $500,000 of ICA grant money was deobligated and used for other programs. When the termination took place, a substantial phasedown in the military assistance program had already occurred, and no deobligations were necessary. Subsequent limited expenditures were related to housekeeping functions and termination actions.

Mr. PASSMAN. Mr. Flynt, I yield to you.

U.S. RELATIONS WITH PAKISTAN

Mr. FLYNT. General Fuqua, you recall, I am sure, the strained relations that developed between the United States and Pakistan when substantial additional commitments were made to India during the border crisis between India and China.

General FUQUA. Yes, sir.

Mr. FLYNT. That strained relationship was somewhat eased by an assurance on the part of the United States that any arms supplied to India would not be used against Pakistan. Am I correct on that?

General FUQUA. We told the Pakistanis that the equipment we would be giving to the Indians would not be used against them. We have an agreement with the Indians to the effect that what we give them will be used only to defend the northern border where they had been attacked.

Mr. GRANT. Against the Chinese Communists.

General FUQUA. Against the Chinese. We are talking about the Chinese; yes, sir.

Mr. FLYNT. Suppose India and the Chinese Government resolve their differences and India then undertakes to begin anew its long-standing quarrel with Pakistan over the Kashmir, what would be our position, from the standpoint of the military assistance program director, and yourself as director for this region, if certain of those arms were to be used against Pakistan, which country also received substantial military assistance from this country?

General FUQUA. If this were to happen, sir, this would be a violation of a formal agreement reached between the Government of India and the Government of the United States. What action would be taken by the United States, I am not prepared to state, but I know it would be a political decision as to what action would have to be taken in view of this violation.

As far as I am concerned—perhaps I speak for General Wood—I would think that this would terminate and tend to nullify any military assistance agreement we have because they were not fulfilling the terms of the bargain.

Mr. FLYNT. You and General Wood certainly would be consulted before any political decision would be reached with regard to what to do in the event that took place?

General FUQUA. I do not think I would be consulted in it, sir. I think this would be a political decision taken at the highest level with the Joint Chiefs and the President of the United States, if this were to happen.

Mr. FLYNT. If that should happen—and, of course, it is in the realm of speculation, but I do not think it is an unreasonable speculation—if the border dispute between China and India could be settled, it is reasonable to assume that the differences between India and Pakistan will sooner or later recur, in which event we would find ourselves in the very untenable position of having furnished military assistance to India with which they wage war against Pakistan, and having having furnished military assistance to Pakistan with which they wage war against India. Is that correct?

General FUQUA. I admit it would be a very undesirable situation. There is no question about it.

Mr. FLYNT. If that situation should develop, would we be better off for having brought it about and made it possible, or would the position of the United States be a more tenable one if we had not contributed arms to either nation with which to wage war against the other?

Mr. GRANT. Sir, may I speak to this?

Mr. FLYNT. I would be glad for you to.

Mr. GRANT. We have a series of assumptions that we have to deal with in the future. We think we know the Chinese Communists pretty well from the firsthand experience we have had with them in the past 15 years—in Korea, South Vietnam. the Taiwan Straits, and we have watched how they work on the mainland. We are satisfied in our own minds that they have no intention of reaching a settlement with India, and that even if there is a border settlement per se on the border, we are now at the beginning of what is a long-term confrontation between India and Communist China. The events of the last 6 months have made this very definitely the most probable course over the next 5 or 10 years.

So, on the first point, there is very little prospect for an overall settlement between India and China at this time.

Even if there were a border settlement but this long-term confrontation were left, I think the Indians have learned a lesson from this period, which is that they cannot afford really to engage in the kind of difficulty they had with Pakistan before. Our agreements with the Indians do provide not only their assurance that these arms are only for use against the Communist Chinese, but they also have, my understanding is, a provision when they are no longer needed for that purpose, for return to the United States.

Mr. PASSMAN. I wonder if the General would comment. Could we have your views on that situation, sir?

General FUQUA. I do not think this is a military problem, sir. I think it is entirely a political problem. I defer to Mr. Grant.

Mr. PASSMAN. If we caught ourselves in the position that India and Pakistan——

General FUQUA. If we were in such a position as the gentleman just traced out, we would have to make a very thorough estimate of the situation to determine exactly what to do. This, I say, would be something that would have to be done by the Joint Chiefs. It would be a very high-level decision to determine what we would have to do. We would be confronted with which way to go on this thing.

Mr. PASSMAN. Come home or go the other way.

Mr. Rhodes?

Mr. RHODES. I have no questions, Mr. Chairman, except to state for the record that General Fuqua wears his first hat just as well as he wears his second, and does a fine job.

ADEQUACY OF GREECE AND TURKEY PROGRAMS

General FUQUA. May I make one statement for the record, sir. Earlier, Mr. Chairman, you asked me a question to which I gave you an improper answer, and I would like to correct it for the record. You asked a question about my views as to the adequacies of the Greece program, and when I answered the question, you said I was not in agreement with certain other people who had testified. The Turkey program.

Mr. PASSMAN. I did not say that, unless you overheard my whisper.

General FUQUA. I think I overheard your whisper.

Mr. PASSMAN. You said you were satisfied, and I hope you will stick by it.

General FUQUA. It is not my province——

Mr. PASSMAN. Let us have you point out the deficiences, then.

General FUQUA. I beg your pardon, sir?

Mr. PASSMAN. Let us go back to Turkey or to Greece. Where are the deficiencies?

General FUQUA. I say I will not contest the answers given by the Secretary.

Mr. PASSMAN. We would not expect you to do so. As far as the answers to my questions, are you going to let them stand?

General FUQUA. I will not change my answers. I just wanted to get on the record I do not care to dispute the answers that were given by the others.

Mr. PASSMAN. Let the record do the disputing. It is a lot better.

Before we conclude, you recognize, of course, that there positively has been nothing personal about this. We have a job to do, and we are going to do it the best we know how.

I want to repeat that you have always been just as responsive as you could be to the questions asked by the members of this subcommittee. For that fact, we are grateful. It has been a pleasure to have you back before the committee.

MONDAY, MAY 27, 1963.

MILITARY ASSISTANCE PROGRAM, FAR EAST

WITNESSES

REAR ADM. LUTHER C. HEINZ, U.S. NAVY, DIRECTOR OF FAR EAST REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, ISA
FRANK K. SLOAN, DEPUTY SECRETARY OF DEFENSE (ISA) FOR REGIONAL AFFAIRS
ROBERT BARNETT, DEPUTY ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
COL. ROBERT C. RAUL, U.S. AIR FORCE, FAR EAST REGION, OASD/ISA
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
COL. CLYDE M. DILLENDER, JR., U.S. ARMY, LEGISLATIVE AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID
JOHN M. MULLEN, MILITARY ASSISTANCE PROGRAM OFFICER, AID
RUTHERFORD M. POATS, SPECIAL ASSISTANT FOR FAR EAST (CONGRESSIONAL), AID
HENRY SANDRI, FOREIGN ASSISTANCE PROGRAMS ADVISER FOR FAR EASTERN AFFAIRS, STATE DEPARTMENT

Mr. PASSMAN. The committee will come to order.

We have with us this afternoon Rear Adm. Luther C. Heinz, Director of the Far East Region, who will present the military assistance budget request for that area.

Admiral Heinz, we are very pleased to have you back before this subcommittee.

If you have a statement to make, we invite you to proceed, sir.

GENERAL STATEMENT

Admiral HEINZ. Mr. Chairman, and members of the committee, I am glad to be here again to discuss the military assistance program in the Far East.

The cumulative military assistance program for the Far East region will total $8,180 million as of June 30, 1963. Of this amount, it is expected that $7,350 million will have been expended by that date and $830 million will be in the pipeline.

The proposed fiscal year 1964 program for the Far East is $671.9 million, which is $13.5 million less than the fiscal year 1963 program. We propose a fiscal year 1964 program for the same countries which were in the fiscal year 1963 program.

The proposed fiscal year 1964 program of $671.9 million will provide $133.1 million for essentially fixed charges; $303.1 million for force maintenance—to provide spare parts, attrition replacements, repair and rehabilitation of equipment, and other consumables to protect our investment in forces currently in being; and $235.7 million for force improvement.

The force improvement would include aircraft, missiles, naval vessels, artillery, weapons, communication and engineer equipment, and general and special purpose vehicles.

STRATEGIC FACTORS IN THE FAR EAST

In the Far East the United States is in a cold war confrontation not only with the worldwide power thrust and the neocolonialism of the Soviet Union but also, and more importantly, the aggressiveness and neo-imperialism of Communist China. To achieve our objectives, we must use all weapons of our political, economic, and military powers in careful combinations. Military assistance is one of our weapons, and a vital one. It is, however, not the only vital weapon in this international struggle.

In the non-Communist part of the Far East there are significant assets of great importance to the Western World—Japan, which is in the process of again emerging as a world power under democratic, responsible leadership; the increasingly prosperous Republic of China; the independent but vulnerable countries of southeast Asia; and the increasingly strong allied countries of Australia and New Zealand.

Our objective is not only to constrain further expansion of Communist power in the Far East. It is also necessary to the maintenance of the U.S. international position that our freedom of access to and through the area be sustained. It is of paramount strategic importance that our frontier with communism in the Pacific remain where it is—thousands of miles west of the continental United States.

The United States is the primary power in the Pacific. Our first line of defense has long been drawn 5,000 miles from continental U.S. shores, in those countries which front on the U.S.S.R., Communist China, and their Asian satellites. Any threat to the political or physical security of those countries constitutes a threat to the United States.

The United States has entered into six bilateral and multilateral defense treaties in the Far East. In case of Communist aggression we are committed to act to meet the common danger in most of the countries for which we have military assistance programs. Therefore, it is in the best interest of the United States to promote the self-defense potential of the armed forces of these nations. Military assistance provided over the years has supplied equipment and training required to build up the defense capability of our Far Eastern allies, some more than others. More is required in some countries than others, and our 1964 program takes this into account.

(Off the record.)

Admiral HEINZ. From the political, as well as military and economic viewpoints, the nations of the Far East run the gamut of national progress, from modern Australia and Japan at the geographical extremities to the [———] Kingdom of Laos in the middle. Vast economic and human resources, still untapped, are located here. The

potential of Indonesia is still to be realized, as is that of southeast Asia. It is in our interest that this potential not be developed by and for communism. We have committed ourselves within this area through mutual defense treaties. We maintain large U.S. forces in the Western Pacific, in recognition of the importance of the area to us and of the need to have U.S. military power readily available there, should it be required.

Military assistance acts in support of these overall basic considerations. In so doing it fulfills three main objectives, depending upon the country concerned: (1) To assist in building and maintaining military forces which make a major contribution to anti-Communist strength, and which could play an important part in the case of a general war with Communist forces in the Pacific; (2) to support military forces which are necessary for internal security and capable of serving only that purpose; (3) to provide aid of a military nature as a means toward achievement of U.S. political objectives.

In support of the first objective, military hardware and training are furnished to Korea and the Republic of China to support those forces which the United States has agreed are essential to the accomplishment of U.S. and allied objectives. In each case, the recipient nation's capabilities are carefully considered in connection with U.S. plans to meet the exigencies of war. For Japan, our assistance is on a cost-sharing basis in the discharge of existing commitments, and for Australia on a loan basis.

With respect to the second objective, military assistance is provided as the individual countries warrant. In Vietnam our assistance is geared to the fighting of a war; in the Philippines the requirements and the military assistance program are quite different.

(Off the record.)

Admiral Heinz. There is another aspect of the program which makes a unique and valuable contribution to the economic and social well-being and progress of friendly countries. That is the portion of the country program which is devoted to civic action. Military and economic aid are frequently combined in joint support of a particular project, with indigenous armed forces providing the labor force, U.S. military assistance providing the equipment, and AID supplying materials. Such projects include roadbuilding, the development of communications facilities, sanitary engineering, and public health programs, all of which are designed principally to strengthen the civilian economy, promote rural development, and raise standards of living. They also generate valuable byproducts in that they bring home to the populace the fact the government and its armed forces are concerned with and doing something about the well-being of the people. The resultant increased confidence in both the government and the military greatly lessens the vulnerability of the populace to the blandishments and threats of Communist agents engaged in fomenting subversion. Civic action programs make a very real contribution to countering insurgency in countries where the leaders of the Sino-Soviet block are supporting those so-called wars of national liberation.

What all this means is that our military assistance program in the Far East, in serving our national self-interest, promotes defensive strength, assists economic improvement, and supports our political and

economic programs—none to the total exclusion of the other. The program is a key instrument of U.S. foreign policy and military strategy, and is a means of conserving our human and financial resources without sacrificing our security.

Next I propose to discuss briefly the various country programs.

KOREA

The proposed fiscal year 1964 program for Korea is $——— million.

There is in the fiscal year 1964 program $——— million for essentially fixed charges; $——— million for force maintenance; and $——— million for force improvement.

By its participation in the Korean war, the United States undertook to insure the independence of South Korea. Today that independence is maintained by the ROK armed forces and the assurance of U.S. and U.N. intervention in the event of Communist-renewed hostilities. The Republic of Korea maintains one of the better trained and the third largest army among the free world allies. But Korea has neither the economic nor the industrial base required to support alone such a large military establishment.

(Off the record.)

JAPAN

Admiral HEINZ. The proposed fiscal year 1964 program for Japan is $——— million. It is restricted to the fulfillment of commitments. When these are completed our assistance relationship with Japan will be the same as our relationship with our major Western European allies. Remaining commitments are for cost-sharing of specific force improvement projects ———.

(Off the record.)

Admiral HEINZ. The United States is deeply committed to the guarantee of Japanese independence. The Japanese since World War II have grown strong economically and militarily, and are growing stronger each year. The United States-Japanese relationship is emerging into a close alliance of mutual assistance.

(Off the record.)

REPUBLIC OF CHINA

Admiral HEINZ. The proposed fiscal year 1964 program for the Republic of China is $——— million, ———. The year's program includes provision for some of the force improvement which had to be deferred in fiscal year 1963. It contains $——— million for essentially fixed charges; $——— million for force maintenance; and $——— million for force improvement.

The United States is committed by treaty to assist in defense of Taiwan and the Pescadores.

(Off the record.)

PHILIPPINES

Admiral HEINZ. The proposed fiscal year 1964 program for the Philippines is $——— million, $———. This will provide $——— million for essentially fixed charges; $——— million for force maintenance; and $——— million for force improvement.

(Off the record.)

Admiral HEINZ. The Philippine program is aimed at assisting the Philippine Government to maintain internal security and to carry out its SEATO commitments.

VIETNAM

The proposed fiscal year 1964 program for Vietnam is $———. This will provide $——— million for essentially fixed charges; $——— million for force maintenance; and $——— million for force improvement.

The proposed fiscal year 1964 program reflects continued U.S. efforts to improve the capabilities of the Vietnamese armed forces ———. Military assistance is planned in this program for ——— regular armed forces and a total of $——— civil guard and self-defense corps paramilitary forces. The strategic hamlet program is being continued, a program that has proven highly successful over the last year. Funds are provided for the construction of defensive barriers around additional hamlets and to furnish the defended hamlets with communications and weapons.

(Off the record.)

CAMBODIA

Admiral HEINZ. The proposed fiscal year 1964 program for Cambodia is $———. Our assistance is essential for strengthening the capability of the Cambodian forces to maintain internal security against subversion and insurgency inspired by Communists.

(Off the record.)

Admiral HEINZ. Small amounts of training are planned for all services.

LAOS

The fiscal year 1964 program for Laos is $———.

(Off the record.)

THAILAND

Admiral HEINZ. The proposed fiscal year 1964 program is $——— million. This will provide $——— million for force maintenance; $——— million for fixed charges, and $——— million for force improvement.

This program represents an increment in a force buildup program to provide the Thai armed forces with a strong counterinsurgency and internal defense capability.

(Off the record.)

INDONESIA

Admiral HEINZ. The proposed fiscal year 1964 program for Indonesia is $———. It is a sales program under which the Indonesians are committed to make a payment in local currency to the United States for materials received. Each year, so far, the Indonesians have proposed to meet their obligations and then have requested that payment be deferred. The fiscal year 1963 program was $16.4 million.

The fiscal year 1964 program provides for the continuation of standardization for the army, small numbers of vehicles, communications systems, and, most importantly, equipment for civic action purposes.

(Off the record.)

Admiral HEINZ. There is no effort on the part of the United States to match Soviet military aid, but the comparison between U.S. equipment well maintained in operating condition and large amounts of Soviet equipment inoperative for lack of spare parts cannot but influence Indonesian authorities.

In the field of civic action, we are assisting an Indonesian program, giving help for peaceful purposes, and providing assistance where it is most needed—rural socioeconomic development, with the political objective of the program being the counteracting of Communist influence in that nation. With our help, the Indonesian Army is improving roads, and irrigation, building village facilities, and assisting the rural population. This we consider the most important part of our program.

ASIAN PROGRAM

A special Asian program is established to provide for anticipated increases in Asian programs ———. We know now that these programs will exceed the amounts proposed in this presentation, but we are unable to define precisely the items or amounts which will be required.

CONCLUSION

In conclusion, I want to stress that in the Far East we find ourselves confronting aggressive Communist power—political, economic, psychological, and military. The United States is assisting its allies who are engaged in a war against this power. In Vietnam, the war is a shooting one. Open hostilities could spread to other areas. The United States can neither afford to lose in southeast Asia nor to invite aggression in the northern arc of the area. Vital and direct U.S. interests are at stake, as well as vital interests of the countries concerned.

Thank you, sir.

Mr. PASSMAN. And we thank you.

RESERVATIONS, OBLIGATIONS, AND EXPENDITURES

Admiral Heinz, you are familiar with the procedure involved in establishing funds for the military assistance program, are you not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do you understand, as I do, that when the Congress appropriates the money, it moves then to the Defense Department, which has the right to reserve funds, and at a later date, after the orders have been placed, it becomes an obligation until the deliveries are made?

Admiral HEINZ. It is an obligation of the military assistance program until the equipment is delivered. At this point, the "Military asistance program" appropriation must pay the delivering service for that equipment.

Mr. PASSMAN. You are familiar with the fact this is the only agency in which funds can be reserved? They can estimate what the cost may be for a country program and enter a reservation in that amount.

Admiral HEINZ. The funds are not reserved as such. The funds are obligated to carry out the program which has been approved by the Congress. At the time the funds are obligated, a MAP order is issued and the procedure of procurement and delivery takes place. At the time of delivery, the actual expenditure then takes place from the military assistance program funds.

Mr. PASSMAN. Are you familiar with the reservation provision of this appropriation?

Admiral HEINZ. I am not familiar with the particular reservation provision to which you are referring.

Mr. PASSMAN. Let me familiarize you with it. You have a lot of money under your command.

When the Congress appropriates this money, you do not go into an obligation status, but you go into a reservation status. The Defense Department reserves money to pay for future deliveries. Do you understand that fact?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Is it your understanding that the Defense Department may have priorities on certain items and that the higher priorities would be funded first and later they would fund those with the lower priorities?

Admiral HEINZ. Whenever there is competition for equipment within the services, or with the program for provision of material, there are bound to be priorities established. It is routine practice to fill your highest priorities first.

Mr. PASSMAN. So that fact we understand.

FIRMNESS OF PROGRAM PRESENTED TO COMMITTEE

Is it your understanding this is an illustrative program, that we appropriate the money and that the Defense Department may spend the money in the country or that it may be transferred? The funds are not specifically appropriated for a country and by item.

Admiral HEINZ. Insofar as we can make it one, this program is a firm program, not an illustrative program. This is the most definite program that, to my knowledge, we have been able to present to the Congress. There certainly will be changes in it because requirements inevitably change during the year.

Mr. PASSMAN. You do not accept this as an illustrative program?

Admiral HEINZ. No, sir.

Mr. PASSMAN. You are going to leave it in the record that this is not an illustrative program?

Admiral HEINZ. It is as firm as we can make it.

Mr. PASSMAN. We know that is so, but it can still be quite loose.

May I ask, did you have assistance in preparing this statement, or was it your own?

Admiral HEINZ. I had assistance.

Mr. PASSMAN. When did you prepare this statement?

Admiral HEINZ. This statement has been prepared over the past 4 months, I would say.

Mr. PASSMAN. Did you read the statements of your counterparts in other regions before you prepared yours?

Admiral HEINZ. No, sir.

WORLDWIDE UNEXPENDED BALANCES FOR MAP

Mr. PASSMAN. Are you familiar with the pipeline for the overall military assistance program?

Admiral HEINZ. I am familiar with the unexpended balance feature of the program; yes, sir.

Mr. PASSMAN. What do your records show as the total unexpended balance for the military assistance programs, worldwide?

Admiral HEINZ. For the total program, July 1963 and after, $2,346,885,000.

LENGTH OF PIPELINE

Mr. PASSMAN. That is approximately a 22-month pipeline, according to expenditures and plans; is that correct?

Admiral HEINZ. This is a program——

Mr. PASSMAN. The total request is $1,405 million for fiscal year 1964.

Admiral HEINZ. That is the request for new obligational authority to which we propose to add $125 million of prior year funds which can be reprogramed for a total program of $1,530 million.

Mr. PASSMAN. I am speaking only of your new money request—$1,405 million.

Admiral HEINZ. That is correct.

Mr. PASSMAN. What would be your mathematical conclusions as to the pipeline, in total?

Admiral HEINZ. I would say that that amount of money, insofar as possible, would be delivered within the next year, or a year and a half after July 1, 1963. There can be no definite time put on that.

Mr. PASSMAN. I am only using averages. If you use your fiscal year 1964 request of $1,405 million, and if you get the full figure—and it would take a gallon of ammonia at the Defense and State Departments to revive them if you got that amount of money—and if you have on hand $2,346 million, and I am not putting the two together, but just taking the unexpended amount, and using round figures, that is in excess of 20 months' supply.

Admiral HEINZ. 1.4 goes into 2.35 about 1.7 times. However, this is only a mathematical computation.

Mr. PASSMAN. We are dealing with figures, so let it be mathematical.

If you had a lower pipeline for your region, a pipeline supply of money for 1 year out of this, then would that increase the pipelines of other regions?

Admiral HEINZ. No, sir; it would not. Because this money does not represent a pipeline, but represents materiel which has been ordered but for which funds have not yet been expended. The programs are in development.

Mr. PASSMAN. What is a pipeline, sir?

Admiral HEINZ. It represents the approved programs in the process of implementation. For instance, last year the Congress appropriated money for aircraft. These aircraft have been allocated to specific countries. The aircraft have not yet been delivered. They are long leadtime items. Therefore, a certain amount is shown there as an unexpended balance and it will be shown until the aircraft are delivered. You cannot say that if this were cut, automatically the program of some other country would go up.

Mr. PASSMAN. You are making the record, not I.

You say this is not a pipeline?

Admiral HEINZ. It is an unexpended balance.

Mr. PASSMAN. Is that not what you call a pipeline?

For 9 years I have understood we were dealing with a pipeline. Your own statement refers on page 1 to a pipeline. You are now changing your own statement.

The pipeline is the amount of money you have on hand unexpended, is it not?

You say in your statement it is a pipeline, and every other witness says it is a pipeline. You say now, however, it is not a pipeline. Is it a pipeline?

Admiral HEINZ. I am defining a pipeline as an unexpended balance of items and services not yet delivered.

I would also like to make the point at this time, during this past year the overall unexpended balance has been cut by over $200 million.

Mr. PASSMAN. I hope it can be cut by a lot more than that.

We are speaking again of a pipeline. You will have on hand in the MAP on June 30, $2,346,900,000 for 70 nations around the world.

Just say that is a 22-month supply of money, on the basis of your fiscal year 1964 request; whereas, referring to your specific region of $830 million, that represents approximately 25 percent of the pipeline, or funds on hand, and if yours is operating on a 12-month basis, with a 2-month world supply of funds?

Admiral HEINZ. Did you say 18?

Mr. PASSMAN. I say 22. If you have a 22-month supply of money in the pipeline without any additional appropriation, it amounts to $2,346,900,000. And if you have reduced your pipeline to 1 year, and you have a 22-month supply of money, or 20 months, it simply means some of the other regions must have a 3-year supply of money, or a 2½-year supply of money.

Admiral HEINZ. It means that programs for different countries are quite different.

Mr. PASSMAN. It simply means you have on hand funds on the basis of their justification to fund them for 2½ or 3 years, providing we take out 25 percent of your total on a 12-month basis.

Admiral HEINZ. It means, the way I interpret it, that since the Congress has approved previous programs with long leadtime items in them, by the method of funding we use we are bound to have this amount of unexpected balance after July 1963.

Mr. PASSMAN. That fact is understandable. There is no use to fuzz up the record.

You do have a pipeline?

Admiral HEINZ. Yes.

Mr. PASSMAN. Of a certain amount of money. You have a leadtime, and you have an average leadtime. We have been given the leadtime, and we know what the pipeline is, and the average expenditure, and you have on hand from 20 to 22 months' supply of money, worldwide, if you did not get another dime.

If your area has a shorter pipeline, it simply means the others have a longer pipeline, otherwise you could never get the world average.

KOREA

The proposed 1964 program for Korea is, and you have the amount here—you say:

(Discussion off the record.)

REDUCTION IN FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Will you tell the committee specifically what items you could not fund because of any adjustment made by the Congress last year?

Admiral HEINZ. I can tell you specifically the changes in the program for Korea.

Mr. PASSMAN. Preface that by telling us who made the reduction for Korea. Did you make it or did the Pentagon make it?

Admiral HEINZ. The reduction in the program for Korea was made by the Secretary of Defense upon receipt of the congressional appropriation, which was lower than the administration request.

Mr. PASSMAN. Tell us specifically what items you had to cancel out. What part of the program is hurt by the reductions that the Congress made in the funds?

Admiral HEINZ. We deleted ——— F–104G's, ——— T–37's, ——— FX aircraft, but we did add ——— F–5A's. We deleted the program for ships.

Mr. PASSMAN. Let us get back to the aircraft.

If you strike out rum and substitute bourbon, one offsets the other.

Admiral HEINZ. They may be at different costs.

Mr. PASSMAN. This is not valid in my opinion. We are going to show it is not. You deleted a total of how many aircraft?

Admiral HEINZ. ——— F–104G's, ——— T–37's, ——— FX's.

Mr. PASSMAN. Is the T–37 a fighter?

Admiral HEINZ. It is a trainer.

Mr. PASSMAN. Let's stick to the fighter.

Admiral HEINZ. ——— FX's.

Mr. PASSMAN. So you deleted ——— and you added ———?

Admiral HEINZ. We deleted ——— F–104G's and ——— FX fighter aircraft for a total of ———. We did add ——— F–5A's and ——— F–5B's.

Mr. PASSMAN. You lost five aircraft, net. Is that correct?

Admiral HEINZ. A net of five aircraft of a different and considerably less expensive type.

Mr. PASSMAN. They would serve the same purpose. That is true all over the whole world.

Admiral HEINZ. They are programing F–5 aircraft throughout the world in the military assistance program.

Mr. PASSMAN. You substituted a newer aircraft for the older aircraft?

Admiral HEINZ. And less.

Mr. PASSMAN. Less what?

Admiral HEINZ. Less aircraft.

Mr. PASSMAN. Five total.

What else?

Admiral HEINZ. We deleted the program for ships.

Mr. PASSMAN. I do not believe the Congress approved the ship loan program, did it?

Admiral HEINZ. The——

Mr. PASSMAN. You got no legislation for a ship program, did you?

Admiral HEINZ. We had a ship loan legislation program which was approved by the Congress. The ships program for Korea did not all need congressional approval.

Mr. PASSMAN. How many did you delete on account of no congressional action?

Admiral HEINZ. In the presentation for Korea, we had one DE.

Mr. PASSMAN. What is that?

Admiral HEINZ. A destroyer escort.

Mr. PASSMAN. That would have required congressional authority that you did not get?

Admiral HEINZ. That did require congressional authorization which had been previously obtained. Three PGM's.

Mr. PASSMAN. What is a PGM?

Admiral HEINZ. A patrol gunboat.

Mr. PASSMAN. The cost each?

Admiral HEINZ. The cost of this is approximately $———.

Mr. PASSMAN. That is $——— million.

Did that require congressional action?

Admiral HEINZ. No, sir. The only types that require congressional action are destroyers, destroyer escorts, submarines and larger.

Four MSC's, minesweepers.

Mr. PASSMAN. What do they cost?

Admiral HEINZ. $———.

Three PCE's, coastal patrol craft; three LCM's, and one LCVP, and overhaul and modification of one APD and one APC was the original program.

Mr. PASSMAN. In prior years, what percentage of your program have you been able to fund? You have these imaginary programs. You have the more realistic programs. You have had that ever since you have been in the Navy.

In prior years, you have also had one of these full force programs, but you would get a percentage of the money and you could fund only a percentage of your requirements; is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. So, in reality, what is the total cost on these ships now?

Admiral HEINZ. The total cost here—compared to the program that was implemented——

Mr. PASSMAN. Let us take the cost of these ships.

Admiral HEINZ. Approximately $18.6 million.

Mr. PASSMAN. What did you substitute in place of them?

Admiral HEINZ. We did not.

Mr. PASSMAN. When did you firm up this program, these ships, what year?

Admiral HEINZ. This is the 1963 program we are discussing.

Mr. PASSMAN. How long have you had these ships marked up on your list as something desirable, or that you need, for that area?

Admiral HEINZ. I could not say when they first appeared in the Korean program. It could have been as many as 3 years ago that the naval forces needed these ships.

Mr. PASSMAN. Let us get the cost, if we can, of these destroyers? What is the figure for a DE?

Admiral HEINZ. $——— million for a DE.

REDUCTIONS IN KOREAN PROGRAM

Mr. PASSMAN. So actually then, if you had all the money you wanted for this program, there would only have been a difference of about $15 million?

Admiral HEINZ. I have only started on the deletions made in the Korean program: 223 medium tanks, 20 104-millimeter and 53 155-millimeter howitzers, ——— missiles, a reduced number of air-to-air missiles, reduced follow-on spares for vehicles, weapons and missiles, for ammunition and electronics and communication equipment, reduced repair and rehabilitation of MAP material, and in a few special cases there was some increase, for example in "other" equipment and supplies.

Mr. PASSMAN. What is the total of that would-be force improvement equipment?

Admiral HEINZ. Proposed fiscal year 1963 program, force improvement for Korea was $———; fiscal year 1963 actual was $——— a reduction of $49.136 million.

THEFT OF MAP EQUIPMENT IN KOREA

Mr. PASSMAN. Is this the same country where they had so much excess military equipment they went out and stole equipment and put it in their stores for sale on the streets and our military bought our own equipment back?

Admiral HEINZ. This is Korea you are talking about.

Mr. PASSMAN. You are familiar with that condition?

Admiral HEINZ. I am familiar with those allegations.

Mr. PASSMAN. I am making a statement of fact. If you have anything to disprove it, put it in the record and take all the time you need. But, you will have to get your predecessor to take his remarks out. Before you limit this to allegations, you have a look at the record.

Admiral HEINZ. The condition you are describing is the theft of MAP equipment.

Mr. PASSMAN. You are getting allegations into facts now.

Admiral HEINZ. This is what we are talking about.

Mr. PASSMAN. You are dealing now with allegations or facts?

Admiral HEINZ. I am dealing with facts.

Mr. PASSMAN. Please do.

Admiral HEINZ. This was a serious problem in Korea. It included not only thefts of equipment, it also included the stripping of vehicles going in for central rebuild and repair. This was a problem that our military had been working on with the Korean military for some time.

When the new government came into power 2 years ago, they made a strong drive against corruption. As a result of action by the

Korean Government, there was a great reduction of the theft, pilferage and diversion of equipment. I can recall describing this to you at the hearing last year.

Mr. PASSMAN. You verified what I said, they were stealing military equipment, or vehicles, or whatever it was. You say there has been an improvement in this condition. We hear that claim every year.

I have been on this subcommittee 11 years and there has been an improvement, according to the witnesses, every year. We expect it to get better. Let us hope it will get better.

Admiral HEINZ. I gave you the facts last year which did illustrate the improvement, and showed that stripping of vehicles went to one-twentieth of the previous rates. The thefts went down to about 20 percent of the previous rates. These were factual improvements that I reported last year.

Mr. PASSMAN. Thank you, Admiral.

MAP COORDINATION AND PLANNING

You are acquainted with your counterparts, or coequals, administering the military assistance program in other sections of the world, are you not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do you people have regular meetings and discussion of your common problems and this overall military problem, worldwide?

Admiral HEINZ. Yes, we do.

Mr. PASSMAN. And exchange ideas as to how it is supposed to progress?

Mr. PASSMAN. I have a lot of respect for you and those two stars on your shoulders, but you are making claims not made by the people you work and counsel with over this program. We asked them if they had a satisfactory program going in their regions, and without exception they said yes, but you are building up a case of a deficiency. This is the taxpayers' money we are spending. You would not think someone could have slipped in and put about three paragraphs into your statement without you knowing anything about it?

Admiral HEINZ. I know they did not.

FISCAL YEAR 1963 FUNDING WITHOUT PRIOR JUSTIFICATION

Mr. PASSMAN. Do you have any countries in your region funded out of fiscal year 1963 funds that you did not justify before the Congress last year?

Admiral HEINZ. No, sir.

Mr. PASSMAN. You mentioned, I believe, India in your statement.

Admiral HEINZ. Yes, I mentioned it, but that is not in my area.

Mr. PASSMAN. They found money somewhere out of the 1963 appropriation to fund the Indian MAP program, and around the world they started many new programs, and many programs were funded in an amount in excess of the funds requested and justified before Congress, and in many other instances they funded programs which had not been justified before Congress.

How much did you fund for ——— in the 1963 request?

Admiral HEINZ. The fiscal year 1963 request for ——— was for ———.

Mr. PASSMAN. What did you obligate for ———, for fiscal year 1963?

Admiral HEINZ. The obligation was $——— million.

Mr. PASSMAN. So that is a slight increase?

Admiral HEINZ. Yes, a slight increase.

ACQUISITION COST OF FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Now let us go back to the actual acquisition cost of what you programed for ——— last year.

By the mathematical formula you are using, I could work the Defense Department request down to $300 if I wanted to keep the percentage low enough. Let us let the record show the real cost.

Admiral HEINZ. The cost of the program was the figure I gave.

Mr. PASSMAN. Is that the acquisition cost or is that the percentage of what they paid?

Admiral HEINZ. ———. There were some excess stocks that were——

Mr. PASSMAN. How much, please? The amount.

Admiral HEINZ. Excess stocks valued at $4,532,000 were provided from the fiscal year 1963 program. That is the acquisition cost, not the cost to military assistance.

Mr. PASSMAN. How much did you ask for that last year?

Admiral HEINZ. We did not ask for any appropriation for excess stocks for this country, nor do we at any part of the program, sir. We ask only for rehabilitation and repair costs of excess stocks.

Mr. PASSMAN. You do indicate to the Congress a year in advance, do you not, the amount of excess stocks you are going to give to a nation?

Admiral HEINZ. We do.

Mr. PASSMAN. What did you mention last year as going into ——— out of excess stocks?

Admiral HEINZ. The amount shown for ——— in excess stocks——

INDONESIA

Mr. PASSMAN. That is good enough. I did not think you showed any last year. How about Indonesia? How much did you have in your request last year for that country?

Admiral HEINZ. The request last year was ———.

Mr. PASSMAN. What amount did you program?

Admiral HEINZ. The 1963 program shows $16,386,000.

EXCESS STOCK PROGRAM

Mr. PASSMAN. How much did you request last year for excess stocks for Indonesia?

Admiral HEINZ. The program presented to you showed nothing in excess stocks, sir.

Mr. PASSMAN. How much of these stocks did you give them?

Admiral HEINZ. In excess stocks for Indonesia in the 1963 program, $1.76 million calculated at acquisition value.

Mr. PASSMAN. That is what we are interested in. Are these ——— nations that we had this humbug type of deal with? I think for ——— a few years ago you had a planned allocation—and I am rather sure you had a firm allocation at subsequent date for the planned program—of $40 million and they said, in effect, "We don't want any grant aid. We want to pay for it. We want to have the right to place a value on the equipment." We said, "Good." I think we gave them —— and they arrived at a value of ———. Am I reviewing that transaction according to your understanding?

Admiral HEINZ. The program for ———.

Mr. PASSMAN. I am going back several years.

Admiral HEINZ. You are going back several years; yes, sir. In fiscal year 1958, there was a ——— program; in fiscal year 1959, ———; in fiscal year 1960, ———.

Mr. PASSMAN. Then they agreed to pay ——— percent of the acquisition cost?

Admiral HEINZ. They agreed to pay ———. It was not set as a fixed percentage.

Mr. PASSMAN. Let us say, whether fixed or not fixed—but we were told it was fixed—it represents about ——— percent of the ——— we gave them. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Thank you very much, Admiral. Did they ever pay us?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. With what?

Admiral HEINZ. They paid us with local currency.

Mr. PASSMAN. What did we do with it?

Admiral HEINZ. It went to to the account of the Treasury.

Mr. PASSMAN. I imagine it is still to the account of the Treasury. As far as you know, it has not been spent?

Admiral HEINZ. That is the Treasury's business, sir.

Mr. PASSMAN. How about Indonesia? We had another one of those kind of skin games working with them.

Admiral HEINZ. Before we leave ———, sir, may I state that in this year the program which we justified for you and the program which was carried out, ——— paid ——— of local currency for a program of approximately ——— million in materials. In each case where a program is implemented, the amount they will pay is determined.

Mr. PASSMAN. It could be 1 percent, it could be 50 percent.

Admiral HEINZ. It could be either way.

Mr. PASSMAN. How about Indonesia? Did we have the same kind of deal with them?

Admiral HEINZ. In Indonesia we had a sales program in 1958.

Mr. PASSMAN. I want to talk about a grant program. I want to talk about the same percentage. Do you not give them a certain amount of equipment and we accept a very small percentage of its acquisition cost in payment, and then we issue a joint statement that we are selling them equipment? Is that not about correctly stated?

Admiral HEINZ. Indonesia agreed to pay us ——— rupiah.

Mr. PASSMAN. How much is that in dollars?

Admiral HEINZ, This depends upon the rate of exchange.

Mr. PASSMAN. Let us take the last rate you know anything about. Let us get down to dollars.

Admiral HEINZ. At the present time, the official rate is still 45 to 1.

Mr. PASSMAN. How much is that in dollars?

Admiral HEINZ. ——— rupiah at 45 to 1 is about ———.

Mr. PASSMAN. All right, ———. That is what——

Admiral HEINZ. ———.

Mr. PASSMAN. ———. Let us work it down to dollars now. How much is that, sir?

Admiral HEINZ. ———.

Mr. PASSMAN. We were going to get ——— in local currency for how much equipment, acquisition cost?

Admiral HEINZ. That program in equipment for Indonesia at that time, the 1959 program, totaled, I would estimate now, for equipment, around $14 million.

Mr. PASSMAN. We got ——— in dollars.

Admiral HEINZ. Roughly about ——— percent.

Mr. PASSMAN. They have not paid it yet, have they?

Admiral HEINZ. They have not paid it.

We justified to you as a grant aid program——

Mr. PASSMAN. You mean you make a statement to us to endeavor to justify something? You have not convinced me that you are right. I think this is about the craziest thing that man has ever been up against.

Admiral HEINZ. It is not crazy, sir.

Mr. PASSMAN. Not in your opinion, but it is in mine, and we both have a right to our opinions. I reserve to you the right to have your opinions.

IMPORTANCE OF ASSISTANCE TO INDONESIA

Admiral HEINZ. Because of the great strategic importance of Indonesia, I feel we must make an effort to help Indonesia to keep its independence. I think this is very important to the United States as a nation.

Mr. PASSMAN. You know as well as I do that Sukarno is just as anti-Western as he can be. He is very pro-U.S. dollars. He had the President of China over the other day, and they were there holding hands. When they finally left, they were so convinced that they were going to roll us, they kissed goodby and swore allegiance to each other, declaring that their views would prevail over the Western views. You know as well as I do, the largest party in Indonesia is Communist, and the other day they met and talked the others into supporting them. I think they unanimously elected Sukarno to a life term as President.

(Off the record.)

Mr. PASSMAN. Who figures that out?

Admiral HEINZ. ———.

Mr. PASSMAN. Is Sukarno over the army in Indonesia?

Admiral HEINZ. He is,

Mr. PASSMAN. So is President Kennedy over the Army in the United States. If Mr. Kennedy thought that the Army was anti-American, he would do something about it. If Sukarno thought the army was anti-Indonesia, he, too, would do something about it.

(Off the record.)

Mr. PASSMAN. You do not have to let them go. They are already Communist in action, the way they act and talk and the people they associate with.

RUSSIAN MILITARY ASSISTANCE PROGRAM IN INDONESIA

Mr. RHODES. Admiral, I notice on the dividing page ——— one *CL Sverdlov* class. What kind of a craft is that?

Admiral HEINZ. That is a 6-inch light cruiser, Russian.

Mr. RHODES. Are we supporting that?

Admiral HEINZ. We are not.

INDONESIA MILITARY EQUIPMENT

Mr. RHODES. This list is just an inventory of the Indonesian armed services?

Admiral HEINZ. Yes. You will notice ——— destroyer escort types and submarines. These are Russian oceangoing submarines. This is indicative of the Russian military program to Indonesia. They have delivered, as nearly as we can estimate, about ——— worth of military assistance to Indonesia.

Mr. MINSHALL. What have they done in the way of the construction of airfields?

Admiral HEINZ. They have done very little.

Mr. MINSHALL. Have the Russians constructed any airfields, commercial or military, in Indonesia?

Admiral HEINZ. Not to my knowledge. On the question concerning civilian airfields, I would have to turn to Mr. Poats.

Do you know of any?

Mr. POATS. I do not believe so. We can check that.

Mr. MINSHALL. Will you check it, please?

Mr. POATS. Yes.

(Information requested follows:)

The Soviet are not known to have constructed any military or civil airfields for regular commercial service. However, ancillary to Soviet road construction work in southeast Borneo, they did provide locally available equipment and technical help for the building of several of an Indonesian network of small communication airfields to the interior of Indonesian Borneo (Kalimantan), being built by Indonesians to compensate for the absence of ground transportation facilities. These have short runways, minimum facilities, and are designed for use by light aircraft, principally Otters.

INDONESIA-RED CHINA RELATIONS

Mr. PASSMAN. Let us get back to this exhibition between Sukarno and his friend, President Liu, of China. This article says:

Red China Liu, Sukarno kiss, condemn West. Sukarno says China will see fall of West. Indonesia, April 19, AP.—President Sukarno today called Communist China-Indonesia pillars of the new forces and predicted the two nations will see the day when the old established forces will collapse. Sukarno spoke at a state banquet given him by Communist Chinese President Liu Shao-Chi, of Red China, who ends a 9-day visit to this country tomorrow. In turn, Liu referred to Indonesia and China as comrades in arms.

You have a program for Laos, have you not, planned for fiscal——

Mr. BARNETT. Mr. Passman, before you pass on to Laos, could I make a comment on Indonesia?

Mr. PASSMAN. All you want about it.

COMMUNIST THREAT IN INDONESIA

Mr. BARNETT. I think you are quite right that the Communist threat to Indonesia is extremely serious. The party is large and it is active. We do not consider Sukarno to be a Communist.

Mr. PASSMAN. If I may interject, maybe you do not even consider Tito, of Yugoslavia, a Communist, as we would think in terms of the international Communist conspiracy, and the State Department also did not consider Castro a Communist.

Mr. BARNETT. I think all of us consider Tito to be a Communist.

Mr. PASSMAN. Thank you. How about Castro? Do we not consider him to be one now?

Mr. BARNETT. I consider him to be a Communist.

Mr. PASSMAN. You say "I." I do, too, but how about the State Department, who thought he was just the opposite 2 or 3 years ago. Do they say he is a Communist now?

Mr. BARNETT. I do not think there is much doubt about it.

I began by saying that there is a serious Communist danger in Indonesia. This is a danger which arises from the existence of the party there.

Mr. PASSMAN. Majority party?

Mr. BARNETT. It is the largest party.

Mr. PASSMAN. All right.

Mr. BARNETT. It is a danger that arises from the magnitude of bloc military assistance to these islands. Sukarno himself, a man of 62, is the symbol of national revolution in Indonesia, and he has attempted to maintain a balance between all the contending forces within Indonesia. So far, he has preserved the symbolic strength in his country.

Mr. PASSMAN. Busted it along with it, has he not?

Mr. BARNETT. It is a very confused economy that you find there. (Off the record.)

Mr. RHODES. May I ask a question, Mr. Chairman.

Mr. Barnett, if Sukarno really believed that the army is a counterbalance to communism, I think the implication is that he wants it to be that way. Is that a fair statement?

Mr. BARNETT. ———.

Mr. RHODES. Why does he go through all these exercises of vilifying the West and bringing the Communists in and kissing them in public? Why does he do this? Does he see some advantage to himself or to his country in doing this sort of thing?

Mr. BARNETT. Sukarno is a Socialist in his thought processes.

Mr. RHODES. Do you see a great difference between that and being a Communist?

Mr. BARNETT. He does not have any intention of being dominated by any outside power. He believes, I think, that his country is one which can preserve simultaneously an orientation to the bloc and to the Western World, ———.

Mr. RHODES. Let us leave that on the record. I like that.

Mr. BARNETT. I am speaking, sir, of President Sukarno.

Mr. PASSMAN. How could you trust a man like that ———?

Mr. BARNETT. Many of the neutral countries have grown up in a colonial tradition where they dislike domination by stronger countries.

TOTAL PROGRAM IN INDONESIA AND AMOUNT OF REPAYMENT

Mr. PASSMAN. Mr. Secretary, what is our military assistance to Indonesia, this ——— deal we made? How much did they agree to pay us, sir?

Admiral HEINZ. They agreed to pay us for that program in ——— rupiah.

Mr. PASSMAN. Let us say the total program. How much have you allocated to them prior to 1963, to Indonesia?

Admiral HEINZ. The total program——

Mr. PASSMAN. Including fiscal 1963.

Admiral HEINZ. Including 1963, the whole program was $———.

Mr. PASSMAN. Is that the acquisition cost?

Admiral HEINZ. This is the cost to MAP of all military assistance to Indonesia.

Mr. PASSMAN. How much did they agree to pay?

Admiral HEINZ. They have agreed to pay so far, ——— rupiah for the fiscal year 1959.

Mr. PASSMAN. We want the total, if we may get it, sir.

Admiral HEINZ. ——— rupiah for the fiscal year 1960 program. They have also made agreements of similar amounts for the fiscal year 1961 and 1962 programs.

Mr. PASSMAN. Could we get the total in dollars? You gave us the total acquisition cost.

Admiral HEINZ. Not acquisition cost, sir. Cost to MAP. Some of this cost is repair and rehabilitation of excess materials, which is the only charge to the military assistance program when the equipment provided comes from excess stocks.

Mr. PASSMAN. All right, sir, give us, if you will, the dollars that Indonesia promised to repay in their local currency, broken down in dollars.

Admiral HEINZ. This would be for four programs of ——— rupiah which, at the official exchange rate of 45 to 1, would be $———.

Mr. PASSMAN. $———. How much have we collected from them?

Admiral HEINZ. ———.

INDONESIAN PURCHASES FROM RUSSIA AND AMOUNT OF REPAYMENTS

Mr. PASSMAN. Is it true that they have purchased from Russia approximately $1 billion in military equipment?

Mr. BARNETT. Their credits exceed that, and the Russians have spent less than that.

Mr. PASSMAN. How much have they spent?

Mr. BARNETT. Published information indicates they have delivered about $800 million.

Mr. PASSMAN. Have they kept their account paid up to date with Russia?

Mr. BARNETT. ———.

Mr. PASSMAN. Of course, that is not answering my question. How much has Indonesia paid to Russia on her purchases?

Mr. BARNETT. (Off the record.)

(Discussion off the record.)

Mr. PASSMAN. How are they paying it? Are they meeting their obligation as agreed upon?

Mr. POATS. (Off the record.)

(Discussion off the record.)

Mr. PASSMAN. I am asking what they have done in the past. We want to find out, if we can, how they have performed in meeting their obligations in the past.

Mr. POATS. They are making trade settlements.

Mr. PASSMAN. It is the same thing, is it not? Is that correct?

Mr. POATS. Yes, sir.

Mr. PASSMAN. To what extent have they repaid? Is it up to date, as far as you know?

Mr. POATS. It is not up to date in calendar year 1963, to my knowledge. I do not believe they have made any payments in 1963.

Mr. PASSMAN. They had, though, repaid several hundred million dollars on their debt; is that correct?

Mr. POATS. I am not sure they have made any payments in 1963. They made some—

Mr. PASSMAN. I am not talking about 1963.

Could you give us a general idea as to how much Indonesia has paid Russia on her debt of $1 billion?

Mr. POATS. I would like to supply that for the record.

Mr. PASSMAN. We would like to get some information now.

Mr. POATS. I will look at the book and see if I have information on payments. I have information on drawdowns.

Mr. PASSMAN. Of course, if they are giving Russia something they need, it is the same thing. If it is mutually agreed upon, value received for it, it is the same thing as dollars, is it not?

Mr. POATS. I do not have the figure on payments made in 1962.

Mr. PASSMAN. What do you show they have repaid at all?

Mr. POATS. I simply do not have the complete figures on this.

Mr. PASSMAN. You do know it has been substantial; is that correct?

Mr. POATS. Evidently some repayments were made in calendar 1962. We do not have the facts.

Mr. PASSMAN. Up through calendar 1962, you would say it has been substantial, Mr. Secretary?

Mr. BARNETT. ———.

Mr. PASSMAN. You would make that as a statement of fact, would you not?

Mr. BARNETT. ———.

(Off the record.)

COMMUNIST PARTY IN INDONESIA

Mr. MINSHALL. Mr. Barnett, in reply to a question of the chairman about whether or not Indonesia was Communist, there was some hesitancy in your answer. I do not know whether that is a manner of speech or a state of your mind, but is it not common knowledge that the Communist Party in Indonesia is the largest Communist Party outside of Soviet Russia?

Mr. BARNETT. That is correct.

Mr. MINSHALL. Then there is no doubt in your mind that Indonesia is Communist?

Mr. BARNETT. I say Indonesia has the largest Communist Party of any country——

Mr. MINSHALL. What is the size of the party?

Mr. BARNETT. About 2 million.

Mr. MINSHALL. You said they were very active.

Mr. BARNETT. They are very active.

Mr. MINSHALL. How long have you been with the State Department in this particular job?

Mr. BARNETT. I commenced my responsibilities in January of this year.

Mr. MINSHALL. What did you do before that?

Mr. BARNETT. I was in Belgium working on the Common Market.

Mr. MINSHALL. You are relatively new to this job.

Mr. BARNETT. I have been interested in the Far East for many years, sir.

May I say, sir, that there are no Communists in Sukarno's cabinet, and Sukarno has great concern in maintaining an equilibrium between the Communists and those ——— who are opposed to the Communists. ——— Sukarno is a leader of great attraction to the Indonesian people, ———.

Mr. PASSMAN. I am glad you made that statement, sir. Do you believe it is right for the American taxpayers to continue, not only in Indonesia but in 103 other nations of the world, but we speak of Indonesia now, to keep putting up their hard-earned dollars to feed to a nation that is evidently Communist in their practice as well as their preaching, where they do not have the ability or will not generate the initiative to get their counry on a sound fiscal basis? Is this not disheartening to you, sir?

Mr. BARNETT. ———.

Mr. PASSMAN. Do you not think the quicker we let those people work out some of their problems, the better off we will be? So long as gullible Uncle Sam continues pouring the American taxpayers' money into a rathole, just so long will they stand by and accept it. If they have entered into a billion dollar debt with Russia and are pouring in hundreds of millions of dollars in repayment, that is a lot more than they are doing for us. These small amounts that they agree to, a very small percentage of the total purchase, are not even being paid to us in local currency.

More power to you in trying to solve these problems. I just do not think that you can solve them with American dollars.

CIVIC ACTION PROGRAMS IN THE FAR EAST

How many countries in your area, sir, have a civic action program funded by the 1963 appropriation?

Admiral HEINZ. There are civic action programs in Cambodia, Indonesia, Korea, Philippines, Thailand, Vietnam, and ———.

Mr. PASSMAN. Out of the military assistance program?

Admiral HEINZ. These are MAP-funded civic action projects.

Mr. PASSMAN. How many countries?

Admiral HEINZ. A total of seven.

COST OF CIVIC ACTION PROGRAMS, FISCAL YEAR 1963

Mr. PASSMAN. What is the total cost of the civic action program in your area for fiscal 1963?

Admiral HEINZ. There is no precise cost estimate for the civic action program for fiscal year 1963 in my area. I know that you have a list of projects which shows a figure of $41,545,000, but this is only civic action projects in the program for fiscal years 1963 and 1964. There is other equipment provided in previous years which could also be attributed to civic action purposes. The cost of this equipment is contained in the country programs.

Mr. PASSMAN. What we want to know is the amount of money you have in your area for civic action projects, Admiral. That is a thing which the people who are putting up the money, the taxpayers, will want to know.

Admiral HEINZ. For instance, I can start with——

Mr. PASSMAN. Give us the total. It is not classified.

Admiral HEINZ. The sheet you have there——

Mr. PASSMAN. It is $41,545,000. How do you know that figure is not correct?

Admiral HEINZ. This is the figure that was furnished for the total of these programs.

Mr. PASSMAN. This figure remained intact until after Secretary McNamara's visit to the committee. Then it was revised. What part did you revise? What part of it is wrong? How much? How do you know that is not the right figure?

Admiral HEINZ. The program for 1963 has not been revised, sir.

Mr. PASSMAN. Then, it is $41,545,000. Is that correct?

Admiral HEINZ. That is the figure that was given.

Mr. PASSMAN. Thank you very much. That is the only thing we are trying to establish.

COUNTRIES PROPOSING CIVIC ACTION PROGRAMS IN FISCAL YEAR 1964

In how many countries do you have a civic action program for 1964?

Admiral HEINZ. For 1964, we have programs in those seven countries.

Mr. PASSMAN. Did you indicate you could not tell us the amount out of your country program that would be in civic action projects? Is that the new criteria, that the committee is not to know?

Admiral HEINZ. The criteria have not changed.

Mr. PASSMAN. So, we have to accept this as accurate. You might have one figure wrong on this sheet, or a dozen wrong, but you could not have the entire sheet wrong. Under the civic action programs in your seven countries, would these be eligible for the projects listed on page 35?

PROJECTS FUNDED UNDER CIVIC-ACTION PROGRAM

I want to read the projects, and you tell us, please, whether or not you could fund these projects out of military assistance funds for your region.

Admiral HEINZ. We do not——

Mr. PASSMAN. Please, if I may now, I am going to tell you what they are. Do not be trying to guess me.

Road construction and maintenance, village development and relocation, irrigation, forestry, construction of schools and other public buildings. Could you accomplish those things in your area out of the military assistance program appropriation?

Admiral HEINZ. No, sir. We do not intend to.

Mr. PASSMAN. Why do they have that listed on this page? Other witnesses said they could, and you say they cannot. Have you different criteria for your area than they have for others?

Admiral HEINZ. No, sir. I have the same criteria.

Mr. PASSMAN. If they can do it in other areas as listed here. If they can spend money out of the military assistance program for projects listed on page 35, could you not do the same thing under your authority?

Admiral HEINZ. No, sir; I could not approve funding these, because these are projects set up by the countries themselves. If the country will contribute money or cement, for instance, to build an irrigation ditch, the country can do this. I could not buy them cement for irrigation ditches. I approve programs within my area of responsibility for military engineering equipment, which is part of the special equipment of engineer battalions, as with our own Army.

Mr. PASSMAN. Is this a misprint in here?

Admiral HEINZ. No, sir; it is not a misprint. These are civic action projects undertaken by the armed forces of the countries concerned. These projects are not projects which MAP undertakes. MAP undertakes to provide equipment to engineer battalions. The engineer battalions of the countries train. They can train by digging ditches and filling them in, or they can train by digging ditches and leaving them for the people of the country to use.

Mr. PASSMAN. You say digging ditches and filling them in again?

Admiral HEINZ. It could be done.

Mr. PASSMAN. That would sound quite appropriate for the foreign aid program as a whole. Could they also build buildings and tear them down?

Admiral HEINZ. I have seen fire departments do that.

Mr. PASSMAN. Not only fire departments, but you have described the foreign aid program better than I have ever been able to describe it, and I want to thank you for your very able contribution.

Admiral HEINZ. I said they could do this. They do not do this.

Mr. PASSMAN. You do not know whether they do or not. You do not go around and inspect all these ditches, do you? Under the program it could be carried to those extremes?

Admiral HEINZ. I do not believe it could be carried to those extremes.

Mr. PASSMAN. You said it could, and now you say not. All right, sir, let the record show you are on both sides.

Admiral HEINZ. Mr. Chairman, what I was saying is that what the engineer battalions do is to carry out projects which are for the good of the country. We furnish equipment to the engineer battalions which is part of the equipment normally used by such units in the United States and elsewhere. The fact is that they use this equipment in worthwhile projects.

Mr. PASSMAN. What kind?

Admiral HEINZ. Worthwhile projects for economic development.

Mr. PASSMAN. By somebody's determination they are worth while, anyway, are they not?

Admiral HEINZ. I think I might add that in providing equipment to foreign military forces, we are able to see what they do to use it properly.

Mr. PASSMAN. Your job is here in Washington, at a desk in the Pentagon; is it not?

Admiral HEINZ. Yes, sir.

TOTAL ALLOCATION FOR CIVIC ACTION PROJECTS

Mr. PASSMAN. Even though we have tried to go back on this engineering battalion detail, let us stick with the subject material, and that is what we find on page 35, and go right back to page 36 for the Far East. According to this, out of fiscal 1963 there was a plan, and I suppose they did allocate $41,545,000 for civic action projects, and they have planned here $22,826,000 for fiscal 1964. If it is carried out according to the sheets given to us, that will be the amount.

Admiral HEINZ. Might I state, in that figure is included programming for strategic hamlets in Vietnam, which comprises a large part of those figures.

Mr. PASSMAN. I only say what you say here. It says civic action program. When we think of civic action projects, we like to think of it in connection with what would help the economy and help the military. I do not know of anything you could do in the civic field that would not be of some help to military, whether roads, or water, or good beds, or aid-conditioned hotels. I want to deal with the dollar part of it here.

Admiral HEINZ. Yes. I wanted to make sure you had as much information as possible on this.

Mr. PASSMAN. So far, we have not received very much information, and that is why I go back to the revised sheet. Even if you discount it 90 percent, it is still a good story. You would agree to that, would you not?

STRATEGIC HAMLET PROGRAM IN VIETNAM

Admiral HEINZ. That is why I wanted to give you some more facts about some of those figures. As you know, one of the hearts of our strategy in Vietnam is the strategic hamlet program. This means building defended hamlets throughout Vietnam as a means of providing security to the villagers. This is the key, we feel, that is contributing to the overall strategy of winning the war in Vietnam. We have found that the villagers are requesting to be moved into strategic hamlets and that as they move in the Government can become better informed on the Vietcong. This has been a great factor in the increasing success of the campaign.

Mr. PASSMAN. That is something you worked out here in Washington. It appears that we could do a better job in Vietnam than in Cuba.

Admiral HEINZ. I wish I could take credit for the success of the strategic hamlet program in Vietnam.

Mr. PASSMAN. Have you been out there?

Admiral HEINZ. I was out there recently.

Mr. PASSMAN. I believe it is classified even to use the word ———, if not Indonesia, in the program. Forgetting all about the amount, if we even say ——— we are violating security, are we not?

Admiral HEINZ. This was true.

Mr. PASSMAN. I am just asking you.

Admiral HEINZ. I was going to explain.

Mr. PASSMAN. Is it true?

Admiral HEINZ. No, sir. You did not let me finish. This was true. It is not true now. We are declassifying the program for Indonesia, and I wish to make——

I wish to make this statement to you today, that we have declassified the fact that there is a program for Indonesia.

Mr. PASSMAN. And ———?

Admiral HEINZ. No, sir; not ———.

Mr. MINSHALL. Why have they decided to declassify Indonesia, and when was this done?

Admiral HEINZ. This was just done.

Mr. MINSHALL. What do you mean? Just in the last few days?

Admiral HEINZ. Just within the last few days.

Mr. MINSHALL. Do you plan to declassify any other countries that are receiving aid?

Admiral HEINZ. We do not.

Mr. MINSHALL. Why was Indonesia picked?

Admiral HEINZ. We had ——— programs that were classified: ——— and Indonesia. We queried again——

Mr. MINSHALL. You have a lot of others that are classified.

Admiral HEINZ. Only ——— in this area.

Mr. MINSHALL. In this area. Fine.

Admiral HEINZ. I can only address myself to this point.

We again queried the Ambassador to see if it would be in accord with our national interest to declassify the program. As a result of our inquiry, realizing that the Congress desired that it be declassified, in accordance with your wishes we have been able to declassify Indonesia.

Mr. PASSMAN. That is one nation in your area.

Admiral HEINZ. One nation.

Mr. PASSMAN. How many more are in classified status?

Admiral HEINZ. ———.

Mr. PASSMAN. That is ———?

Admiral HEINZ. That is (off the record).

Mr. RHODES. The admiral has not answered Mr. Minshall's question of why Indonesia was declassified.

Admiral HEINZ. Because we felt the position which was maintained previously, of Indonesia having a sales program was no longer valid. Therefore, the program is declassified.

Mr. MINSHALL. My only comment is that there are many other places in the foreign aid program that are classified, way overclassified, and should be declassified. I think it is time that they uncovered a lot of this and let the Congress and American people know what is going on.

NO DEFENSE PACT WITH INDONESIA

Mr. PASSMAN. Do we have a mutual defense agreement with Indonesia?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Have we any kind of agreement in writing?

Admiral HEINZ. We have a military sales agreement with ———.

Mr. PASSMAN. I am speaking about using the military to come to our support.

Admiral HEINZ. We do not have a defense pact with either Indonesia or ———.

Mr. PASSMAN. You do know we have gone so far afield that you now have a military aid program going in countries where the head of the country does not want his subjects to know that we are entering into the agreement, and it is oral and not written? You know that, do you not?

Admiral HEINZ. I did not know that.

Mr. PASSMAN. Let me make that a statement of fact.

Admiral HEINZ. It is not true in the Far East.

Mr. PASSMAN. You would not be surprised to learn that, would you?

Admiral HEINZ. That could be.

Mr. PASSMAN. These people can get anything they want out of us. All they have to do is to say, "We are going to go to the Communists if you don't."

(Off the record.)

CAMBODIA

Mr. PASSMAN. We want to get into the dollars now. The next country in this area is Cambodia, for which you have an estimate of ———.

Admiral HEINZ. That is correct.

CESSNA AIRCRAFT PROGRAM

Mr. PASSMAN. I note that in the 1963 program you have programed ——— Cessna 185 aircraft for this country.

Admiral HEINZ. That is correct.

Mr. PASSMAN. Did you justify this request before the Congress last year?

Admiral HEINZ. At that time, Cessna 185's were not contained in the Cambodian program.

Mr. PASSMAN. I am speaking specifically that you did not justify this to the Congress last year, did you?

Admiral HEINZ. That is my statement. Those were not in the program furnished to you last year.

Mr. PASSMAN. They could be in the program and you would not request money. You have programs for prior and future years. We want to know whether or not you funded it out of funds from some other region, that you did not request funds specifically for these items.

What did they cost?

Admiral HEINZ. Cessna 185's cost $18,300 apiece.

Mr. PASSMAN. In what program, if any, did you reduce funds to be able to fund these Cessna 185's for Cambodia?

Admiral HEINZ. No other country program was reduced specifically for these aircraft. At the time that program was presented we had different aircraft in the request for Cambodia. The program for aircraft that I justified to you last year contained ———. We were able to replace these with the Cessna 185 which provides multiple capabilities for transportation of personnel or equipment, liaison, and observation.

Mr. PASSMAN. These Cessna 185's are what type of aircraft?

Admiral HEINZ. These are liaison and training aircraft.

Mr. PASSMAN. I believe that is the same aircraft that executives use quite a bit in America, is that right?

Admiral HEINZ. This is not the same aircraft. The ones for MAP are specially developed military models.

Mr. PASSMAN. You would not have to make many changes for an executive to be able to use the Cessna 185 aircraft, would you?

Admiral HEINZ. Executives use quite a few types of airplanes. They also use excess fighter aircraft.

Mr. PASSMAN. I know one who uses a 707 jet.

Admiral HEINZ. Some executives even use old PBY's.

Mr. PASSMAN. Some of them ride bicycles, too. You know exactly what I am talking about. You have ——— Cessna 185 aircraft. That is pretty good, I guess, for jumping around over the country by the brass or, may we say, the executive branch. Nevertheless, you did not justify it.

Admiral HEINZ. These are much cheaper than L–19 aircraft, which are no longer available through new procurement. They also carry more than the L–19.

Mr. PASSMAN. Much more desirable.

Admiral HEINZ. I would not say they are much more desirable.

Mr. PASSMAN. How many of the L–19's did you justify last year?

Admiral HEINZ. None.

SMALL ARMS PROGRAM

Mr. PASSMAN. Last year, we had programed ——— .30 caliber carbines and rifles through fiscal year 1962 for this country, and the request in fiscal 1963 was for ——— carbines and rifles; is that correct?

Admiral HEINZ. I will have to check the figures.

The request for small arms in 1963 showed ——— .30 caliber carbines and ——— .30 caliber rifles.

Mr. PASSMAN. The same that I just mentioned?

Admiral HEINZ. Talking about .30 caliber carbines and .30 caliber rifles?

Mr. PASSMAN. Yes, sir.

Admiral HEINZ. Those are the figures that were in the justification last year. Yes, sir.

Mr. PASSMAN. The committee commented rather extensively on this estimate, and I invite you to see pages 493 and 494 of the fiscal 1963 justifications. It indicates that through fiscal year 1963, we have programed ——— carbines and rifles, and the request for fiscal 1964 is for an additional ——— weapons. Since the armed forces of that country are only ——— men, we might ask you to comment. I think we established in prior years that in one country we gave two rifles

for each soldier, and in one country a gun and a half for each soldier. You are not trying to beat that record, are you? If you are not, then tell us how you can use ——— carbines and rifles and are asking for ——— additional weapons, when you have only ——— men.

Admiral HEINZ. I think you should know the reason for that. It is true that the regular armed forces of Cambodia alone totaled at the last counting, ——— men. This is the regular army, navy, and air force. In addition, Cambodia has paramilitary forces of ———, a Chivapol, of which about ——— are armed. By "armed," I mean the arms are stored in armories. They use them when they are on active duty.

They also have a Provincial Guard of ——— which is on active duty all the time. They have a third group, ———, of Jeunesse Socialiste Royale Khmere. Through the military assistance program over the years, we have furnished small arms, not only to the regular armed forces, but also to the Chivapol, the paramilitary.

Mr. PASSMAN. What do they do?

Admiral HEINZ. These, in essence, are a provincial paramilitary force that is on duty part time, assisting the regular armed forces in patroling the Cambodian border areas.

You will find when there is action near the border, the Chivapol is usually integrated with the regular armed forces, a Chivapol unit as well as an armed forces unit. The Chivapol is not permanently armed, as I said, but has weapons stored in their armories, similar to our National Guard units.

Mr. PASSMAN. To say the least, you have about 10,000 more carbines and rifles than you have regular enlistment in Cambodia?

Admiral HEINZ. We have provided them with more individual weapons than there are regular armed forces, but we have also provided aid to the paramilitary forces. I would say about ——— weapons have gone to the Chivapol, about ——— to the Provincial Guard, and about ——— to the regular armed forces. We have not provided one weapon for each man in the armed forces.

Mr. PASSMAN. I am not trying to get you to answer this my way. I do know, according to your own records, you have ——— men in Cambodia, and you have programed through 1963, ——— carbines and rifles. You can give them to people to run bathhouses over there, but I want the record to show the facts.

Admiral HEINZ. I think the record should show the facts.

Mr. PASSMAN. I want the record to show you have 10,000 more guns than you have regular personnel in the military services.

Admiral HEINZ. I think the record to be complete, sir, should show that the weapons we have programed for Cambodia have not all been programed for the regular armed forces, but have been programed also for Chivapol and the Provincial Guard.

Mr. PASSMAN. You said that, and I said it appears that just about anybody who wants a gun is issued one.

MILITARY TRAINING PROGRAM

Mr. MINSHALL. How active are these paramilitary forces that he speaks of? Are they on a call basis? Do they get any training at all?

Admiral HEINZ. Yes, sir, they are on a call basis, and they receive training from the regular armed forces.

Mr. MINSHALL. What kind of training is this?

Admiral HEINZ. Some of the units would receive only about 2 weeks' training a year. Other units, the ones that are in the more active areas, receive more training.

Mr. MINSHALL. They do not all train at the same time, do they?

Admiral HEINZ. The regular armed forces training program for the paramilitary forces goes on all year long. As to how active they are, again, this depends upon the individual province.

Mr. MINSHALL. How many are in the paramilitary forces?

Admiral HEINZ. The Chivapol?

Mr. MINSHALL. In the aggregate.

Admiral HEINZ. Without going into the numbers of the Jeunesse Socialiste Royale Khmere, the Chivapol amounts to ———, the Provincial Guard, ———.

Mr. PASSMAN. Did you indicate it is the equivalent of our police or National Guard?

Admiral HEINZ. Rather a combination of both, sir.

Mr. PASSMAN. Are many of them in the ——— likewise members of the so-called national guard, as we understand it?

Admiral HEINZ. No, they are regular armed forces.

Mr. RHODES. I would like to ask a question about Cambodia.

(Discussion off the record.)

PURPOSE OF PARAMILITARY FORCES

Mr. RHODES. What is the paramilitary force in Cambodia supposed to accomplish?

Admiral HEINZ. The paramilitary force is designed to assist in maintaining internal security. It serves the purpose of a combined police force and national guard.

Mr. RHODES. Do they have anything to do with trying to keep the Vietcong——

Admiral HEINZ. They try to keep the Vietcong from using Cambodia. The trouble is the northeastern section of Cambodia is so undeveloped—really undeveloped, not just underdeveloped. It is a very dense jungle, and they cannot patrol the whole area as much as they would like. As a matter of fact, if you were to try to get into some of the areas of northeastern Cambodia, it would take you 2 weeks to get into it, even using elephants.

ACCOUNTABILITY OF ARMS PROVIDED

Mr. RHODES. Do you not believe you will find that some of these rifles will find their way into the hands of the Vietcong?

Admiral HEINZ. No, sir; I could not say there is not some chance, but to our knowledge, the Cambodians keep good track of their weapons.

Mr. RHODES. Do we have people who actually inspect the units to make sure that property accountability is maintained and that the weapons are physically present?

Admiral HEINZ. We are not able to do that with all the units. The MAAG does get out and visits all the Cambodian regular armed forces installations. We do not, to my knowledge, have the same degree of contact with the paramilitary forces.

Mr. MINSHALL. It is possible, then, that some of these arms could be used against our own troops in South Vietnam today?

Admiral HEINZ. It is possible, but not likely.

Mr. MINSHALL. That is all I want to know.

CAPTURED EQUIPMENT FROM NORTH VIETNAM

Mr. PASSMAN. Is it not also true that much of the equipment captured from North Vietnam was U.S. equipment?

Admiral HEINZ. The equipment that is being captured from the Vietcong in Vietnam at the present time is a combination of homemade weapons, weapons imported from the bloc, and the majority are captured U.S. weapons provided to the French during the Indo-China war prior to July 1954.

Mr. PASSMAN. There are a lot of U.S. weapons?

Admiral HEINZ. Yes, sir.

We also know they are capturing weapons from the Vietnamese forces every week.

Mr. PASSMAN. We know that but, Admiral, I was pointing out that many weapons captured from the North Vietnamese are U.S. military weapons.

Admiral HEINZ. Yes, sir.

Mr. RHODES. It seems to me to be the height of foolhardiness to put rifles and machineguns into the hands of paramilitary forces without any control over their physical whereabouts in a situation like this where you are so close to guerrilla warfare. I cannot imagine the kind of thinking that would allow this.

EVIDENCE OF THEFT OF EQUIPMENT—RIFLES

Mr. ANDREWS. Do you have any evidence of any rifles being stolen and sold to the Vietcong?

Admiral HEINZ. No, sir; we have no evidence of that.

Mr. ANDREWS. What check do you have to assure that that will not happen?

Admiral HEINZ. The only check we have on that is the accounting that the Cambodian forces make of their own weapons in the Chivapol units.

Mr. RHODES. How many men are in those units?

Admiral HEINZ. The total figure we have for them is about ———. However, we have not given them arms of this number. Less than half this number.

LAOS

Mr. PASSMAN. Do you have a military program for Laos?

Admiral HEINZ. We have a program.

Mr. PASSMAN. Do you know which of them you are supporting? There are three of them.

SUPPORT OF COALITION GOVERNMENT

Admiral HEINZ. We are supporting the Government of Laos.

Mr. PASSMAN. The Government of Laos is a brother, a half brother, and a first cousin, a coalition?

Admiral HEINZ. I am not sure of the relationships.

Mr. PASSWAN. They are related, are they not?

Admiral HEINZ. Souvanna and Souphannavong are half brothers. I am not aware of Phoumi's relationship.

Mr. PASSMAN. That is the coalition we are supporting?

Admiral HEINZ. Yes, sir; the Government.

Mr. PASSMAN. There are two factions shooting at each other?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. There is a coalition there and you have a military program and two parts of the coalition are now shooting at each other.

Admiral HEINZ. We have not, nor are we proposing, any support for the Pathet Lao.

Mr. PASSMAN. We have military assistance for Laos continuing out of the pipeline.

Admiral HEINZ. We have a military assistance program responsive to the requests of the Government of Laos.

Mr. RHODES. Off the record.

Mr. PASSMAN. As far as we are concerned, we still respect the coalition as being as much intact as possible; is that right? There has been no dissolution of the coalition?

Admiral HEINZ. There has been no dissolution of the coalition.

Mr. PASSMAN. With the fact that we give them military aid, we do not know, but possibly both sides are using our equipment for their internal fighting.

Admiral HEINZ. Off the record.

(Discussion off the record.)

Mr. PASSMAN. They are a part of the coalition, are they not?

Admiral HEINZ. Souphannavong is one of the three members of the coalition government. His forces are being supplied from bloc sources.

PLANNED PROGRAM FOR LAOS

Mr. MINSHALL. I should like to ask Admiral Heinz to make sure this is clear in my mind. I have been reading his report that he gave to us in looseleaf notebook form. Also the statement he made today. You have no definite plan as of this day in May 1963, for the use of the $——— you are asking for. Is that correct?

Admiral HEINZ. The reason we could not give you a definite plan is that the situation——

Mr. MINSHALL. I mean you have no definite plan. I did not ask for the reason.

Admiral HEINZ. We have——

Mr. MINSHALL. Do you have a plan or not?

Admiral HEINZ. There is a plan for the use of that money.

Mr. MINSHALL. What is the plan, then?

Admiral HEINZ. The plan has been submitted. I can give you the details.

Mr. PASSMAN. What page in our book?

Admiral HEINZ. This is not in your book.

Mr. MINSHALL. This is secret?

Admiral HEINZ. No; this is not secret.

Mr. MINSHALL. Then why is it not in the book?

Admiral HEINZ. It had not been developed at the time the books were given to you. The plan for the use of this money has been submitted by the U.S. mission in Laos to CINCPAC and has been reviewed there. The plan as submitted at that time called for $———; POL, $———; repair and rehabilitation of equipment, $———; training, $———; maintenance items, $———; ammunition, $———; spare parts for vehicles, $———; follow-on spare parts and electronic components, $———; medical equipment and supplies, $———.

Mr. MINSHALL. How are you going to divide that among the troika?

Admiral HEINZ. It is not going to be divided that way.

Mr. MINSHALL. Which will you give it to?

Admiral HEINZ. (Off the record.)

Mr. MINSHALL. As a matter of fact, this whole plan, this tentative plan, could be changed tomorrow morning at 8:00 o'clock, could it not?

Admiral HEINZ. If the situation in Laos changed radically, it could be.

Mr. MINSHALL. Do you think there is a chance it might?

Admiral HEINZ. Not tomorrow morning.

CHANCE OF POLITICAL SOLUTION IN LAOS

Mr. MINSHALL. Do you think there is a chance in the near future?

Admiral HEINZ. We are hoping that the situation can be calmed down in Laos. The effort is to achieve a political solution in Laos. This is the plan as far as we can foresee the need for our program in Laos. This program is going through review at the present time for submission to the Department of Defense.

Mr. MINSHALL. You have been associated with this program for some years now, and you and your associates know the Laos situation quite well. Do you in your own good judgment feel there is any reasonable indication we will have a political solution to this Laos situation within the next year?

Admiral HEINZ. I think there is a chance of getting a reasonable political solution.

Mr. MINSHALL. You speak now as a naval officer?

Admiral HEINZ. Yes; I think there is a chance of getting a reasonable political solution.

Mr. MINSHALL. As much as the proverbial snowball's chance?

Mr. RHODES. You said reasonable?

Admiral HEINZ. I said there is a chance of getting a reasonable political solution.

Mr. RHODES. You did not say reasonable chance, then?

Admiral HEINZ. No, sir.

Mr. RHODES. There are lots of chances, 1 in 100 or 1 in 50.

Mr. MINSHALL. Some experts a year ago said our chances were 10 to 1—that is, experts in the State Department. What would you classify them as today, against us?

Admiral HEINZ. ———.

CURRENT SITUATION IN LAOS

Mr. MINSHALL. Are they more or less than that now? Do you think the situation has improved or deteriorated in Laos in the last year?

Admiral HEINZ. Actually, I think it has done both.

Mr. MINSHALL. How can it do both?

Admiral HEINZ. Because the situation did improve for a while, and in the last 2 months the situation has retrogressed.

Mr. MINSHALL. This is as of today.

(Off the record.)

Mr. MINSHALL. It has deteriorated considerably?

Admiral HEINZ. It has deteriorated over the past 2 months.

Mr. MINSHALL. Thank you.

Mr. PASSMAN. Is it not true that last year America generally understood that we would be in Laos with an economic program but not a military program? I think in the committee last year it was indicated you could recoup about $39 million from Laos. That figure, however, is subject to correction.

ECONOMIC PROGRAM IN LAOS

I was somewhat surprised to find you even had a military program for Laos. I thought it was an economic program. You are familiar with the amount we give them per month in economic aid?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. How much is it?

Admiral HEINZ. I would prefer if Mr. Poats would give it.

Mr. POATS. Total economic aid to Laos, fiscal year 1962, was $29.3 million.

Mr. PASSMAN. How about fiscal 1963, our commitments?

Mr. POATS. The estimate for fiscal year 1963 is $38.5 million.

Mr. PASSMAN. Are they privileged to buy gold with those dollar credits?

Mr. POATS. We are not providing dollar credits in the form of cash grants. We are providing goods against documented import declarations.

Mr. PASSMAN. If you should provide them dollar credits, any earnings they have from their exports they would be free to use to do with as they wanted?

Mr. POATS. Yes.

GOLD PURCHASED BY LAOS GOVERNMENT

Mr. PASSMAN. If they want to buy gold, that is their business?

Mr. POATS. They did not buy gold in the last year.

Mr. PASSMAN. In 1961 Laos did buy $1,900,000 of U.S. gold.

Mr. POATS. Yes, sir; they did that in accordance with a plan we approved.

Mr. PASSMAN. If they have dollars, the Government can demand gold, can it not?

Mr. POATS. Yes, sir. In 1961 Laos bought gold.

Mr. PASSMAN. $1,900,000.

Mr. POATS. For the purpose of establishing their subscriptions to the International Moneary Fund and the World Bank.

Mr. PASSMAN. If they have earned dollars from their exports, we have no control over their fiscal affairs. They could demand gold if they wanted to, could they not?

Mr. POATS. Laos' total earnings in their own——

Mr. PASSMAN. You are not answering my question. If they have only $4.80, they could demand gold for it under international law; is that right?

Mr. POATS. Yes, sir.

Mr. PASSMAN. Thank you.

REPUBLIC OF CHINA

For the Republic of China the fiscal 1964 estimate is ———?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. An increase of ——— above the 1963 program?

Admiral HEINZ. Yes, sir.

FISCAL YEAR 1963 MAP SUPPORT OF MILITARY

Mr. PASSMAN. Of the ——— active military strength as of November 1962, how many were supported by the military assistance program in fiscal 1963?

Admiral HEINZ. The military assistance support was given to units totaling about ——— in fiscal year 1963.

Mr. PASSMAN. In view of the fact that China has reduced her active military strength by approximately 23,450 men since November 1961, why are we increasing our grant-aid program by ———?

Admiral HEINZ. China has not reduced its forces since last year. We have reduced the number of personnel to which we provide MAP support.

Mr. PASSMAN. I am dealing with specifics. In view of the fact that China has reduced her active military strength by approximately 23,450 men since November of 1961, why are we increasing our grant-aid program by ———? Have they made that reduction I refer to here?

Admiral HEINZ. They have not substantially reduced their forces. We have reduced the number for which we provide military assistance.

Mr. PASSMAN. Let us go to the record and see where we get this figure of 23,450.

Mr. ANDREWS. Page 173 is it not?

Mr. PASSMAN. Active military strength, ——— including ——— internal security forces, November 1961. Of these forces, MAP supported ——— during fiscal 1963. That is a reduction of 23,450; is that correct?

Admiral HEINZ. The trouble there, Mr. Chairman, is that——

Mr. PASSMAN. If you verify the figure, then we can get to the trouble.

Admiral HEINZ. The figures you are using are not the figures of total military strength.

Mr. PASSMAN. I included both ——— internal security forces as of November 1, 1963—of these forces, MAP supported ——— during fiscal 1961.

Admiral HEINZ. If you look at 172, it shows active military strength of ———, which includes ——— security forces but excludes ——— MND forces.

Mr. PASSMAN. Am I using a correct figure?

Admiral HEINZ. You are using two different figures, subtracting an apple from an orange.

Mr. PASSMAN. That leaves a banana, I guess.

Admiral HEINZ. Yes.

Mr. RHODES. What does MND mean?

Admiral HEINZ. Ministry of National Defense. We do not support their military academy, we do not support their headquarters. The ——— figure shown there is the tactical units to which we provide MAP support.

Mr. PASSMAN. Would you tell the committee what the 1963 program of approximately $94 million did for the armed forces of China, as it would appear from column D on page 173 that this amount of money provided only the following items:

(Discussion off the record.)

Mr. PASSMAN. What is that?

Admiral HEINZ. ———.

Mr. PASSMAN. A pretty good deer rifle?

Admiral HEINZ. ———?

Mr. PASSMAN. Yes.

Admiral HEINZ. That is about 5 inches.

Mr. PASSMAN. I just asked.

Admiral HEINZ. This is 5 inches. That is not a rifle, it is a rifled gun.

Mr. PASSMAN. You said rifle.

Admiral HEINZ. ——— as differentiated from the 105 howitzer.

Mr. PASSMAN. I was talking about the rifle.

Admiral HEINZ. It is called a rifle, but it is a 5-inch rifle. You could have 6- or 8-inch rifles aboard ship.

Mr. PASSMAN. A war-type rifle?

Admiral HEINZ. Yes.

EXCESS STOCK PROGRAM

Mr. PASSMAN. What are the excess stocks?

Admiral HEINZ. I was going to give the justification for the $94 million program.

Mr. PASSMAN. What type excess stocks are you programing for China with a program of $———.

Admiral HEINZ. This is for 1964 or 1963, sir?

Mr. PASSMAN. Fiscal 1964.

Admiral HEINZ. In the program for fiscal year 1964 we have ———.

Mr. PASSMAN. What age ——— are those, sir?

Admiral HEINZ. They are excess. It is hard to tell the age.

Mr. PASSMAN. They could be brand new?

Admiral HEINZ. They are excess.

Mr. PASSMAN. Sometimes you get excess stock that is new, do you not?

Admiral HEINZ. I do not know of any.

Mr. PASSMAN. Have a look around. I think you will find a good part of it is new; that is, not used. If it is said to be obsolete, it is declared excess, is it not?

Admiral HEINZ. This did happen at the end of the war, I know.

Mr. PASSMAN. What I am saying did happen?

Admiral HEINZ. What you say did happen, and still does occur when requirements change.

Mr. PASSMAN. Thank you very much.

ACQUISITION AND REHABILITATION COSTS OF EXCESS STOCKS

What has been the total acquisition cost of excess stocks given to China to date?

Admiral HEINZ. The total of excess stocks to date now—this is again 1963 cumulative, this is acquisition cost, original acquisition cost—$391,587,000.

Mr. PASSMAN. Could you tell us the rehabilitation cost of the total?

Admiral HEINZ. I could not tell you because——

Mr. PASSMAN. Give us the estimate if you can furnish it for the record, sir.

Admiral HEINZ. The total cost of repair and rehabilitation is going to be about ——— million. The amount associated with excess will be somewhat less than that.

Mr. PASSMAN. How much less you do not know? Less could be down to zero?

Admiral HEINZ. Yes.

Mr. PASSMAN. Please put in the record how much less.

(The information supplied follows:)

The cost of repair and rehabilitation of excess stocks through the fiscal year 1963 program as presented totals ———. The balance of the funds included in the ——— shown is required for the repair and rehabilitation of "in-service materiel" into usable and acceptable condition including that materiel for redelivery as redistributable military assistance program property.

FISCAL YEAR 1964 CONSTRUCTION PROGRAM

Mr. PASSMAN. Do you think that there is a sufficient number of key end items in the 1964 program to justify the expenditure of $———?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. I note you have $——— proposed for construction. How much of that estimate is for actual construction in fiscal 1964?

Admiral HEINZ. All of it is for architectural and engineering fees.

Mr. PASSMAN. What type of projects?

Admiral HEINZ. $50,000 is for facilities for ——— sites.

Mr. PASSMAN. Does it not take any engineering for ——— sites—architects' plans, or anything?

Admiral HEINZ. It does.

Mr. PASSMAN. Where do you get the money for that planning?

Admiral HEINZ. It is the amount shown here.

Mr. PASSMAN. Do you not use the Corps of Engineers?

Admiral HEINZ. We do.

Mr. PASSMAN. Do you reimburse them out of this appropriation?

Admiral HEINZ. We reimburse them.

Mr. PASSMAN. That was $10,000. Are you familiar with the 5-year plan for Taiwan?

Admiral HEINZ. I am.

PLANNING FIGURES FOR CHINA

Mr. PASSMAN. Could you tell the committee the total cost of your plan for fiscal 1964 through 1968?

Admiral HEINZ. The planning figures?

Mr. PASSMAN. Yes.

Admiral HEINZ. In general, they show that Taiwan will have to fit into the overall plans and programs approved by the Secretary of Defense.

Mr. PASSMAN. You have had some advance figures for Taiwan. I want to see if the figures given to us at the Taiwan level correspond to the figures you have at the Washington level. Taiwan could not have gotten these figures without first consulting with Washington, could they?

Admiral HEINZ. Each year in our planning cycle the country team is given a figure to work on as the initial goal for their forthcoming military assistance program.

Mr. PASSMAN. Could you give us that figure, 1964 through 1968?

Admiral HEINZ. For 1964, the figure originally given to Taiwan I do not recall. I do not have it here. The figure that they were told would be their ceiling for 1964 is the one that has been given to you. What the original planning figure was I do not recall.

Mr. PASSMAN. You had to be in on that planning, did you not?

Admiral HEINZ. Yes, but as the figures were reduced——

Mr. PASSMAN. I am talking about the program that went from Washington out to Taiwan for them to use in working out their program. We were given figures there.

Admiral HEINZ. I do not recall the original figure.

Mr. PASSMAN. Let me read it into the record. For fiscal 1964, $———. They were to work from this; 1965 was $———; 1966 was $———; 1967 was $———; 1968 was $———.

FORCE IMPROVEMENT

What amount do you request for force improvement in fiscal 1964?

Admiral HEINZ. Force improvement for China in 1964 shows as $———.

Mr. PASSMAN. What do you show for the overall?

Admiral HEINZ. $———.

Mr. PASSMAN. Is Indonesia classified?

Admiral HEINZ. No, sir.

Mr. PASSMAN. You declassified Indonesia ———?

Admiral HEINZ. May I state that the size and content of the proposed program remains classified as it does for every other country, as you understand, sir. All 1964 proposed programs are classified at the present time.

Mr. MINSHALL. Before leaving China, I would like to ask a question.

Mr. PASSMAN. Surely.

ASSISTANCE TO QUEMOY AND MATSU ISLANDS

Mr. MINSHALL. How much of your military aid program is attributed to the offshore islands of Quemoy and Matsu?

Admiral HEINZ. None of our military aid is attributed to those islands as such.

Mr. MINSHALL. How much have we given them? There is a lot of American equipment there.

Admiral HEINZ. Our military assistance is given to the armed forces as a whole. They maintain equipment and spares on the offshore islands.

Mr. MINSHALL. What percentage is that of the entire army?

Admiral HEINZ. I would say they maintain about ——— percent of their total armed strength on the offshore islands.

Mr. MINSHALL. In other words, they must consider the offshore islands to be essential to their defense of Taiwan.

Admiral HEINZ. Very much so.

Mr. ANDREWS. It is all one and the same. They switch around and beef up as necessary.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

CONTINUANCE OF SUPPORT OF MILITARY FORCES

Mr. ANDREWS. Admiral, do you think that the economy of Taiwan will ever be sufficient to maintain their military forces without assistance from this country?

Admiral HEINZ. I will put my answer this way. I believe the economy of Taiwan is going to continue to improve. It is very questionable if they could continue to support forces of ——— without some military assistance. There is no question but what their performance over the past few years has been one of the bright spots of the foreign assistance programs.

We are only supporting at the present time about ——— percent of their total defense costs.

This ——— percent includes the equipment we give them, plus any other assistance they may get. They are becoming more and more capable of supporting their own military establishment.

Mr. ANDREWS. We can expect, though, a program of assistance at about the present level of ——— each year for many years; is that correct?

Admiral HEINZ. I think we should expect that, sir, as long as our confrontation with Communist China exists. I am increasingly concerned with the position of Communist China, its aggressiveness, its continued expansionist tendencies, and its continuing attempts to dominate as much territory as it can by whatever means it can.

Mr. ANDREWS. This is one of the most clear-cut cases we have anywhere in the world of a communist threat to a known enemy of communism; is it not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Our own Defense Department has considerable strength in that section, does it not, part of the fleet?

Admiral HEINZ. We do.

Mr. PASSMAN. That cost is financed out of Defense Department appropriations?

Admiral HEINZ. It is.

Mr. PASSMAN. We have been told about the tremendous improvement in the economy of Taiwan, to the extent that it is reaching the point that they would no longer need any of our economic grant aid. Are you familiar with that?

Admiral HEINZ. Yes, I am familiar with that.

SMALL ARMS EQUIPMENT FOR INDONESIA

Mr. PASSMAN. Last year's justification for Indonesia's program indicated that the cumulative program through fiscal 1962 had included ——— .30-caliber rifles and the request in fiscal 1963 was for ——— rifles. This year the justifications, on page 177, indicate that the cumulative program through 1963 includes ——— .30-caliber rifles, and column D indicates that ——— rifles were programed in fiscal 1963.

How do you account for the substantial increase in the cumulative program and the substantial difference between the 1963 request and the actual number of rifles programed?

Admiral HEINZ. The rifles going to Indonesia are part of the arms standardization program. The arms standardization program has as its purpose to relieve a logistic difficulty resulting from the possession of many different types of weapons.

Mr. PASSMAN. Yes, sir, but you are getting away from the question. Have I read these figures correctly?

Admiral HEINZ. The figures you show in the program for last year for .30-caliber rifles is ———. Is that the figure you have, sir?

Mr. PASSMAN. Last year's justification for this country indicated the cumulative program through fiscal 1962 had included ——— .30-caliber rifles, and the request in fiscal 1963 was for ——— rifles.

This year the justifications, on page 177, indicate that the cumulative program through 1963 includes ——— .30-caliber rifles.

Going to column D, it indicates that ——— rifles were programed in fiscal 1963. We want to reconcile the difference. If you add——

Admiral HEINZ. They do not add up——

Mr. PASSMAN. Certainly, they do not add up.

Admiral HEINZ. Because the 1963 deliveries of ——— added to ——— would not——

Mr. PASSMAN. A little over ———. Yet you show ———; is that correct?

Admiral HEINZ. It shows that. This is the cumulative program. It does not add up.

Mr. PASSMAN. Take ——— and ———, that should be cumulative. Yet you have ———. If you take the ———, add it to the ———, you should get a total of about ———. You show a total of ———; do you not?

Admiral HEINZ. I do.

Mr. PASSMAN. All right, sir.

Admiral HEINZ. There is an error someplace.

Mr. PASSMAN. Kindly run it down and put the information in the record if you will.

Admiral HEINZ. Yes.

(The information supplied for the record is classified.)

EXCESS STOCKS PROGRAMED FOR INDONESIA OVER AMOUNT JUSTIFIED TO THE CONGRESS

Mr. PASSMAN. What additional stocks did you program to Indonesia over that amount proposed for fiscal 1963, which was $554,000?

Admiral HEINZ. That was programed into Indonesia in fiscal year 1963? They consisted of the following items.

Mr. PASSMAN. You missed the question. What additional stocks did you program to this country over that amount proposed for fiscal 1963, which was $554,000? Give us the dollars. You requested $554,000. Tell us what you programed.

Admiral HEINZ. What we actually programed in 1963 for Indonesia showed ———, .50-caliber machineguns, ———.

Mr. PASSMAN. How much?

Admiral HEINZ. ———.

Mr. PASSMAN. Which is about 3¼ times the amount of what you justified last year; is that correct?

Admiral HEINZ. In excess stocks.

Mr. PASSMAN. Yes; but you are programing about three and a quarter to three and a half times the amount you justified to the Congress; is that correct, sir?

Admiral HEINZ. Yes, sir; in excess stocks.

Mr. PASSMAN. In excess stocks, certainly, that is what we are talking about.

Admiral HEINZ. (Off the record).

COMMUNICATIONS EQUIPMENT PROGRAM FOR INDONESIA

Mr. PASSMAN. Maybe you had better tell us what type electronic and communications equipment you are proposing to supply for $——— to Indonesia.

Admiral HEINZ. Yes, if I may.

Mr. PASSMAN. Is that out of excess stocks?

Admiral HEINZ. No, sir; it is not. It is a communication system.

Mr. PASSMAN. Between fixed points?

Admiral HEINZ. Between fixed points.

Mr. PASSMAN. Are there any telephone lines involved?

Admiral HEINZ. This includes a telephone-telegraph type line.

Mr. PASSMAN. Regular communications system that could be used by the population?

Admiral HEINZ. It could be if the military so allocates.

Mr. PASSMAN. It is a telephone system construction program to some extent?

Admiral HEINZ. It is a microwave communications system.

Mr. PASSMAN. You have already said it was telephone lines, and could be used by the population.

I notice you have $——— proposed for construction. What kind of construction is contemplated by this estimate?

Admiral HEINZ. This includes the estimate for the microwave sites as well as the terminal equipment at each of the main terminals.

Mr. PASSMAN. Construction would have to do with buildings?

Admiral HEINZ. Both construction of buildings and equipment for the buildings. This is a fixed communications system.

Mr. PASSMAN. How many buildings are to be constructed?

Admiral HEINZ. There are a total of ———.

Mr. PASSMAN. What type construction?

Admiral HEINZ. This is construction needed to house this communication network equipment.

It is mainly concrete construction.

Mr. PASSMAN. Does this tie in with the telephone or telegraph exchange already in the communities?

Admiral HEINZ. This does not tie in with the present communications systems.

Mr. PASSMAN. It could be immediately adapted to the civilian economy, could it not?

Admiral HEINZ. It could be, with quite an investment.

Mr. MINSHALL. How are they communicating now in the army?

Admiral HEINZ. They do not have rapid communications.

Mr. MINSHALL. What do you mean by rapid?

Admiral HEINZ. They have communications at the present time that——

Mr. MINSHALL. Is it drums, smoke, fires, or what?

Admiral HEINZ. They use older radio equipment. This new system will give them a greater and better capability to communicate between their headquarters. In many cases they do not now have rapid communications.

Mr. MINSHALL. My point is they have communications now but this would speed it up. What do you mean by speeding it up? That is a broad statement.

Admiral HEINZ. They have poor communications now between their units and their headquarters.

Mr. MINSHALL. A radio link is a radio link. It can only go so fast. Why should this new system be faster? I do not follow you.

Admiral HEINZ. It will give them volume and a fixed system which will enable them to tie together——

Mr. MINSHALL. Where did they get their present system?

Admiral HEINZ. They do not presently have a fixed communications system. They are using whatever they can put together down there.

Mr. MINSHALL. They do have communications now between their units of the armed forces?

Admiral HEINZ. They have communcations. In some cases it is radio, in some cases they probably have to use mail.

Mr. PASSMAN. How long have they had independence?

Admiral HEINZ. Since 1949.

Mr. PASSMAN. I believe we represent about 5 or 6 percent of the population of the world. We are one country out of 113. We have a public debt that exceeds by $24,500 million that of every other nation on the face of the earth. We are in 104 of the other 112 nations of the world with an aid program. Foreign aid has cost us more than $120 billion, if you include interest on what we borrowed to give away since the end of World War II. We are in 70 nations with the military program. If that is right, I do not possess the intellectual capacity to comprehend it.

VEHICLE PROGRAM FOR INDONESIA

Mr. ANDREWS. Admiral, I notice we are getting quite a fleet of motor vehicles over there, a total of ——— quarter-ton cargo trucks, is that correct?

Admiral HEINZ. Yes, sir. That is the program to date. ——— have been delivered. This is jeep type trucks.

Mr. MINSHALL. Is that excess stocks?

Admiral HEINZ. These are not from excess stocks.

Mr. MINSHALL. Where were these purchased?

Admiral HEINZ. Previous deliveries to Indonesia have been from the Japanese offshore procurement program.

Mr. MINSHALL. Previous deliveries?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Is that contract still in effect?

Admiral HEINZ. No, sir. 1962 was the last contract year.

Mr. ANDREWS. You are scheduling ——— quarter-ton trucks for 1964?

Admiral HEINZ. Jeeps.

Mr. ANDREWS. Where will they be procured?

Admiral HEINZ. In the United States.

Mr. MINSHALL. What is the difference in price between a U.S. jeep and a Japanese jeep?

Admiral HEINZ. The price between the U.S. jeep and the Japanese jeep—the Japanese jeep delivered, these are based on deliveries to China, $1,582. The U.S. M–38–A–1 is $3,068.

Mr. ANDREWS. They have ——— truck ambulances, ——— three-quarter-ton-truck ambulances. Where were they purchased?

Admiral HEINZ. The past procurement came from a Japanese buy.

Mr. ANDREWS. Could you furnish for the record, unless you can give it now, the Japanese price and the comparable American price?

Admiral HEINZ. Yes; I can. I will insert them again for the record.

Mr. PASSMAN. Is that satisfactory?

Mr. ANDREWS. Yes.

Mr. PASSMAN. Insert them, please.

(The information supplied follows:)

Comparative costs of Japanese- and United States-manufactured ambulances is as follows:

	United States	Japanese
¼-ton ambulance	$3,109	$1,466
¾-ton ambulance	6,054	3,612

Values shown are purchase prices and do not include spares and/or transportation.

Mr. ANDREWS. What about the condition of these motor vehicles over there? Are they being maintained adequately?

Admiral HEINZ. I would say that the maintenance is not adequate.

VEHICLE PROCUREMENT FROM JAPAN

Mr. PASSMAN. Do you recall a discussion last year with the committee—I think it was last year—about the contract with Japan for approximately 97,000 vehicles?

Admiral HEINZ. Yes.

Mr. PASSMAN. With the aggregate cost being, subject to correction, about $285 million?

Admiral HEINZ. Yes.

Mr. PASSMAN. This was very much alive last year. We were looking into subsequent years for deliveries to be completed. If I understand you correctly, you said you completed them in 1962. How did we get into the discussion last year about the 1963 program?

Admiral HEINZ. No. I said that the Japanese contract, the contract with Japan for procurement of vehicles was terminated with the 1962 funds. No 1963 funds were used for that.

Mr. PASSMAN. In your 1963 program you proposed to buy 15,446 trucks at a cost of $39 million, all procured from Japan; is that correct?

Admiral HEINZ. The fiscal year 1963 program?

Mr. PASSMAN. Yes, sir.

Admiral HEINZ. That was changed, sir.

Mr. PASSMAN. Tell the committee about it, Admiral.

Admiral HEINZ. It was changed because, as you recall, the Congress stated that no part of these funds would be made available for procurement for other than U.S. vehicles.

Mr. PASSMAN. We were told you had a contract last year. This contract was in effect.

Admiral HEINZ. That was the 1962 contract.

Mr. PASSMAN. Tell us, then, if no deliveries went beyond fiscal 1962.

Admiral HEINZ. The 1962 contract, the contract with 1962 funds was not signed until very late in fiscal year 1962. So that deliveries were made in fiscal year 1963 from the 1962 funds. No 1963 funds were allocated for a Japanese vehicle buy. The last buy was from the fiscal year 1962 program funds.

Mr. PASSMAN. You requested it for that purpose.

Admiral HEINZ. We did request it for fiscal year 1963, but it was denied.

Mr. PASSMAN. We are glad they made the change. The total program calls for 92,592 trucks?

Admiral HEINZ. Vehicles.

Mr. PASSMAN. The total cost is $237,759,100?

Admiral HEINZ. The total allowance of 92,592 vehicles is correct. The total price I cannot verify at this point, sir.

Mr. PASSMAN. Those are the figures you gave us.

Admiral HEINZ. In that case it is correct.

Mr. PASSMAN. You may wish to verify it.

THE "BUY AMERICAN" PROGRAM

I believe we do have a "Buy American" plan in effect, do we not, in almost every country?

Mr. BARNETT. Yes, sir.

Mr. PASSMAN. Under this program you buy American unless it can be bought 30-percent cheaper elsewhere. Is that the contract?

Mr. POATS. Are you speaking of all aid programs or MAP programs?

Mr. PASSMAN. All aid programs.

Mr. POATS. In the economic aid program we do not have a percentage formula to determine whether we buy American or buy elsewhere. We have a general limited worldwide procurement policy which prevents purchase of goods for the economic aid program except in less developed countries and the United States.

Mr. PASSMAN. We were told somewhere along the way you had a 30-percent differential. Are you familiar with this, Mr. Scheinman?

Mr. SCHEINMAN. I believe you referred to procurement by the U.S. Government, but not by the AID Agency.

Mr. PASSMAN. The AID Agency can award the contract to a foreign country even at a price higher than America's price; is that correct?

Mr. SCHEINMAN. It could award a contract under certain circumstances to non-U.S. manufacturers, if that is your question.

Mr. PASSMAN. How about U.S. procurement? What are the criteria there? Is that 30 percent?

Mr. SCHEINMAN. As I understand, sir, the AID has a policy in which "Buy American" is applied to funds under development lending except for certain specific cases determined by the Administrator.

With regard to other than development loan funds, there is in effect a limited worldwide policy by which we procure from other than certain countries which are determined by the President and the Administrator.

Mr. PASSMAN. There is no differential as to the percentage?

Mr. SCHEINMAN. It is not a matter of differential. It is a matter of competitive prices and in certain cases, particularly under supporting assistance that cannot be procured from the United States. There are occasions that you cannot purchase from U.S. sources.

Mr. PASSMAN. Do you have contracts in effect whereby the foreign competitor would have to be 30 percent cheaper in order to be awarded a contract?

Mr. SCHEINMAN. I am not aware of such criteria.

Mr. POATS. No, sir.

Mr. PASSMAN. Are you aware of any criteria that would protect American purchases with a percentage?

Mr. SCHEINMAN. With regard to projects——

Mr. PASSMAN. I am talking about commodities.

Mr. SCHEINMAN. I am not aware of such criteria.

(Additional information supplied follows:)

AID PROCUREMENT SOURCE POLICY

The Buy-American Act, 41 U.S.C. 10(a), 47 Stat. 1520, does not apply to procurement for AID-financed programs since the statute provides:

"* * * This section shall not apply with respect to articles, materials, or supplies for use outside the United States * * *."

Limiting the source of procurement with foreign aid funds to only certain free world countries, however, is a longstanding policy of AID and its predecessor agencies. In 1959 the Development Loan Fund limited its procurement to U.S. sources and in December 1960 the International Cooperation Administration (ICA) foreclosed procurement from 19 hard-currency countries of the free world. Present AID policy requires that all commodity financing on a loan basis and all commodity financing on a grant basis related to local cur-

rency generation shall be limited to commodities of U.S. source. All other commodity financing on a grant basis is limited to commodities from free world sources except the 19 hard-currency nations excluded by the Presidents' determination under section 604(a) of the Foreign Assistance Act of 1961.

It should be noted that these policies have never been subject to any rule authorizing exceptions if the savings available on off-shore procurement exceed a certain percentage, even though the buy-American regulations under the Buy-American Act so provide.

Mr. PASSMAN. That does not surprise me. We were told that you had a 30-percent differential, that unless you could buy it 30-percent cheaper in some other nation you would have to buy it in America.

So, according to what you are saying, "buy American" is not a thing in the world but a lot of propaganda to get the money, is that about as well said as I could say it?

Mr. POATS. No, sir. We do not spend any economic aid dollars out of current appropriations in the 19 developed countries with whom we have a gold drain problem except under rare circumstances. We bar spending in these countries regardless of the price differential. In the case of loans——

Mr. PASSMAN. How about the consortiums where the finished items are being assembled in European countries and we are putting up a good part of it? What is that?

Mr. POATS. These are normally, I think in every case, loan agreements under which our loan funds are restricted to U.S. procurement, buy American.

AID FUNDS SPENT IN U.S.

Mr. PASSMAN. Get out of the 19 and into other countries. Do you have any criteria, Mr. Scheinman, that you know of?

Mr. SCHEINMAN. As you know, over 80 percent of funds are being obligated for procurement in the United States. I understand that the Defense Department will buy from U.S. sources unless more than a 50-percent differential is involved.

Mr. PASSMAN. You said 80 percent is spent in the United States.

Mr. SCHEINMAN. Being obligated now, sir.

Mr. PASSMAN. For goods manufactured in America?

Mr. SCHEINMAN. That is correct.

Mr. PASSMAN. That creates jobs, of course.

Mr. SCHEINMAN. It does provide employment.

Mr. PASSMAN. It gives us exports, too; increases our exports for whatever amount is procured in America and shipped out, is that correct?

Mr. SCHEINMAN. With respect to that amount which is funded under lending arrangements.

Mr. PASSMAN. That is considered good for the American economy, is it not? It furnishes employment and gives us a market, is that right?

Mr. SCHEINMAN. Someone more qualified in economics than I would so argue.

Mr. PASSMAN. You informed us of something these people downtown are trying to live down. You should ask them to get your permission to ask me to take it from the record, because this 80-percent poppycock was put out to sell the foreign aid program. They always follow up and say that we forgot to mention that when it is shipped

out, the invoice is sent to the U.S. Treasury. If it were not true, we would triple foreign aid and have three times as many people employed and have three times the prosperity.

Mr. SCHEINMAN. The policy assists in alleviating the problem of balance of payments and gold outflow. That is its major contribution.

Mr. PASSMAN. I do not think you know too much about it—I say this respectfully. Maybe I know less.

CONDITION OF TRUCKS OVERSEAS

We are trying to straighten something out on these trucks. Do you have any major deficiency in your trucks in your command presently?

Admiral HEINZ. Yes, sir; we do have major deficiencies.

Mr. PASSMAN. What is the major deficiency?

Admiral HEINZ. I think a major deficiency is the condition, age of the overall fleet.

Mr. PASSMAN. You do not foresee any complete breakdown, or emergency, arising out of the truck situation, do you?

Admiral HEINZ. I can see an emergency arising if something is not done about the vehicle fleet in the GRC in the next 5 years.

Mr. PASSMAN. I am speaking of the overall area. We have to think of the total. Is it fairly well balanced presently, other than maintenance and replacement?

Admiral HEINZ. The past programs have, by and large, given fairly modern vehicle fleets to all countries excepting China.

Mr. PASSMAN. You would say a satisfactory program?

Admiral HEINZ. Excepting for China.

MODERNIZATION OF VEHICLES

Mr. PASSMAN. What would it cost to modernize your truck fleet in China?

Admiral HEINZ. Probably, if you were to replace all the vehicles there it would cost $———.

Mr. PASSMAN. If you replace them all, surely. However, I did not say anything about replacing all the units out there.

What percentage do you replace annually?

Admiral HEINZ. We hope to replace this year in the Chinese vehicle fleet about ——— percent of the vehicle fleet.

Mr. PASSMAN. What will that cost?

Admiral HEINZ. That would cost about $———.

Mr. PASSMAN. In your 1963 program, when you requested $39 million for trucks in your area, this was canceled out and you did not spend it?

Admiral HEINZ. That is correct.

Mr. PASSMAN. So you could take the $39 million off the $175 million that the committee reduced you?

Admiral HEINZ. And then we would have a cut of $136 million and also be short the vehicles.

Mr. PASSMAN. We are going to put all the cuts together when we are through. I think we shall wind up showing you spent money where you did not justify it, and this is a $39 million item we thought we would pick up.

You are familiar with this letter, I am sure [indicating].

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. I wanted to be sure we actually saved $39 million and there was no real harm done, if any at all.

AIRCRAFT EQUIPMENT IN CHINA

Mr. MINSHALL. What is the status of our aircraft equipment presently in the Republic of China?

Admiral HEINZ. The Republic of China at the present time has, as far as fighter aircraft are concerned, on hand ——— which were——.

Mr. MINSHALL. Without going into the detail and telling the types, is it in good condition?

Admiral HEINZ. The equipment throughout the Air Force is in good condition, but it is mostly Korean war equipment.

Mr. MINSHALL. Is it not a good Air Force?

Admiral HEINZ. It is an excellent air force, but they need to get an aircraft that can give them the top level control of the air.

In the Korean war, the F–86F's in use at that time could not get up to reach the Migs. They had to wait for the Migs to come down to them. That is still the problem.

Mr. MINSHALL. I happened to be informally chatting with one of the two Air Force generals a few days ago and he said the Republic of China has one of the best air forces in the world.

Admiral HEINZ. Their people are good; they are well trained, and their planes are well maintained. They have ——— of the ——— series. ———.

PROCUREMENT OF VEHICLES OVERSEAS

Mr. PASSMAN. Let me read this letter into the record.

(The letter was read as follows:)

ASSISTANT SECRETARY OF DEFENSE,
INTERNATIONAL SECURITY AFFAIRS,
Washington, D.C., January 29, 1963.

Mr. FRANCIS G. MERRILL,
Staff Assistant, House Appropriations Committee,
Washington, D.C.

DEAR MR. MERRILL: This is in answer to your questions concerning the Chamberlain amendment. This amendment had no practical effect in fiscal year 1963. Before passage of the amendment, the Secretary of Defense had already directed that no Japanese-built vehicles be bought in fiscal year 1963. This action was taken as part of the overall effort of the administration to reduce dollar expenditures abroad and improve the U.S. balance-of-payments position.

As you have noted, the executive branch, in submitting the budget request for fiscal year 1964, in accordance with previous practice, did not include the general provisions and the Chamberlain amendment which appeared in the 1963 Appropriation Act. It is the view of the executive branch that these provisions are unnecessary and unduly restrictive on the flexibility which is needed to administer this program. At the present time, there are no specific plans for procurement of vehicles offshore in fiscal year 1964. It may be, however, that, in negotiations with the Japanese Government, looking toward an overall improvement in the U.S. balance of payments, possible renewal of the vehicle program as part of a "package" agreement would be in the overall interest of the United States.

Sincerely yours,

WM. M. LEFFINGWELL,
Deputy Director of Military Assistance.

This is something we knew nothing about. Here we were on the floor trying to do something to button this situation up, only to learn at a subsequent date that the Secretary had already canceled it out even before we adopted the amendment and the committee was not told about it.

General Wood. The letter says, and our position is, that we are not buying Japanese-produced vehicles. It does not mean that the need for vehicles will disappear.

Mr. Passman. They canceled out the program.

General Wood. They canceled out the purchase——

Mr. Passman. The purchase of the Japanese vehicles, and did not propose any program in America.

There is $39 million we had to dig and dig to uncover. When we get through, you might want to accept my suggestion, even though you did not accept it on that basis, that this would be a better program if you would withdraw your entire request for fiscal year 1964, work out of the bank which gives you 20 to 22 months' supply of money out of this illustrative program. Then use some other section of the law to fund until you can come back.

I believe in subsequent years the program would be better off.

General Wood. That is one view. It is not mine. We have discussed it before.

Mr. Passman. I am familiar with the deobligation process. If you would give me 5 percent of the amount of money you have deobligated, Otto Passman would be the richest man in America.

General Wood. We were in about a 4-year program, as you recall, which was saving dollars because the Japanese vehicles were cheaper. But the question of the gold outflow, I am certain, is what made Mr. McNamara decide to save every penny of defense dollars that he can.

NEED FOR VEHICLE PROCUREMENT

To reduce the gold flow and improve the balance of payments. But the fact we have vehicles in the 1964 program indicates we still need vehicles for these countries. The reason they were not programed in fiscal year 1963 was because it was too late to come up with a new program based on purchasing from American companies.

We have surveyed the situation to see what vehicles we could still keep in operation to avoid buying new ones. Our request for vehicles is lower than it was last year.

Mr. Passman. Let us say that you may or may not need vehicles.

I am familiar with the waste in this program of excess equipment.

JAPAN

The estimate for Japan is $———.

Admiral Heinz. This is correct.

Mr. Passman. Is this not a country where they are having an astonishing economic recovery, moving forward by leaps and bounds? Also, is this one of the countries we are now getting to pay back some of the dollar loans in advance of the due date?

Admiral Heinz. I do not know whether they are prepaying loans.

Mr. Passman. Is this one of the countries we prevailed upon to pay back their indebtedness in advance of the due date?

Mr. POATS. Not in advance. They are paying back.

Mr. PASSMAN. You are familiar with the deal where we prevailed upon some of the countries to pay back 30 years before due date?

Mr. POATS. This indebtedness was only recognized in a repayment agreement last year, and the first payments are only started.

Mr. PASSMAN. We do have a program whereby America has been getting nations to pay back dollar indebtedness in advance of due date; am I correct?

Mr. POATS. That is right.

Mr. PASSMAN. And Japan is not one of them?

Mr. POATS. That is right; they are not paying back in advance.

Mr. PASSMAN. Is Japan one of the nations from which we are attempting to borrow dollars? Do we have a request to borrow yen from Japan?

Mr. POATS. No, sir.

Mr. PASSMAN. To borrow dollars from Japan?

Mr. POATS. I am not familiar——

Mr. PASSMAN. You are famiilar with the program we are borrowing money from foreign nations, are you not?

Mr. POATS. Yes.

Mr. PASSMAN. They have had a tremendous recovery out there?

Mr. BARNETT. Yes.

Mr. PASSMAN. They have a strong economy?

Mr. BARNETT. Yes.

TERMINATION OF MAP IN JAPAN

Mr. PASSMAN. Were we not told they were ready now to assume the cost of the military?

Mr. BARNETT. Yes, sir.

Mr. PASSMAN. Why do we have this large program? Why not a large decrease in fiscal year 1964 over 1963?

Admiral HEINZ. The program for fiscal year 1964 consists of cost-sharing two major force improvement items.

Mr. PASSMAN. Do you feel the Japanese are in a position to pick up their own military bills?

Admiral HEINZ. These are in fulfillment of commitments to Japan ———

Mr. PASSMAN. Do you feel this is the last year we will have any military expense in Japan?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Do you feel Japan could pay their own military costs if they wanted to do so?

Admiral HEINZ. That is what we expect Japan to be able to do.

Mr. PASSMAN. When?

Admiral HEINZ. We expect them to pay the full cost of the upkeep of their military forces.

(Off the record.)

Mr. PASSMAN. They are able to do this, but we entered into prior agreements we are presently respecting?

Admiral HEINZ. Yes.

Mr. PASSMAN. When will the agreements expire?

Admiral HEINZ. The information shown to you is that the last item of fulfillment of commitments in Japan should be about fiscal year 1966. There will be residuals of a few hundred thousand dollars.

Mr. PASSMAN. You have given it to us for fiscal year 1964. We have a reduced program in 1965 and 1966 and we hope that is it.

Admiral HEINZ. The figure shown as commitments for ——— is $———.

Mr. PASSMAN. We go by the books. It would take a ½-ton truck to get this information to the floor of the House. We have to get your opinions and quote you, not these books. Some pages contradict what is said in others. You have told us some good news.

KOREA

Page 183 indicates you are requesting $——— for Korea in 1964; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What is the amount of funds on hand credited to Korea at this time?

Admiral HEINZ. The unexpended balances estimated for July 31, 1963, $264,390,000.

Mr. PASSMAN. The amount of the military program since its inception?

Admiral HEINZ. $2,000,929,000 through fiscal year 1963.

EXCESS STOCKS

Mr. PASSMAN. And the amount of the excess stocks?

Admiral HEINZ. Cumulative figures, 1950 to 1965, $194,165,000.

IMPROVEMENTS IN GOVERNMENT

Mr. PASSMAN. What are some of the advantages you have in South Korea now that you did not have in 1956, 1957, 1958, and 1959? Can you point to any improvements in the operation of the Government?

Admiral HEINZ. I can point to the following improvements achieved by the present Government.

Mr. PASSMAN. I am speaking now of their progress toward democracy.

Admiral HEINZ. These are the things that I believe are good for them.

Mr. PASSMAN. Good for them to be overthrowing these governments?

Admiral HEINZ. These are the things the present Government has done I think is good for Korea.

Mr. PASSMAN. What is the name of the present leader?

Admiral HEINZ. He is Pak Chong Hui.

Mr. PASSMAN. How did he get his position?

Admiral HEINZ. He gained his present position through a military coup 2 years ago.

Mr. PASSMAN. Whom did he succeed?

Admiral HEINZ. The Chang Myon government.

Mr. PASSMAN. How did he get his position?

Admiral HEINZ. I think Mr. Barnett can answer that.

Mr. BARNETT. I do not know.

Mr. SANDRI. Chang Myon was elected as Prime Minister by referendum after the overthrow of the Rhee government.

Mr. PASSMAN. How long did he serve?

Mr. SANDRI. One year.

Mr. PASSMAN. Whom did he succeed?

Mr. SANDRI. Mr. Rhee.

Mr. PASSMAN. How long a term did he serve?

Mr. SANDRI. One year.

Mr. PASSMAN. Do they elect for 1 year?

Mr. SANDRI. No; the present government was overthrown——

Mr. PASSMAN. He did not get tired and quit?

Mr. SANDRI. No, sir; the Chang Myon government was overthrown and succeeded by the present regime.

Admiral HEINZ. May I answer your previous question as to the things which the Government has done?

Mr. PASSMAN. Please put it in the record.

(The information supplied follows:)

The principal advantages evident now in Korea which were not present under earlier regimes are reduction of corrupt practices and limited progress toward economic growth. The regime which took power in May 1961, has made mistakes, and has recently been faced with domestic power struggle. The promised transition to civilian rule is expected to take place through popular elections this fall. This move will not solve Korea's problems, but is a step in the right direction. Korea will continue to be dependent on the United States for some years to come. It is planned gradually to reduce Korea's military burden, so that more emphasis can be put on economic development. The stress in the latter area, and to which the current Government is responding to U.S. guidance, is on establishing sound economic practices, so that confidence will be generated in Korea for local and foreign capital investment. Contrary to the anti-Japanese atmosphere of earlier governments, under this regime rapprochement with Japan has been promoted, which is expected to lead to restoration of normal relations in the near future.

SHIP PROGRAM FOR KOREA

Admiral HEINZ. Could I also correct a previous statement that was in error about the ship for Korea?

There was an authorization in Public Law 87–387 for the DE canceled from the fiscal year 1963 program. I was not sure it had ever been authorized by the Congress, but it had been.

Mr. PASSMAN. You had programs for ships the Congress had not authorized?

Admiral HEINZ. Yes.

Mr. PASSMAN. And that is true in other parts of the aid program?

Admiral HEINZ. Congress does not require us specifically to seek authorization for the ships below the DE, or the DD category.

Mr. PASSMAN. That is not the question.

You, as well as your counterparts in the other regions, had in their program requests last year funds for ships that the Congress never authorized.

Admiral HEINZ. The ships were therefore cut out of the program. There were no ships for the countries in the Far East, however, in the ship loan legislation proposed last year.

Mr. PASSMAN. They were never put in the program. They were in the request.

Admiral HEINZ. Yes, that is correct.

Mr. PASSMAN. There is an increase of ——— above the 1963 program, despite the fact that Korea has reduced her active military strength by approximately ——— men; is that correct?

Admiral HEINZ. That is approximately correct.

AIRCRAFT PROGRAM

Mr. PASSMAN. Last year the justifications indicated that the cumulative program through 1962 included ——— F–86 jet fighters, of which ——— had been delivered through June 30, 1962, with ——— to be delivered after June 30, 1962. This year, page 183 of the justifications indicates that only ——— F–86 aircraft have been programed through fiscal year 1963 and delivered through June 30, 1963. What happened to the other 19 aircraft?

Admiral HEINZ. I will have to supply that for the record.

Mr. PASSMAN. They were funded, nevertheless?

Admiral HEINZ. The book shows——

Mr. PASSMAN. Put it in the record, if you will.

(The information supplied follows:)

The fiscal year 1962 Korea MAP implementation was ——— F–86 aircraft, rather than ———; the other ——— were diverted elsewhere. Therefore, the fiscal years 1950–62 total was ——— instead of ———. Included in the figure of ——— aircraft were ——— F–86 aircraft redistributed from Japan.

This year's accounting procedure does not include assets supplied from redistribution; such assets remain as a charge to the country to which they were originally delivered and utilized (in this case, Japan). Therefore, the deliveries to Korea show only ——— F–86 aircraft.

Mr. PASSMAN. Last year you requested funds for ——— FX aircraft, which subsequently turned out to be the F–5 aircraft. However, I note that your 1963 program indicates that ——— F–5 aircraft, an increase of 13, have been scheduled for delivery to Korea; is that right?

Admiral HEINZ. Could you give me the figures again?

Mr. PASSMAN. Last year you requested funds for ——— FX aircraft which subsequently turned out to be the F–5 aircraft. However, I note that your 1963 program indicates that ——— F–5 aircraft, an increase of 13, have been scheduled for delivery to Korea.

Where did you get the funds for the additional 13 aircraft?

Admiral HEINZ. By the deletion of F–104 aircraft.

Mr. PASSMAN. The 13 additional ones?

Admiral HEINZ. By the deletion of the ——— F–104 aircraft.

Mr. PASSMAN. Then this aircraft is better suited for the purpose planned for than the original F–86?

Admiral HEINZ. Better suited and cheaper.

Mr. PASSMAN. So you had an inflated request for dollars, and you you had a deflated request as far as units were concerned last year, because you come in and request money at a higher figure. Evidently this must have been under discussion at the time you made your request.

Admiral HEINZ. Our request for fighter aircraft was the best program we could develop at the time.

Mr. PASSMAN. Why did you not take the funds that the 13 aircraft cost and say, "Look what we saved"?

Admiral HEINZ. That is what we did.

Mr. PASSMAN. You bought more aircraft. You got a better aircraft, you said, but instead of buying the number you justified to Congress, you funded 13 additional aircraft. If you had just said, "We saved some money," but instead of saving the money, you had to go ahead and spend it.

Admiral HEINZ. We also had programed not only ——— FX aircraft, but also ——— F–104 aircraft, or a total of ———. This shows a total of ——— instead of ———, therefore, a reduction of 5.

Mr. PASSMAN. You deleted the other, and they are not programed in any subsequent years. They are out of the program.

Admiral HEINZ. The F–104's are out of the program. The F–5's are in the program.

CONSTRUCTION PROGRAM

Mr. PASSMAN. What type of construction do you contemplate in Korea for the ———?

Admiral HEINZ. ——— air base support facilities, ———— various air bases. A runway rehabilitation, ———; ammunition storage, ———; communication system modernization, ———; operational support, and this is construction materials, ———; support for the Korean Air Force facilities, ———.

Mr. PASSMAN. What kind of facilities?

Admiral HEINZ. Air Force. Continuing, base support construction materials, $———; logistics support, construction materials, $———, and repair piers for ASW ships, $———.

This totals $———.

Mr. PASSMAN. That is the asking price?

Admiral HEINZ. This is the program of construction.

Mr. PASSMAN. The asking price under the construction program.

EXCESS STOCKS PROGRAM FISCAL YEAR 1964

Would you insert in the record the type of excess stocks you are programing for Korea in fiscal year 1964?

Admiral HEINZ. They are as follows.

Mr. PASSMAN. Please insert the information in the record.

(The information supplied for the record is classified.)

DESTROYER ESCORT FOR KOREA

Mr. PASSMAN. Why does Korea need a destroyer escort and what is the proposed cost of this vessel?

Admiral HEINZ. A destroyer escort costs $——— for activization and modification. The Korean Navy is in a shooting war with North Korea. They had another fight about 3 weeks ago on the west coast. The present ships of the Korean Navy require improvement to match the North Korean Navy.

Mr. PASSMAN. Are you asking for something already authorized, or yet to be authorized?

Admiral HEINZ. It is authorized by Public Law 37——

Mr. PASSMAN. Put it in the record, please.

(The information supplied follows:)

Statutory authority for programing a DE for Korea ——— is contained in Public Law 87-387, dated October 4, 1961. The authorization for this loan expires on December 31, 1963. Congress has been requested to grant a 1-year extension of this loan authority.

PHILIPPINES

Mr. PASSMAN. The next country is the Philippines for which the estimate is $———; is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do you feel the detail of the key end items indicated in column 10, page 191, for fiscal year 1963 justify the expenditure of $———?

Admiral HEINZ. The detail of the key end items does not show there because the program was a maintenance program, and with a maintenance program you are not able to provide many new key end items. Your maintenance type of support requires spare parts, ammunition and similar items, money which does not show up as key end items for this page.

AIRCRAFT PROGRAM

Mr. PASSMAN. Last year the justifications indicated that the cumulative program through 1962 included four C–47 aircraft. This year the justifications indicate that the cumulative program through fiscal year 1963 includes two C–47 aircraft.

Where did the additional C–47 aircraft come from and where did you get the money to pay for them?

Admiral HEINZ. The 1962 program of ——— aircraft, plus the four previous, would total ———, which is the figure shown here.

Mr. PASSMAN. We believe our books show differently.

You had four through fiscal year 1962?

Admiral HEINZ. There are ——— in the fiscal year 1962 program, or a total of ——— to date.

Mr. PASSMAN. I am talking about C–47 aircraft.

Admiral HEINZ. There are ———.

Mr. PASSMAN. Come down to column 3. You are talking about ———. I am looking at line 19, transport aircraft, C–47. You show four.

Admiral HEINZ. You are looking at last year's book.

Mr. PASSMAN. That is exactly what I said. I am moving up to this year.

Admiral HEINZ. Four, cumulative through 1962, and ——— for fiscal year 1963. The figures now show, and this must have been a change in the fiscal year 1962 program occurring after last year's book was printed, ——— for a total. All I can assume is the records have been updated and are correct.

Mr. PASSMAN. They were either wrong last year, or wrong this year. Is that a statement of fact?

Admiral HEINZ. I would assume the books were incorrect last year.

Mr. PASSMAN. What are these records for anyway? We find so many discrepancies.

We compare one year against the other. You just cannot reconcile this, Admiral.

Admiral HEINZ. What I attempt to do is to give you as much as I can in the space available.

Mr. PASSMAN. Why are you programing ——— aircraft to this country?

Admiral HEINZ. This is, again, for modernization of the Air Force of the Philippines.

EXCESS STOCKS PROGRAM

Mr. PASSMAN. What type of excess stocks, which had an original cost of $——— are you programing for this country?

Admiral HEINZ. The excess stocks for the Philippines are the following types: ———.

Mr. PASSMAN. If we had not got mixed up in this foreign aid program, there sure would have been a lot of Federal buildings constructed around here to store all this excess stock, would there not? You do not have to answer, but thank you for the smile, sir.

UNEXPENDED BALANCE

Why do you have such a very large unexpended balance in the line item for ships? I think it is $5,972,000. Is that correct, sir?

Admiral HEINZ. I would like to insert the figure.

(The information supplied for the record is classified.)

A. & E. SERVICES

Mr. PASSMAN. What type of construction do you contemplate for $10,000?

Admiral HEINZ. This is for A. & E. services for construction, sir.

Mr. PASSMAN. The next country is Thailand, for which the estimate is $———. Is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Back on the A. & E., that is for long-range plans?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. That is something for which you reimburse the Defense Department?

Admiral HEINZ. The A. & E. contracting there could be given to a U.S. contractor, but probably will be done by the OICC/SWP—the naval officer in charge of construction, Southwest Pacific.

Mr. PASSMAN. Maybe we had better ask you what type of construction you are planning. This is how we get into these long, expensive contracts.

Admiral HEINZ. No, sir; it is not.

Mr. PASSMAN. Admiral, if you spend $10,000 for planning, in my way of understanding dollars, it would encompass an expensive program.

Admiral HEINZ. This study will look at future construction requirements in the Philippines for base facilities; both Philippines and United States. It does not commit us to that. This is to determine

the requirements which may be included in future programs. For each country you need long-range integrated plans to prevent duplication and to be sure necessary facilities are planned.

Mr. PASSMAN. Could you give us the range of the construction you are programing?

Admiral HEINZ. The types of facilities needed for the Philippines would include ———.

Mr. PASSMAN. Could you give us an estimate of the completion cost on the construction of the plans that the $10,000 will buy?

Admiral HEINZ. I am not able to give you an accurate estimate at this time.

CAMBODIA

Mr. PASSMAN. You stated we had a military program in Cambodia.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do Cambodia and Thailand still get along as well as they have in the past, to the extent they do not have diplomatic relations?

Admiral HEINZ. That is true.

Mr. PASSMAN. You are giving both of them guns?

Admiral HEINZ. We are giving both of them military assistance.

Mr. PASSMAN. If they should get mad at each other, real angry, hell would be to pay.

Admiral HEINZ. Possibly.

Mr. PASSMAN. At least, they do not have diplomatic relations with each other?

Admiral HEINZ. That is true.

Mr. PASSMAN. We are giving military and economic aid to both of them?

Admiral HEINZ. Yes.

Mr. PASSMAN. Thank you.

(Off the record.)

CAMBODIA HOSPITAL

Mr. PASSMAN. Would you tell us whether that matter has been resolved to our benefit?

Mr. POATS. It was never positively determined that any U.S. aid project goods went into the Soviet hospital. There is a strong reason to believe that some U.S.-funded imports, including cement, were sold there to a Cambodian contractor, who in turn was hired by the Soviets in the building of the hospital. He bought cement on the market, which had been brought in by U.S. aid financing, and used it on the project. This is also true of one tractor.

We now have a regulation which prescribes restrictions to minimize the danger of this kind of diversion occurring. We always have had these restrictions on project aid. We have added to this a much more complete set of restrictions.

Mr. MINSHALL. As far as you are concerned, you have found no direct connection between our foreign aid money and the construction material used in this hospital?

Mr. POATS. We have no proof of it, but we believe that some U.S.-financed cement and other construction material, which was brought in to Cambodia to be sold for the purpose of raising local currency

to fund the Cambodia military budget, was bought by a Cambodian contractor who was employed by the Russians on this project.

Mr. PASSMAN. Did not one of the AID Directors indicate it was not uncommon for something to be built with part U.S. aid and part Russian aid?

Mr. POATS. We have stated in testimony before the House Government Operations Subcommittee that it was conceivable that this sort of thing could happen, because if you sell goods on a free market, you cannot always control the second purchaser of those goods.

Mr. PASSMAN. A few years ago the Russians built a hotel out in Burma and it was classified. I got hold of a picture of it, and I was talking about it. They said, "You are violating the security of this country letting people see the picture of that hotel in Rangoon that the Russians built."

Have you ever declassified that picture and that hotel?

Mr. POATS. I was never aware it was classified.

Mr. PASSMAN. You ought to read the record. It was so classified, so stamped. We were not supposed to know the Russians built that hotel.

Mr. POATS. It certainly was not secret from the Burmese or anybody passing through.

THAILAND

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. The 1963 program for Thailand is indicated as being $79,439,000. How much did you request for this program last year?

Admiral HEINZ. $———.

Mr. PASSMAN. Where did you get the additional $———?

Admiral HEINZ. If you recall, at the time of our submission last year, we had a $100 million southeast Asian program, which we told you probably would have to be used for Vietnam and Thailand. It was accordingly allocated to Vietnam and Thailand.

Mr. PASSMAN. You programed $——— more than you justified to Congress.

Admiral HEINZ. We told you at the time the program would have to be increased, but could not give you the definite items that would be needed. The program was subsequently increased.

Mr. PASSMAN. How much of the $100 million went to Thailand out of the overall program to which you are referring?

Admiral HEINZ. I would guess, of that $100 million, about $20 million went to Thailand.

Mr. PASSMAN. So, the original, let us put it, tentative request, the uncertain request, but the figure request that we discussed in the justifications, was $——— less than the actual program. Is that correct?

Admiral HEINZ. That is correct.

MILITARY EQUIPMENT IN THAILAND

Mr. PASSMAN. How much of the ——— represented military equipment that you had moved in from Guam, Okinawa, and other bases, that you left there and charged to the program rather than taking it back to our own Defense Department?

Admiral HEINZ. ———.

Mr. PASSMAN. I am familiar with that fact. I was over there, Admiral. I am asking you how much of the $——— it is a simple question—represents military equipment that we shipped in when the marines went over, which we left there and charged to this program rather than to return it? It is either a certain figure or it is no figure. We want to know the figure.

Admiral HEINZ. The equipment that is moved in by the Army to Thailand and stored there and whose title remains in the Army totals about $——— paid out of Army funds, not military assistance.

Mr. PASSMAN. We are glad to get that information, but you have not answered my question yet.

Admiral HEINZ. None of the equipment left for U.S. use is paid for out of MAP funds.

Mr. PASSMAN. Have you any idea of returning the $——— plus of the U.S.-owned military to our own forces?

Admiral HEINZ. Yes. I cannot give you any date when. We retain the title to that. When the security situation allows, we will return it.

THAILAND INFRASTRUCTURE PROGRAM

Mr. PASSMAN. You are familiar with the infrastructure program in North Thailand?

Admiral HEINZ. Yes.

Mr. PASSMAN. What did that program cost last year?

Admiral HEINZ. The total program to MAP in 1963 was $———.

Mr. PASSMAN. How much in fiscal 1962?

Admiral HEINZ. In 1962, the cost to MAP was $———.

Mr. PASSMAN. When did you start the program?

Admiral HEINZ. This program was finally approved by the Secretary in June of 1962.

Mr. PASSMAN. When did you justify it to the Congress?

Admiral HEINZ. The program was not contained in our presentation of the 1963 program last year.

Mr. PASSMAN. So, is it not a foregone conclusion—we are hitting paydirt—that you were planning this program in 1962, finalized it in 1963, you requested no money from the Congress either in 1962 or 1963, yet you went back and funded part of the program out of 1962 funds and part out of 1963 funds?

Admiral HEINZ. The program was funded partly out of fiscal year 1963 funds.

Mr. PASSMAN. Are you answering my question?

Admiral HEINZ. I am answering.

Mr. PASSMAN. Then let me ask it again so I can understand it.

You have an infrastructure program in Thailand, planned in 1962, finalized in 1963, part of it funded out of 1962, part of it funded out of 1963. So far, is that correct?

Admiral HEINZ. So far, correct.

Mr. PASSMAN. Thank you very much.

Could you tell us the estimate of the completed cost of this program that you started and funded out of 1962 and 1963 which had not been justified to Congress? What is the completion estimate?

Admiral HEINZ. The figures that I gave you——

Mr. PASSMAN. The total cost, if you have it projected, Admiral.

Admiral HEINZ. I have it projected here, sir.

Mr. PASSMAN. That is another indication you people get the money and do with it whatever you please. The total is how much?

Admiral HEINZ. $———.

Mr. PASSMAN. I wish Mr. McNamara had the time to sit through all these hearings.

CONSTRUCTION PROGRAM

Last year you requested $1,052,000 for construction. This year, column (d) indicates that you have programed $——— for this purpose. Where did you get the money?

Admiral HEINZ. The money for the increased construction in Thailand was taken from the increased overall program of Thailand, part of which came from the joint-use construction program present for the Far East area last year.

Mr. PASSMAN. But it was not justified, as we earlier discussed, as such?

Admiral HEINZ. No, sir. We could only justify to you, in general terms at the time. We also indicated that the Thailand program would have to be increased. We could not give you the definite figures then.

Mr. PASSMAN. But you did not feel you would lose any figures. If we had to earmark this to the amount you requested, you would have slept all right if you had read that in the bill?

Admiral HEINZ. I would have been very worried.

Mr. PASSMAN. Not too worried, would you?

Admiral HEINZ. Yes, sir, because——

Mr. PASSMAN. If you were going to be all that worried, since you were guessing anyway, why did you not guess a larger figure, if it would cause you worry, because, after all, you funded $32,700,000 more than you justified to Congress. You may have said "We need more," but you used a specific figure.

Admiral HEINZ. We used a specific figure and told you we would need more.

Mr. PASSMAN. If we had earmarked it, why did you not guess a larger figure instead of a lower figure? It was a guess, anyway, according to the testimony this afternoon.

Admiral HEINZ. If we are going to estimate a program, we like to estimate as closely as we can.

Mr. PASSMAN. But you would still have worried if you had received what you estimated, if we had not given you this kitty, or reserve, on the side out of which to fund.

Admiral HEINZ. It would have delayed the buildup of the counter-insurgency capabilities in Thailand.

Mr. PASSMAN. Secretary McNamara calls this a concrete program. It looks pretty loose to me.

MILITARY STRENGTH OF THAI UNITS

Mr. MINSHALL. Before you leave Thailand, I would like to ask one question about the Armed Forces.

I notice, Admiral, you have infantry divisions, ——— forces in being and ——— force objectives.

Admiral HEINZ. Yes, sir.

Mr. MINSHALL. I would like to ask, What is the actual strength and the authorized strength of the various units? How much up to strength are they?

Admiral HEINZ. The total "in being" is actually ——— divisions. That includes the cavalry division shown on the next line. The cavalry division is partly mechanized.

Mr. MINSHALL. Taking all of them, give me a general impression of the authorized strength versus the actual strength.

Admiral HEINZ. The Army authorized strength is ———. The actual strength is ———.

Mr. MINSHALL. That is practically ——— percent. Is that normal?

Admiral HEINZ. Yes, sir.

Mr. MINSHALL. What is their M-day capability?

(Discussion held off the record.)

Mr. MINSHALL. Why are you sending all this equipment?

Admiral HEINZ. The equipment is not planned on the authorized strength. The equipment is planned on the actual strength. In other words, the equipment is planned for the units that we support.

Mr. MINSHALL. Your figures will bear this out, I presume.

Admiral HEINZ. Yes. The active military strength, which is the figure we show, of ———, is the figure our plans are based on.

Mr. MINSHALL. In other words, you do not have a situation where you have two rifles for every GI?

Admiral HEINZ. No, sir. Our equipment is based on actual, not authorized, strength. For instance, the AA battalion we do not support at all.

Mr. MINSHALL. Thank you.

TYPE OF GOVERNMENT IN FAR EAST RECEIVING U.S. ASSISTANCE

Mr. PASSMAN. What type of government do they have in ———?

Admiral HEINZ. Military-type government.

Mr. PASSMAN. Is the head of government elected?

Admiral HEINZ. He took over by a coup d'etat.

Mr. PASSMAN. He overthrew some other government.

Admiral HEINZ. Yes.

Mr. PASSMAN. In Korea the head of government took over by overthrowing another government?

Admiral HEINZ. Yes.

Mr. PASSMAN. In Thailand you have a man who just assumed the duties? He was not elected by the people, either.

Admiral HEINZ. He was not elected.

Mr. PASSMAN. In Indonesia, you have a man who is now in for a lifetime, unless he is assassinated or dies of natural causes.

Admiral HEINZ. Yes.

Mr. PASSMAN. Did it ever occur to you that those people maybe are playing both ends against the middle? They have no conception of what freedom is. If they do not like the ones in power, they take over, overnight. It looks as if we are supporting every type of government on the face of the earth.

I just wonder if that causes you any worry when you think about the type of governments for which you are responsible for furnishing military aid in your region.

Admiral HEINZ. Yes, sir. What worries me is whether the government is stable and good for the country.

EXCESS STOCKS IN THAILAND

Mr. PASSMAN. What did you furnish for the $——— excess stocks for Thailand?

(Off the record.)

Mr. PASSMAN. You are programing ——— to this country, are you not?

Admiral HEINZ. We are.

Mr. PASSMAN. I note that you have four ——— proposed in the 1964 program. How many ——— are on hand at the present time in Thailand, and what is the annual rate of consumption of this ———?

Admiral HEINZ. It shows that ——— have been delivered.

Mr. PASSMAN. And the consumption per year?

Admiral HEINZ. The consumption per year would be only for familiarization, on the order of four to six per year for training purposes.

Mr. PASSMAN. Last fall when we were in Bangkok we were told by the MAAG people that they only used two ——— per year. If that figure is correct, why are you increasing the strength?

Admiral HEINZ. We show a program for 1964 of ———.

Mr. PASSMAN. If you are using only two per year and you have ——— on hand, how could you justify the additional two, based upon the fact that they told us that the consumption, the mortality rate through training, is two a year?

Admiral HEINZ. This would be programing for the additional aircraft being put in. You notice we have ——— to go into Thailand.

Mr. PASSMAN. But you do have ——— in Thailand at present.

Admiral HEINZ. Yes, sir. This, of course, is your war ammunition.

Mr. PASSMAN. We know that, sir. How much do they cost, each?

Admiral HEINZ. $———.

INCREASE IN MAAG PERSONNEL IN THAILAND

Mr. PASSMAN. You are increasing the MAAG strength, are you not, in Thailand?

Admiral HEINZ. The MAAG strength in Thailand shows an increase estimated to 471 in fiscal year 1964.

Mr. PASSMAN. From what figure to 471?

Admiral HEINZ. This would be from 421 to 471.

Mr. PASSMAN. Why are you increasing the number?

Admiral HEINZ. This was the estimate.

(Discussion held off the record.)

Mr. PASSMAN. Discussing just awhile ago the types of governments, we forgot to mention Laos, where you have a coalition—brother, half-brother, and first cousin. Even though we are supporting the coalition financially and militarily, the two factions of the coalition are presently fighting. So, when we start summing up the

types of governments of the countries into which we are putting military aid, we should not leave this Laotian combination out.

VIETNAM

Mr. PASSMAN. The next country is Vietnam, for which the estimate is $———.

Admiral HEINZ. That is correct.

Mr. PASSMAN. Have you any estimate of the amount of funds you will receive from the nonregional request, in addition to the $———?

Admiral HEINZ. From the amount of the nonregional funds contained in the program, I would expect approximately $20 million.

INCREASE IN FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Last year, your 1963 estimate for this country was $———?

Admiral HEINZ. That is correct, and we told you at the time this would not be sufficient, that we would have to increase the program and that——

Mr. PASSMAN. You always increase it if you can get the money, but that is what you based your justification on last year.

Admiral HEINZ. The details we gave you at the time we justified them.

Mr. PASSMAN. If I recall correctly, you indicated there was approximately $100 million available in the special Far East area program which would be used in Vietnam.

Admiral HEINZ. Vietnam and Thailand, that is correct.

Mr. PASSMAN. You used $36 million. Where did you get the funds over and above the funds you justified to the committee, of the $———?

Admiral HEINZ. If you recall, we had the southeast Asian program of $100 million.

Mr. PASSMAN. That is $100 million. We are taking $36 million for Thailand, and that leaves $64 million.

Admiral HEINZ. The Vietnam program was increased $———.

Mr. PASSMAN. If you take the $———, where did you get the funds over and above the total you justified to the committee?

Admiral HEINZ. Out of the overall MAP program.

Mr. PASSMAN. Then it came out of what I have described as the illustrative program?

Admiral HEINZ. Out of the illustrative program.

Mr. PASSMAN. You are now confirming my understanding of it. Thank you very much, sir.

I wanted to mention that fact because some prior witness with a big title indicated we had damaged the program.

CONSTRUCTION PROGRAM, FISCAL YEAR 1963

What type of construction did you program for $——— in 1963?

Admiral HEINZ. Examples of the type of construction in fiscal year 1963: ———, a medical training center, a 400-bed hospital extension.

Mr. PASSMAN. Medical training center?

Admiral HEINZ. Medical training center.

Mr. PASSMAN. Is that a hospital?

Admiral HEINZ. No, sir. It is a medical training center for training Vietnamese armed forces medical personnel.

Mr. PASSMAN. The cost of that center?

Admiral HEINZ. The cost shown here is $2 million.

Mr. PASSMAN. What is its capacity, sir?

Admiral HEINZ. The training capacity I will have to supply for the record.

Mr. PASSMAN. All right, sir.

(The information requested follows:)

The medical training center now under construction will provide a complete medical training facility with a capacity of 1,400 students (including approximately 400 medical students) and 150 staff members.

POLITICAL SITUATION IN VIETNAM

Mr. PASSMAN. Is this the same country about which we read in the press the other day that the leaders, maybe the President's brother or maybe the President—I do not know—wanted maybe half of the U.S. military moved out of South Vietnam and the other half to be hidden so the South Vietnamese would not see them?

Admiral HEINZ. It is the country where the press indicated——

Mr. PASSMAN. Was there a statement in the press along the lines I have indicated?

Admiral HEINZ. What you stated for the record was in the press. However, this is not the statement of the President of the country, Diem.

Mr. PASSMAN. What does he have to do with running it?

Admiral HEINZ. He is the President.

Mr. PASSMAN. I was out there and was told that his brother, to whom you give this special protection in the country, really has more to do with running the country than the President. I do not know. That is what they told us.

Admiral HEINZ. That is incorrect.

The President reaffirmed the sale——

Mr. PASSMAN. You are reading some kind of document?

Admiral HEINZ. Just reading one of the statements.

Mr. PASSMAN. You are reading some document brought to your attention?

Admiral HEINZ. Yes, sir. This was also in the paper.

Mr. PASSMAN. Did our commanders this year or last year indicate that these people would not take instructions and they were greatly concerned that we ordered them to advance and they would not advance?

Admiral HEINZ. Our commanders did not indicate that.

Mr. PASSMAN. Did you read a report to that effect in the press?

Admiral HEINZ. I did.

Mr. PASSMAN. You are not saying that where there is smoke there is not some fire?

Admiral HEINZ. I am saying where there is some there may be some fire. I do not believe everything I read in the press because I have better information.

Mr. PASSMAN. You get that information but we do not get that information. I understand even newspapermen are being kept away

from Vietnam. This is a mess, we know. You know that a lot of the opposition is from the South Vietnamese; is that not correct?

Admiral HEINZ. Many of the Vietcong are South Vietnamese, yes.

Mr. PASSMAN. Was the bombing of the palace by South Vietnamese pilots?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Is it true that leaders now running that Government were riding bicycles a few years ago and are now extremely wealthy? Could that condition have any effect on these South Vietnamese?

Admiral HEINZ. Among the leaders of the present Government, not all were riding bicycles a few years ago.

Mr. PASSMAN. Not all?

Admiral HEINZ. Some were poor several years ago.

Mr. PASSMAN. They are pretty well fixed up now, are they not?

Admiral HEINZ. President Diem has always had the reputation of being incorruptible. We have never had any evidence to the contrary.

Mr. PASSMAN. Have we not been told before from other witnesses that it is the practice in that part of the world to get a rakeoff, that it is accepted policy and we have to do business that way?

Admiral HEINZ. It is found in that part of the world in almost all countries.

Mr. PASSMAN. It is part of the system?

Admiral HEINZ. Not in Vietnam.

Mr. PASSMAN. A person is not necessarily considered dishonest if he gets a rakeoff?

Admiral HEINZ. He is not. It is the way to do in many countries. However, as military assistance provides equipment and training, not money, it is not readily subject to a "rake off" in any country.

OTHER SERVICES

Mr. PASSMAN. What is encompassed by your estimate of $——— for other services for fiscal 1964, sir? That is a large sum under other services.

Admiral HEINZ. Yes, sir. It includes many figures shown in the detailed program.

Mr. PASSMAN. Was that put in just to bring the program up?

Admiral HEINZ. It includes smaller items for mobility.

Mr. PASSMAN. What is mobility; trucks?

Admiral HEINZ. This mobility means ability to move around.

Mr. PASSMAN. You have about 3 percent of it. Proceed.

Admiral HEINZ. I can go on.

Mr. PASSMAN. Please go on because this other service category could take care of a multitude of sins.

STRATEGIC HAMLET PROGRAM

Admiral HEINZ. The big item is the support of the strategic hamlet program.

Mr. PASSMAN. Get the little items, too.

Admiral HEINZ. In supporting material and services in other categories, $———.

Mr. PASSMAN. What is that?

Admiral HEINZ. Supporting material and services, which is included in the other services.

Mr. PASSMAN. You are not getting other services into other services, are you?

Admiral HEINZ. Supporting material and services.

Mr. PASSMAN. What is that?

Admiral HEINZ. This is in each category of the Vietnam program.

Mr. MINSHALL. What do you mean by that?

Admiral HEINZ. The program is detailed under various functional categories. For instance, in Vietnam, for the army, the program is detailed for heavy firepower, light firepower, mobility, internal security, communications and electronics, combat logistic support, civic action.

Mr. PASSMAN. Is this not just a catchall for everything you could not think of in the regular justifications?

Admiral HEINZ. It is a grouping together of many items, for which we did not have individual space.

Mr. PASSMAN. A "catchall" is just as good as "grouping together," is it not?

Mr. MINSHALL. A miscellaneous item, you would call it?

Admiral HEINZ. Yes, there are many items.

Mr. MINSHALL. It is not a cash account?

Admiral HEINZ. No; not a cash account. Each one is specifically justified as specifically programed.

Mr. PASSMAN. You are asking for a lump sum of $——— for other services.

Admiral HEINZ. Yes, that is right.

Mr. PASSMAN. There is no justification. Only by chance did we ask that question. You have a detailed list?

Admiral HEINZ. Yes, sir.

Mr. MINSHALL. Miscellaneous of the miscellaneous.

Mr. PASSMAN. I think the record shows that.

SMALL ARMS PROGRAM IN VIETNAM

Last year's justifications indicated the cumulative program through 1962 included ——— .30-caliber rifles and carbines. This year the justifications indicate that you have program approximately ——— such guns, which should make the cumulative program through fiscal 1963 approximately ——— carbines and rifles.

What does column C indicate as to the total number of such weapons that we have programed through fiscal 1963?

Admiral HEINZ. ——— .30-caliber carbines, ——— .30-caliber rifles.

Mr. PASSMAN. What does that add up to?

Admiral HEINZ. That adds up to ———.

Mr. PASSMAN. We get ———; is that correct? ———?

Admiral HEINZ. I am looking at column C in the 1964 program. Is that the one you are referring to?

Mr. PASSMAN. Column C.

Admiral HEINZ. Column C for .30-caliber rifles and .30-caliber carbines.

Mr. PASSMAN. It adds up to what figure?

Admiral HEINZ. ———.

Mr. PASSMAN. You have ———; is that correct?

Admiral HEINZ. ———.

Mr. PASSMAN. ———. In 1962 you had on hand ———; is that correct?

Admiral HEINZ. The book for last year showed ——— that amount. Many of those have been captured, lost, or destroyed in combat.

Mr. PASSMAN. You requested ———?

Admiral HEINZ. Shown for .30-caliber rifles and carbines.

Mr. PASSMAN. ———; is that right, sir?

Admiral HEINZ. It shows here ——— as the request.

Mr. PASSMAN. You take the ——— and go to your records and ascertain whether I am not correct that you requested funds for ———. You programed ———; is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Put the ——— and your ——— together. What does that total?

Admiral HEINZ. ———.

Mr. PASSMAN. How do you reconcile that with the figure of ——— you just gave us?

Admiral HEINZ. I would assume this is an error in the accounting in last year's book.

Mr. PASSMAN. If you did furnish, of course, the ——— that cost money, did it not?

Admiral HEINZ. Yes, it did.

Mr. PASSMAN. You would have to get that money out of some other part of the program, would you not?

Admiral HEINZ. Out of the total program for Vietnam.

Mr. PASSMAN. Are you going to rest your case on ——— which is the cumulative total through 1962 and the number you programed for fiscal 1963, or are you going to rest your case on the ——— we see in the book?

Admiral HEINZ. I have to assume the latest figures are correct.

Mr. PASSMAN. ———?

Admiral HEINZ. Yes.

Mr. PASSMAN. That required additional money, did it not, over and above what you justified to Congress? We are dealing with dollars and number of items.

Admiral HEINZ. The total program for Vietnam for 1963 was ———, as I previously testified, sir.

Mr. PASSMAN. If you funded the difference between ——— and ———, we have a discrepancy there that we cannot reconcile. We want you to help us.

Admiral HEINZ. I do know it was programed out of the cumulative total shown for Vietnam, fiscal year 1963, and cumulative total 1956 to 1963.

Mr. PASSMAN. Have I made a statement of fact? The cumulative through 1962 is $———?

Admiral HEINZ. That is the figure given in the book for last year.

Mr. PASSMAN. You programed ——— according to your own justification; is that correct?

Admiral HEINZ. That is the figure shown here in this year's book, yes.

Mr. PASSMAN. That is ———. If we go to your book here, we get a different figure, ———.

Admiral HEINZ. I can only assume the figures given contained, those given last year were not contained——

Mr. PASSMAN. Either last year or this year?

Admiral HEINZ. Yes.

Mr. PASSMAN. It could be either one?

Admiral HEINZ. I assume——

Mr. PASSMAN. It could be either year, could it not?

Admiral HEINZ. It could be either year.

(The information supplied for the record follows:)

The total of ——— rifles and carbines shown in the fiscal year 1964 congressional presentation document is correct. The figures shown in the fiscal year 1963 congressional presentation document did not reflect subsequent revisions of the program necessitated by the expanding counterinsurgency effort. Vietnamese force levels authorized MAP support were increased and supply was made by the military departments with reflection in MAP programs occurring in the accounting records as actual source of supply and pricing information became available.

Mr. PASSMAN. If you did fund $———, it required additional money that had to come out of some other part of the program. We point this out because we were told that we had adversely affected the program by reducing the funds.

FAR EAST AREA PROGRAMS

Next is the Far East area programs for which the estimate is $8,145,000.

Admiral HEINZ. Far East area programs?

CONSTRUCTION PROGRAM

Mr. PASSMAN. I note you have an estimate of $——— for construction in this estimate.

Admiral HEINZ. Yes.

Mr. PASSMAN. This is over and above the construction we discussed earlier for these other countries?

Admiral HEINZ. That is correct.

Mr. PASSMAN. This $———, if spent, would have to be spent in the same countries where you have been justifying a construction program earlier this afternoon; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How do you propose to allocate or spend this $———?

Admiral HEINZ. This program provides for a technical review of construction contracts and supervision of their execution.

Mr. PASSMAN. It is going to cost $——— to do that?

Admiral HEINZ. This money is allocated to the civil engineering officer in charge of construction whose main office is in Bangkok. He is responsible for the supervision and execution of MAP construction programs in southeast Asia. This I would state is an overhead cost.

Mr. PASSMAN. This could turn out to be just a contingency fund to some extent?

Admiral HEINZ. No, sir, it is not a contingency. This is an allocation of funds required as overhead for the prosecution of construction.

Mr. PASSMAN. It creates an overall over country agency; is that correct?

Admiral HEINZ. Actually, this money is allocated to the Navy because the Navy operates this office in charge of construction.

Mr. PASSMAN. We go into the individual contracts, we shall say countries A, B, C, D, and E. How many are in your region?

Admiral HEINZ. Ten.

Mr. PASSMAN. Each country has a construction program and in that construction program is money for planning, supervision, technical assistance?

Admiral HEINZ. You will notice this year I only mentioned one allocation of architecture and engineering. The others are actual execution.

Mr. PASSMAN. You fund for certain technical supervision, do you not, in each country?

Admiral HEINZ. No, sir. We fund for it here, $———.

Mr. PASSMAN. You mentioned one earlier of $10,000.

Admiral HEINZ. That was A. & E.

Mr. PASSMAN. Do you have anything out of this "kitty" for this country where A. & E. of $10,000 is going?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Is that money disbursed out of Washington?

Admiral HEINZ. This is out of Washington.

Mr. PASSMAN. This is the headquarters, a desk job in Washington?

Admiral HEINZ. This money goes to the Navy, which allocates to the Construction Corps, who allocate it to OIC, Bangkok.

Bangkok is where the office is located for overall supervision.

Mr. PASSMAN. Not operating under MAAG?

Admiral HEINZ. He operates as a common service to all MAAG's.

Mr. PASSMAN. Is it because you do not trust MAAG officers, they are just serving their time in order to get their retirement time in, and are not capable?

Admiral HEINZ. No, sir, MAAG officers for the most part are not technically qualified to supervise construction. Therefore the OICC provides this service for all construction in his area.

Mr. PASSMAN. Tell us the type of technical supervision you furnish.

Admiral HEINZ. For example, a Navy lieutenant commander and lieutenant, both civil engineers. These civil engineers are in Saigon. to supervise airfield construction. We have this same office supervising airfield construction in other countries, depot construction in ———, pier construction in Ambon. These are samples of the types of construction they handle.

Mr. PASSMAN. Give us a complete list showing a breakdown of the ———, what country it will be spent in, for what purpose, under what branch of the services.

Let us find out how much is allocated to the officer personnel, how much to civilian personnel, how much for representation allowance, how much for office space. Give us a breakdown. You know what we want, do you not?

Admiral HEINZ. I know the breakdown.

Mr. PASSMAN. We want a complete breakdown.

Admiral HEINZ. These are services which are required. If not furnished under this arrangement the United States would be forced

to buy this supervision to insure full construction value for the money spent.

Mr. PASSMAN. Real supervision and planning is primarily in the country where the money is spent, with the consent and the cooperation of the country.

Admiral HEINZ. That is where these people are.

Mr. PASSMAN. With headquarters in Bangkok.

(The information supplied for the record is classified.)

Mr. MINSHALL. Could you tell us more about the shop in Bangkok that oversees all this construction?

Admiral HEINZ. Yes.

Mr. MINSHALL. Who is in charge?

Admiral HEINZ. A captain, Civil Engineer Corps, U.S. Navy.

Mr. MINSHALL. How many countries does he oversee this construction in?

Admiral HEINZ. He has representatives in Saigon, he did have one in Djakarta, who has been withdrawn.

Mr. MINSHALL. Why has he been withdrawn?

Admiral HEINZ. Because the construction program ceased.

Mr. MINSHALL. What was the construction program there?

Admiral HEINZ. Pier construction at Ambon for the Navy. He has his office in Saigon where we have a major construction program, headed by a commander, Civil Engineer Corps. He has the Bangkok office.

Mr. MINSHALL. How much construction does he have under his control and supervision?

Admiral HEINZ. The total I would say overall, Far East construction program—I would say he has probably a $30 to $40 million construction program.

Mr. MINSHALL. Annually?

Admiral HEINZ. This is not the same each year. It has been higher this past year because of the requirements in Thailand and Vietnam. He provides technical supervision to see that this construction is done properly.

Mr. MINSHALL. Give us something else for the record, please.

Admiral HEINZ. Yes. I will give you the breakdown and the projects he supervised.

(The information supplied follows:)

The naval officer in charge of construction based in Bangkok is an official representative of the Department of Defense and the chief of the Department of Defense field construction agency for SEA. His area of concern includes Vietnam, Cambodia, Laos, and Thailand. The duties of his office are to provide for the award, administration, and supervision of engineering and construction contracts and inspection of construction projects for MAP, AID and military department projects in his area of responsibility. The supervision and inspection responsibilities are carried out by personnel assigned to the OICC–SEA; their function is to insure that the enginering and construction contractors provide a finished product which meets the criteria specified in their contracts. All A. & E. work is accomplished by U.S. firms. Construction, however, may be accomplished by U.S. or indigenous firms.

Status of construction under the cognizance of the OICC–SEA is:

Work under way which is 95 percent or less complete.

(Detailed information supplied for the record is classified.)

Mr. PASSMAN. Is that a new program and a new estimate?

Admiral HEINZ. In order to save money we tried to draw this business of supervision and execution of construction into one office where we can get the best people capable of giving the technical and support needed.

Mr. PASSMAN. It is a new program to some extent?

Admiral HEINZ. To some extent. The office has been there for some time. Its work has been increased lately.

REHABILITATION PROGRAM IN JAPAN

Mr. PASSMAN. I visited a plant in south Japan a few years ago where they accumulated what they referred to as rollup stocks. They take all types of trucks, jeeps, automobiles. They would completely disassemble them down to the nuts, bolts, frames. Some went into salvage, others into new parts. They would reassemble according to original factory specifications. When they would finish one of these reconditioning jobs, you had almost the equivalent of a brand new truck. Are you familiar with that program?

Admiral HEINZ. I am.

Mr. PASSMAN. Is that plant still operating?

Admiral HEINZ. The plant is operating. The vehicle program is not.

Mr. PASSMAN. It is no longer profitable, then, to continue the rehabilitation program of the vehicles?

Admiral HEINZ. That is correct.

INVENTORY CONTROL PROGRAM

Mr. PASSMAN. What is the plant operated for now?

Admiral HEINZ. It has the job of inventory control, of supply assistance for all our Far East military programs—operation and maintenance—it provides not only the stocking of repair parts but also the salvaging of repair parts.

In the period of 1957–63, just in the reclamation and salvage of material in the engineering, ordnance, and signal categories, it saved the taxpayers $337 million.

Mr. PASSMAN. This is more or less a parts depot; is that correct?

Admiral HEINZ. It is a parts depot.

Mr. PASSMAN. You propose to withdraw from that program in fiscal 1963, $13,978,000; is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Where do we find that item in the justifications?

Admiral HEINZ. You found that in the justifications last year.

Mr. PASSMAN. For fiscal 1964?

Admiral HEINZ. Fiscal 1964, we intend to draw down the stocks to a value by $14 million.

Mr. PASSMAN. Where are you going to get the money? Where do we find it in your justifications?

Admiral HEINZ. We are telling you here we are going to draw down the stocks by the amount; therefore, no appropriation is required for that amount of stocks.

Mr. PASSMAN. Where did you get the money to pay for the stocks originally?

Admiral HEINZ. Stocks? These came from (*a*) MAP appropriations; and (*b*) salvage of material from all over the Far East.

Mr. PASSMAN. You have been with the military assistance program for some time, have you not, Admiral?

Admiral HEINZ. Yes, sir.

PERCENTAGE OF MATERIAL REQUIREMENTS PROCURED AND PERCENTAGE FROM EXISTING STOCK

Mr. PASSMAN. Are you familiar with the percentage of material for the aid program that comes off the shelf and the percentage that must be procured by the Defense Department after the receipt of the appropriation?

Admiral HEINZ. Yes; I have seen that figure. I would hesitate to quote it offhand. The new procurement is estimated for fiscal year 1964 at 61 percent of the total, including excess. If excess is not included, 64 percent.

Mr. PASSMAN. Sixty-one percent. Shelf items would be 39; is that correct?

Admiral HEINZ. Service stocks, 34 percent; excess stocks, 5 percent.

Mr. PASSMAN. Is that worldwide you are giving us?

Admiral HEINZ. These are worldwide figures.

Mr. PASSMAN. We previously got 64–36 and we got 61–39. That is customary to get different figures on different days.

LEADTIME ON SHELF ITEMS

Do you have any idea what the leadtime would be on the shelf items of 39 percent?

Admiral HEINZ. The leadtime from the time that the appropriation is given——

Mr. PASSMAN. From the time you establish the need.

Admiral HEINZ. My guess is the ordinary leadtime would be about a year and a quarter.

Mr. PASSMAN. Off the shelf?

Admiral HEINZ. Yes.

Mr. PASSMAN. We were told 6 months before. Some said 4 months.

Admiral HEINZ. I said from the time the need is established.

Mr. PASSMAN. I am talking about the time you established the need, how long it takes to get it off the shelf. It is nothing but paperwork; is that not correct, Admiral?

Admiral HEINZ. Yes, sir, paperwork, but also packing, rehabilitation—if any—crating, handling, and transportation.

Mr. PASSMAN. You say a year and a quarter?

Admiral HEINZ. We are dealing in two different times.

Mr. PASSMAN. That is the figure you gave me.

Admiral HEINZ. That is the figure I gave. Establishing the need includes preparing your program. The program then has to come into Washington and it takes then say 6 months or more before we get final approval of that program.

Mr. PASSMAN. Say we get all that and then the time the order is placed with the Defense Department for shelf items.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. What is the leadtime? What time does it require to get it off the shelf and to get it moving?

Admiral HEINZ. I would estimate the minimum time to get it in the country is 45 days. It may take up to 6 months, depending upon the item.

Mr. PASSMAN. You could get it off the shelf and into the country in 45 days?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. That is the most optimistic figure we have heard. It will help us establish leadtime as being much lower than the figures given previously.

Admiral HEINZ. This is from the time the order is issued for shelf items.

Mr. PASSMAN. That is good. We have been given different figures.

LEADTIME ON NEW PROCUREMENT

Since you have been with the program a long time, you look at these figures all the time. What is the average leadtime of this new procurement, this 61 percent?

Admiral HEINZ. The average leadtime from the time the order is placed—this means the order for this equipment in here—it probably will not be placed until next December.

Mr. PASSMAN. From the time it is placed.

Admiral HEINZ. From the time it is placed, the average leadtime, I would guess, would be around 9 months. For items in production, leadtime could be as little as 3 months. New procurement of complex items as aircraft will run upward to 2 years. Nine months is an average.

Mr. PASSMAN. Nine months. That is optimistic, too. You are speaking of the overall program?

Admiral HEINZ. This 61 percent of new procurement.

Mr. PASSMAN. Now you have given us three different dates on that. You did not answer my question.

Admiral HEINZ. You asked for an overall average.

Mr. PASSMAN. I talked about the 61 percent.

Admiral HEINZ. No, sir; this is on the shelf.

Mr. PASSMAN. What is the leadtime on the 61 percent under the same conditions?

Admiral HEINZ. From the time the order is placed?

Mr. PASSMAN. Yes.

Admiral HEINZ. Average?

Mr. PASSMAN. Average.

Admiral HEINZ. For delivery, I would make a guess and say 2 years for most items—some could be considerably less if already being produced.

Mr. PASSMAN. Two years—twenty-four months. If you take the 24 months and take the 45 days, then take the 6 months and take the 9 months, those are your three statements there, that would give an overall leadtime of about 15 months.

Admiral HEINZ. No, sir.

Mr. PASSMAN. How long?

Admiral HEINZ. Because 61 percent is——

Mr. PASSMAN. Twenty-four months.

Admiral HEINZ. Yes, sir, 24 months average.

Mr. PASSMAN. What portion of the 39 percent would be 45 days?

Admiral HEINZ. Of the 45 days, about 4 or 5 percent.

Mr. PASSMAN. Then the 2 months?

Admiral HEINZ. Another 3 or 4, 3 percent maybe.

Mr. PASSMAN. The average is how many months?

Admiral HEINZ. Nine months, guessing.

Mr. PASSMAN. Let us get the mathematician, the colonel in back of you. What would that give us as leadtime?

Colonel RAWL. I do not know, sir. I would have to figure it up.

Mr. PASSMAN. Let us admit we do not any of us know, we just give a guess. It all depends on the day you are before the committee as to the type of guess we get.

General WOOD. It shows you how misleading averages can be. Think how badly a fellow could be drowned if he tried to walk across a creek that had an average of 4 feet of water in it.

MILITARY SALES PROGRAM

Mr. RHODES. Do you retain any responsibility for articles which are sold under the sales program.

Admiral HEINZ. No, we do not have any responsibility for them.

Mr. RHODES. Either for their maintenance, or operation?

Admiral HEINZ. Since they are considered as a sale, we cannot assume responsibility for them.

Mr. RHODES. So far as the MAAG is concerned, it has responsibility only for equipment which is grant aid, or given under some other program, but not for equipment which is purchased by the country?

Admiral HEINZ. Are you discussing ——— and Indonesia, or the sales to all the other countries?

Japan has a very considerable sales-purchase program of military material. We usually do not get into that at all. When they buy directly from U.S. firms, this is their responsibility. They buy it. Our MAAG does not get into that type of transaction.

(Off the record.)

FUNDING GUIDED MISSILE DESTROYERS FOR AUSTRALIA

Admiral HEINZ. In Australia where they are buying guided missile destroyers, we have no MAAG.

Mr. RHODES. Australia has a program under 508 for $———. What does that consist of?

Admiral HEINZ. That is the funding for the two guided missile destroyers which are being built in this country.

Mr. RHODES. Do you mean ballistic missiles?

Admiral HEINZ. A TARTAR missile, a surface-to-air missile. The U.S. Navy is constructing ——— of these and the Australians have already contracted for us to build two for them.

We are currently negotiating for the purchase and construction for a third for them.

Mr. RHODES. What is the function of a surface-to-air missile ship like this? Is it to provide antiaircraft?

Admiral HEINZ. Both antiaircraft and ASW and AAW equipment on board. It has a modern sonar, and actually they are installing their own ASW rocket system in the vessels, whereas the U.S. destroyers are fitted with the ASROC. Otherwise, the ships will be the same.

In the antiaircraft warfare version, you have your surface-to-air missile, TARTAR, which is a relatively short-range missile. The newer version has a range of about 10 miles. The ships can also control interceptor aircraft.

PROCUREMENTS BY NEW ZEALAND IN FISCAL YEAR 1963

Mr. RHODES. I noticed New Zealand is buying very little, or bought very little in 1963, and proposes to buy nothing in 1964.

Admiral HEINZ. Yes.

Mr. RHODES. Is there any particular reason for that?

Admiral HEINZ. The major item there in fiscal year 1963, $———. This was credit assistance to enable them to buy a small oiler, an AOG classification, which they are going to use in the Antarctic.

Mr. RHODES. Who mainly furnishes military equipment for New Zealand?

Admiral HEINZ. Mainly from Commonwealth sources.

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

EQUIPMENT MAINTENANCE DEFICIENCIES

Mr. MINSHALL. Last year the Comptroller General came out with a report to the Congress on the maintenance of Army equipment. I know it has been discussed in this committee. I would like to know what you have done about that report. I can quote part of it if you wish.

What has been done about that report to correct these deficiencies?

Admiral HEINZ. The attrition of vehicles has been reduced considerably.

Mr. MINSHALL. Give us a capsule answer.

Admiral HEINZ. The maintenance program for vehicles has improved, but not as much as we would like. It is still not up to what we want, but it is improving.

As far as the scrapping of vehicles is concerned, this has largely gone by the board because they now have the newer vehicles. That inspection was made in January 1961. There has been a great downward change in the scrapping of vehicles since that time. There has been an improvement. Not as great an improvement in maintenance as we would like.

WASTE IN KOREAN AID PROGRAM

Mr. MINSHALL. Then, again, the Comptroller General came out with a report, and I quote from the Washington Post of last January 11, "Plan To Cut Korea Aid 'Waste' Blocked."

(The article was read as follows:)

[From the Washington Post, Jan. 11, 1963]

PLAN TO CUT KOREA AID 'WASTE' BLOCKED

(By Laurence Stern, staff reporter)

The Pentagon has rejected proposals by the Comptroller General aimed at cutting waste—estimated in the millions of dollars—from Korean military aid programs on grounds that the move would infringe on the "sovereign rights" of the Korean Republic.

This was brought to light yesterday in a report by Comptroller General Joseph Campbell. It charged that large amounts of U.S. military assistance to Korea are being wasted because of sloppy financial management by Korean Army authorities and loose bookkeeping by U.S. overseas of the program—the Defense and State Departments.

Campbell's report dealt with the "local currency" portion of the aid program which in 1961 comprised about a third of all U.S. assistance to South Korea. It is financed from Korean currencies under American control and used to buy materials available within the Republic, such as food, clothing, and buildings.

TOTAL, $123 MILLION

In 1961 the U.S. "local currency" contribution was $123 million, or 95 percent of the Korean military budget. The rest of the American aid—mainly military hardware—was financed from U.S. dollar funds under the military assistance program.

Campbell recommended to Congress that the United States institute project-by-project controls over Korean military operations, which are financed almost wholly from U.S. funds, instead of making one big lump contribution.

He further proposed that the United States withhold aid funds "when evidence exists that either agreed upon projects are not being undertaken or earmarked funds are being used for nonapproved purposes."

The Defense Department balked at both suggestions, the Comptroller General reported.

Pentagon officials looked upon the proposal as "an infringement on the sovereign rights of the Republic of Korea Government" and also complained that it would increase the administrative burdens of policing the aid to "impractical" levels, Campbell said.

However, the Comptroller General told Congress that in view of the "significant contributions" by the United States to Korean military operations, the project-by-project controls "would not appear to be an infringement of Korea's sovereignty."

In the 43-page report Government auditors complained that millions of dollars in American military aid to Korea have been wasted because of sloppy management.

NEEDS OVERSTATED

Some highlights of Campbell's report:

The Koreans piled up "substantial" military deficits by overshooting their budgetary limits and also buying items—such as small arms cleaning patches, buses and signal equipment—disapproved by U.S. military advisers on grounds that they were duplicative. In 1961 alone, the report noted, the Korean Army overstated its needs for food, clothing, and other materials by $4.7 million.

Millions of dollars worth of U.S.-financed property is rapidly going to seed because of refusal by Korean Army authorities to spend aid funds earmarked for maintenance.

Until 1960 there was no assurance that local currency aid to Korea was spent for purposes intended because the Defense Department and International Cooperation Administration (now the Agency for International Development) could not agree on who was supposed to review the program.

Korean Army officials "either intentionally inflated or erroneously computed" cost estimates for their military construction program. GAO auditors said "Korean Army personnel informed us that cost estimates were generally prepared in excess of what they believed would actually be expended in order to insure adequacy of funds."

Mr. MINSHALL. Would you care to comment on those statements and the report made by the Comptroller General and what you are doing to correct these deficiencies?

Admiral HEINZ. There has been a steady program to have the Korean Army improve its maintenance. As far as the fiscal responsibilities are concerned, we have been working with ROK military personnel to reduce the possibilities for waste in their program. They have tightened up their budgeting. We do not reject the recommendations of GAO. Rather, we have made every effort——

Mr. MINSHALL. I might interject. They went into a very careful survey to investigate this entire matter, as you well know.

IMPROVED MANAGEMENT PROCEDURES IN KOREA

Admiral HEINZ. Yes. In one of their findings, they were concerned with the lack of detailed planning by the Korean Government. We have helped the Korean Government improve its planning and budgeting processes.

Mr. MINSHALL. Has that been improved to such a degree there is no more waste or extravagance in the program over there, or is there still waste in the program?

Admiral HEINZ. You are talking here about the expenditure of won, which is local currency?

Mr. MINSHALL. Yes.

Admiral HEINZ. I could not say there was no waste. Certainly it has been decreased considerably. Every one of these reports have been brought to the attention of the Korean military and Government. They know this is the position of the United States, and they must take necessary action.

Mr. MINSHALL What have they done to correct it?

Admiral HEINZ. They have tightened up their budget process. We continually discuss the matter and have assisted them, encouraging better planning and budgeting and accounting processes.

Mr. MINSHALL. They have not tightened up their budgeting process yet to your complete satisfaction, is that correct?

Admiral HEINZ. That is correct.

Mr. MINSHALL. That is all.

There is a lot more we could go into, but times does not permit it.

ESTIMATED DEOBLIGATIONS FOR FISCAL YEARS 1963 AND 1964

Mr. PASSMAN. You have the deobligation, dereservation, squeeze-out, or recoupment category in the aid program. Can you tell us the amount that will be deobligated, or dereserved, in your area for fiscal year 1963 and estimated for 1964?

Admiral HEINZ. I cannot give you the figure by areas.

Mr. PASSMAN. The total is all we want.

What will it be for fiscal year 1963?

Admiral HEINZ. I can only give you the worldwide total, not the area.

Mr. PASSMAN. You may find you have hundreds of millions of dollars you do not know anything about. How about your area?

Can you get for us the amount of deobligations that will be made available to your area for expenditure in fiscal year 1964, covering fiscal year 1963, and give us, if you will, the estimated amount of de-reservation, deobligation, squeezeout, or recoupments?

Admiral HEINZ. We estimate that worldwide——

Mr. PASSMAN. I am speaking of your area. Will you get those figures for us?

Admiral HEINZ. If I can.

Mr. PASSMAN. How would you ever arrive at a worldwide amount if you do not take into account the area amount?

Admiral HEINZ. We can get them for you.

(The information supplied follows:)

The recoupments from programs for the Far East area are estimated at $125.2 million in fiscal year 1963 and $71 million in fiscal 1964.

Mr. PASSMAN. This is my 11th year on the committee, and 9th year as chairman. We have never had as much trouble getting transcripts of the hearings back as we have had this year. We hope something can be done to expedite this matter.

Mr. MINSHALL. In the Defense Appropriation Subcommittee we deal with very highly classified top secret material daily. I have never seen a transcript and a record that comes before a committee of the Congress that is so overclassified as is this particular budget request program.

Everybody knows about what is in this budget except the American people and that I vehemently object to.

Mr. PASSMAN. Gentlemen, the subcommittee will now adjourn until tomorrow.

TUESDAY, MAY 28, 1963.

MILITARY ASSISTANCE PROGRAM, LATIN AMERICA

WITNESSES

COL. T. M. ASHTON, U.S. AIR FORCE, WESTERN HEMISPHERE REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)
WARD P. ALLEN, DIRECTOR, OFFICE OF INTER-AMERICAN REGIONAL POLITICAL AFFAIRS, STATE DEPARTMENT
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
RAY STAHL, WESTERN HEMISPHERE REGION, OASD/ISA
COL. THOMAS M. CRAWFORD, U.S. ARMY, WESTERN HEMISPHERE REGION, OASD/ISA
COL. CLYDE M. DILLENDER, JR., U.S. ARMY, LEGISLATIVE AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID
JOSEPH B. KYLE, MILITARY ASSISTANCE PROGRAM OFFICER, AID
LAWRENCE HARRISON, LATIN AMERICA PROGRAM OFFICE, AID
MAURICE J. MOUNTAIN, WESTERN HEMISPHERE REGION, OASD/ISA

Mr. PASSMAN. The committee will come to order.

We have with us this morning Col. T. M. Ashton, U.S. Air Force, who will testify for the Western Hemisphere region, and Mr. Ward P. Allen, Director, Office of Inter-American Regional Political Affairs, State Department, and other suporting witnesses.

Before we get into the questions, we might like to read into the record excerpts from an article by former President Harry S. Truman, datelined Independence, Mo., May 25, and published in the Washington Post, I quote:

> It has been apparent for a long time that we are not doing well in our farflung operations to reach the minds of the people in the Communist-occupied countries. We are even having our share of troubles in convincing certain elements among our close neighbors. We have been at this business of trying to make ourselves understood and believed since the end of World War II. We must not deceive ourselves—we have made very little headway. We have not communicated in any appreciable measure our concept of human society—what we stand for—and why we are irrevocably dedicated to the principle that all men are entitled to their freedom, and equality of opportunity for a decent life.
>
> Now, I am not too concerned about those governments who are fence sitters by choice. They are the neutralists who regard themselves above the contest. They, I suspect, are deferring their decision until they are sure of the final outcome.

What is it that we are saying to the captive people that is wrong? Or what is it that we are doing and saying that is not quite right? Whatever is the case—it is apparent that we are not getting through to the Communist-infested areas and the self-styled neutralists.

Colonel, have you a statement to make to the committee this morning?

Colonel ASHTON. I have.

Mr. PASSMAN. We shall be pleased to hear from you, sir.

GENERAL STATEMENT

Colonel ASHTON. Mr. Chairman and members of the committee, I am here today to discuss the military assistance program in the Western Hemisphere region, which includes South America, Central America, and the Antilles.

The cumulative program for the Latin America region to June 30, 1963, will total $482,174,000. Of this, $400,797,000 will have been delivered or expended by that date and $81,377,000 will still be in the pipeline. The proposed fiscal year 1964 program for the Latin America region is $77,262,000 which is $6,642,000 more than the program in fiscal year 1963.

We propose to assist 19 countries. I have with me an unclassified version of the regional summary shown on page 205 of the presentation book, which I request be inserted in the record at this point.

(Information referred to follows:)

EXHIBIT A

Regional summary—Fiscal year 1964 Latin American military assistance program

	Proposed, fiscal year 1964 program	Cumulative, fiscal years 1950-63 programs	Fiscal year 1963 program as of Mar. 19, 1963	Fiscal year 1962 program	Estimated deliveries-expenditures		
					Fiscal year 1963 deliveries (estimated)	Cumulative through June 1963	Deliveries July 1963 and after
Latin America	[1]$77,262,000	$482,174,000	[2]$70,620,000	$72,123,000	$63,575,000	$400,797,000	$81,377,000
Argentina		5,397,000	1,759,000	2,234,000	1,480,000	3,273,000	2,124,000
Bolivia		8,098,000	4,125,000	1,405,000	1,566,000	4,539,000	3,559,000
Brazil		181,596,000	13,039,000	22,791,000	16,914,000	157,509,000	24,087,000
Chile		65,592,000	8,940,000	8,269,000	10,246,000	54,223,000	11,369,000
Colombia		49,602,000	10,011,000	9,808,000	8,370,000	39,470,000	10,132,000
Costa Rica		1,114,000	490,000	521,000	654,000	815,000	299,000
Cuba		10,575,000				10,575,000	
Dominican Republic		11,077,000	3,981,000	880,000	2,138,000	8,481,000	2,596,000
Ecuador		25,902,000	4,364,000	2,291,000	2,775,000	22,292,000	3,610,000
El Salvador		2,754,000	1,584,000	815,000	579,000	1,339,000	1,451,000
Guatemala		7,152,000	2,524,000	2,889,000	2,024,000	4,676,000	2,476,000
Haiti		4,413,000	457,000	1,244,000	434,000	3,441,000	972,000
Honduras		4,709,000	1,458,000	1,038,000	1,113,000	3,721,000	988,000
Mexico		1,012,000	470,000	324,000	407,000	798,000	214,000
Nicaragua		5,251,000	1,334,000	1,766,000	1,466,000	4,345,000	906,000
Panama		1,364,000	498,000	815,000	781,000	1,157,000	207,000
Paraguay		2,230,000	1,411,000	519,000	887,000	1,243,000	987,000
Peru		53,202,000	8,513,000	9,997,000	6,681,000	42,611,000	10,591,000
Uruguay		30,274,000	2,164,000	1,838,000	2,496,000	27,900,000	2,374,000
Venezuela		2,432,000	1,325,000	944,000	1,322,000	1,893,000	539,000
Latin American area		8,428,000	2,173,000	1,735,000	1,242,000	6,496,000	1,932,000
Credit assistance [3]	25,000,000	83,149,000	5,000,000	10,000,000	11,178,000	71,022,000	12,127,000
Excess stock [3]	7,978,000	146,978,000	5,576,000	8,746,000	12,826,000	139,348,000	7,630,000

[1] $77,262,000 less $20,647,000 Defense Services (does not include packing, crating, handling, and transportation charges totaling $5,000,000), $56,615,000 against ceiling.

[2] $70,620,000 less $14,710,000 training, $55,910,000 against ceiling.

[3] Not chargeable to ceiling.

Colonel ASHTON. The proposed fiscal year 1964 program of $77 million will provide $23 million for essentially fixed charges such as training and supply operations; $23 million for force maintenance to provide spare parts, attrition replacement, training ammunition, and repair of equipment; and $31 million for force improvement.

Section 511(a) of the Foreign Assistance Act of 1961 provides that grant programs of defense articles for Latin America may not exceed $57.5 million. The proposed fiscal year 1964 program includes:

Total program	$77,262,000
Deduct defense services [1]	20,647,100
Total against ceiling	56,614,900

[1] Does not include packing, crating, handling, and transportation costs of $5 million. Deduction includes training, training aids, technical assistance, and repair and rehabilitation of MAP materiel.

The importance of Latin America to our country has been emphasized by many preceding testimonies so I shall not elaborate further except to say that our national security requires the preservation of peaceful, pro-U.S. societies in these countries. The existence of hostile governments would constitute a grave menace to us, as demonstrated by the events in Cuba.

Castro-Communist activity presents a serious threat to the peace and security of these nations. The avowed Communist purpose is to overthrow the existing governments by any means necessary, including disruption, banditry, and revolution. The general tactics of infiltration include supplying money, arms, and materiel to subversive groups, distributing propaganda material, and secretly training insurgent leaders. Lieutenant General Carroll, Director, Defense Intelligence Agency, has previously reported to the House Subcommittee on Inter-American Affairs that hundreds of Latin American Communists have received training in Cuba in sabotage techniques, terrorism methods, and guerrilla warfare. We anticipate that the Communists will increase their tactics of violence to gain power. Therefore, the role of the internal security forces, both police and military, assumes paramount importance.

Our military assistance program is designed to meet this Communist threat in Latin America, with a major thrust directed toward improving the internal security capability of the Armed Forces. These countries must be able to defeat subversion and violence, including guerrilla warfare and the clandestine movement of armaments and men across their borders. We propose to supply some of the supporting equipment, arms and ammunition, that are needed by these forces. Essential training programs are included, designed to improve techniques in maintaining law and order against Communist-inspired violence, control of borders, and patrol of rural areas to detect and disperse guerrilla movements. In those countries where there is an AID public safety program, careful reviews are made to insure coordination with the military assistance provided for internal security.

Another of our major efforts is to encourage the employment of the military forces in civic action programs, which have a clear relationship to defeating subversive activity as well as contributing to the goals of the Alliance for Progress. The social and economic problems in Latin America provide the basis for unrest, on which subversion feeds. Civic action programs promote social and economic develop-

ment, and also generate a better rapport between the civilian population and the military forces. There are many examples of successful civic action programs to date, in such areas as public works, road construction, communications, education, and health and sanitation. The proposed programs are designed to take full advantage of the capabilities of the military forces. Wherever possible, we are including in our program equipment which has dual utility for military and civic action purposes, such as transport aircraft, communication equipment, and vehicles.

In addition to supporting internal security land and air forces, we propose to continue to provide appropriate assistance to the Latin American navies, encouraging the maximum employment of these forces in coastal patrol and harbor security. It is becoming increasingly important to guard against Communist efforts to import arms, materiel, and men by sea as well as by land. These navies, especially in South America, have high standards of seamanship and professional competence; our support is designed to insure their capability to protect their shores and harbors. Our fiscal year 1964 program includes ammunition for patrol vessels, spare parts and maintenance materials, communication equipment, and funds for training. The priority of providing necessary internal security and civic action support has restricted support for antisubmarine forces.

A long range objective of the military assistance program is to promote sound economic, political, and social institutions through democratic processes. Unless the environment in these countries is reasonably stable, free from destructive Communist subversive activity, economic development and constructive social reforms cannot be expected to occur. The employment of Latin American armed forces to enhance this stability is required if the long-range goals under the Alliance for Progress are to be achieved.

The strategy we are following to attain these immediate and long-range objectives can be demonstrated by a brief examination of some typical segments of the proposed fiscal year 1964 program.

For the Central American countries (Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) the proposed fiscal year 1964 programs total approximately $———. Of this, over $——— will be applied to training programs. About $——— covers vehicles which will provide transportation for civic action projects in addition to serving military purposes. The major portion of the package is internal security support, in recognition of the geographical proximity of these countries to Cuba.

In the Antilles, the Dominican Republic and Haiti are also threatened by their promixity to Cuba. The Dominican Republic faces many current problems, including serious subversive activity.

(Off the record.)

Colonel ASHTON. We propose to furnish equipment, small arms, and other material to improve their internal security strength.

(Off the record.)

Colonel ASHTON. In South America each country has its unique problems. The fiscal year 1964 programs which we propose have been designed to fit their respective needs. This can be best illustrated by a brief review of some of the larger programs.

In Colombia, guerrilla and bandit groups are a continuing problem which is aggravated by the fact that some groups are Communist dominated. Colombian Communists now receive guerrilla training in Cuba. Much of the widespread bandit activity stems from the low standard of living and inadequate land reform. Colombia is attempting to alleviate these problems by land-reform legislation and an industrial expansion program. We feel that the armed forces and police are waging a determined campaign to defeat the bandits, which is essential if Colombia is to continue to move forward. Our proposed fiscal year 1964 military assistance program for the armed forces includes communications equipment, vehicles, weapons, and ammunition with continued civic action support. The Colombian Army, ———, has begun a civic action campaign which has been reasonably successful, and tends to alleviate the violence problem.

Brazil occupies a paramount position in South America; ———. Subversive activity in northern Brazil presents a continuing threat. In the poverty ridden north, the Communists are leading and supporting peasant leagues that are potential guerrilla forces.

(Off the record.)

Colonel ASHTON. The Armed Forces generally are apolitical, ———. They provide an important stabilizing influence in Brazil. Further, they constitute an important military asset that would be available for conventional warfare purposes. Our military assistance support not only serves to help maintain this significant security force in Brazil ———.

Peru is subject to increased agitation among the campesinos. Their guerrilla operations are being supported by money from Cuba. Arms are also being smuggled to them. To maintain Peru's internal security forces, the proposed fiscal year 1964 military assistance program would provide needed military vehicles, ammunition, training, and electronic and communication equipment.

The program I have outlined is designed to frustrate the Communists' expansion efforts in Latin America, will maintain and strengthen our relationships with the military forces in Latin America and our defenses in the Western Hemisphere, ——— and will foster the objectives of the Alliance for Progress.

MAP REQUESTS, FISCAL YEARS 1952–53

Mr. PASSMAN. Could you furnish for the committee a list of the funds for Latin America by year, from the inception of the program in 1952? Have you that information available?

Colonel ASHTON. I am not quite clear on your question.

Mr. PASSMAN. According to the justificaton books, we began the military assistance program for Latin America in fiscal 1952. Is that correct?

Colonel ASHTON. Approximately that year, that is correct.

Mr. PASSMAN. I believe it says definitely here. You say approximately. If this year is not correct, then we would like to have the correct information.

Mr. STAHL. Yes, the program began in fiscal year 1952.

Mr. PASSMAN. Do you know the amount of the request for funds in fiscal 1952?

Mr. STAHL. According to the exhibit I have before me, sir, the request for funds in fiscal year 1952 was $200,000 for Latin America.

Mr. PASSMAN. Could you give it to us by year, on through?

Mr. STAHL. Yes, sir; I can.

Mr. PASSMAN. How about fiscal 1953?

Mr. STAHL. In 1953, it was $11.2 million. Do you want the rest of the years, sir?

Mr. PASSMAN. I am afraid that either you are off or the President is off, one or the other. You had better have a look at those figures. Check them again.

Mr. STAHL. Yes, sir. We can certainly recheck it.

Mr. PASSMAN. I wish you would.

Mr. STAHL. These are deliveries, it has been pointed out to me, Mr. Passman.

Mr. PASSMAN. Let us go back and get it all over again. The military assistance program request for funds for fiscal 1952.

Colonel ASHTON. We will have to furnish that for the record. We do not have those figures with us.

Mr. STAHL. Yes, we will.

Mr. PASSMAN. Do you have it for fiscal 1953?

Mr. STAHL. The only exhibit I have, Mr. Congressman, is an exhibit of deliveries by fiscal year, which would not answer your question.

Mr. PASSMAN. We want the amount of the requests.

Colonel ASHTON. The request of the President for fiscal year 1953?

Mr. PASSMAN. I am speaking of 1952 and 1953.

Colonel ASHTON. We do not have that.

Mr. PASSMAN. Give it to us by the year, if you will, the budget request and the appropriation. Forget about expenditures. We want to know the requests.

(The information requested follows:)

Latin America

[In millions]

Fiscal year	Executive branch request for appropriations	Appropriations
1952	$38.1	$38.1
1953	57.7	51.7

PRESIDENT'S POSITION ON AID TO LATIN AMERICA

Mr. PASSMAN. When people change stations in life, sometimes they change political philosophy.

I read from the Congressional Record of a number of years ago:

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

The Clerk read as follows: Amendment offered by Mr. Kennedy, page 6, line 12, strike out $175 million and insert $140 million.

Then he gives his reason:

I cannot believe that we are going to spend this money merely to set up an example to these countries, some of which are ruled by oligarchy, which they might follow in the future themselves. I believe in military assistance to this area and that is a good thing, but I do not think we can afford in this country to raise the standards 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.

Then-Congressman Kennedy continued:

I say it is impossible for us to think of raising the standard of living of all the low standard countries of the world. I believe the funds provided in section 203 can well be cut by the amount of my amendment. The cuts can be applied proportionately to the programs affected. Therefore, I ask the House to accept the cut from $175 million to $140 million.

Again quoting Congressman John Kennedy, the following year:

Mr. KENNEDY. Mr. Chairman, I offered a similar amendment to cut the military assistance to South American Republics last year, and I am offering it again—now, to cut $20 million. It does not seem to me that there is any use spending as large an amount of money as this on military equipment to South American countries.

In my opinion, what Congressman Kennedy said then is just as valid today. It is too bad, I think, that, as President Kennedy, he has changed his philosophy about this program.

UNEXPENDED BALANCE FOR HAITI

I believe you stated a little earlier, did you not, Colonel, that you are requesting money for Haiti, but that is in suspense for the time being?

Colonel ASHTON. Yes, sir; that is correct.

Mr. PASSMAN. Have you any funds presently in the pipeline to the credit of Haiti?

Colonel ASHTON. We have $972,000 in the pipeline as shown on page 229.

Mr. PASSMAN. Are you deobligating and bringing that back in for use elsewhere, or are you leaving it to their credit for the time being?

Colonel ASHTON. Mr. Passman, we are still studying this. We are close to the end of the fiscal year. Depending upon the situation which develops in Haiti, we will either deobligate the funds or else retain the program. As you know, we have now a critical situation in Haiti that could change at any moment.

Mr. PASSMAN. There could be a new government?

Colonel ASHTON. Yes, sir.

USE OF UNEXPENDED BALANCE IN PIPELINE WHERE AID IS SUSPENDED

Mr. PASSMAN. I believe the policy in former years, though, with the exception of Cuba, has been that regardless of the overthrow of governments or the assassination of chiefs of state, you usually left the credit to the country, waiting for the new government to come into power. Is that a statement of fact, according to your knowledge of the program as it has operated in the past?

Colonel ASHTON. I cannot say for the rest of the world, Mr. Passman, but we have had some examples in Latin America where we have retained money in the program or items that have not been delivered in the program——

Mr. PASSMAN. In the pipeline and left to the credit of the country, and when a new government came into power, you continued the program for and in behalf of the new government?

Colonel ASHTON. We continued it in the pipeline. We, of course, suspended any new program until we had a chance to analyze the government that was going into power, and whether it would be to the interests of the United States to support that government.

Mr. PASSMAN. For many years you carried money in the pipeline for Egypt, for example, hoping that some day they would have a friendly government, and since we did not get a friendly government, we decided to support the one in power, Nasser. You might find in Iraq the same kind of situation. There was a friendly government. One night the head of the government was killed, and in about 2 days a new government was set up, and we merely transferred the figures. We hardly missed a week.

I am just wondering if you know of any country in your area where, on account of the overthrow of the government, we actually stopped the aid program and deobligated the credit and then reprogramed it to other countries.

Colonel ASHTON. The only exception in our area would be Cuba.

U.S. AID TO CUBA THROUGH UNITED NATIONS

Mr. PASSMAN. I mentioned Cuba as the exception. Of course, you do know, however, that Cuba now is getting some aid from the United States through the U.N., do you not?

Colonel ASHTON. I read about it in the paper. I am not prepared to discuss it.

Mr. PASSMAN. Do you not think it might help you in your program to know something about these things? That is your area. You are asking for funds for countries adjacent to Cuba. I think it would behoove you, sir, to find out whether or not these statements are true.

Mr. ALLEN. May I comment, sir?

Mr. PASSMAN. Yes; when I finish, you may.

It is my understanding that you have out of the Special U.N. Fund an agricultural program for Cuba. I know it was approved by Paul Hoffman and, of course, our President was misled because he stated publicly no U.S. dollars were going into Cuba, whereas the record is that 40 percent of the Special Fund is made up of U.S. funds. And there is a program through the World Health Organization under which, I think, 21 Russian jeeps went into Cuba. I think we are putting up one-third of that fund.

Now if you wish to comment, we shall be glad to hear from you.

Mr. ALLEN. My comment, sir, is only that it is my understanding from the U.N. people that the U.S. contribution, even though it amounts to 40 percent, is not being used for the small Cuba project.

Mr. PASSMAN. What part of the country are you from?

Mr. ALLEN. Michigan.

Mr. PASSMAN. Did you ever hear of a Mulligan?

Mr. ALLEN. Not except in connection with stew.

Mr. PASSMAN. You have a coon, maybe a chicken, and a couple of squirrels. You put it all in a pot and serve it up. When you start serving it, you do not know whether you are eating coon or chicken, if it comes out of that pot where it all has been cooked together?

Mr. ALLEN. I do not know the taste of coon, sir.

Mr. PASSMAN. I did not ask you anything about the taste, but if you mix several vegetables up and cook them all together, you do not know whether you are eating snap beans or blackeyed peas, do you?

Mr. ALLEN. It would be difficult.

Mr. PASSMAN. You certainly do not know whether or not these are U.S. dollars or any other type of currency, inasmuch as it goes into the U.N. and we lose control of it. If you allocate to a Communist country out of the U.N. Special Fund, you can argue it anyway you want to, but it represents 40 percent of U.S. contribution, does it not?

Mr. ALLEN. It is my understanding, sir, that they keep their accounts separate.

Mr. PASSMAN. Then you earmark the U.N. 40 percent, and we designate what countries it is to go to? Are you saying that?

Mr. ALLEN. I am saying only it is my understanding in this case it is not U.S. money.

Mr. PASSMAN. Can you state for the record with authority that we can designate the country that is to get the dollars we are contributing to the Special Fund in the U.N.?

Mr. ALLEN. I am not certain of that, sir.

Mr. PASSMAN. Then you are not certain that Cuba is not getting U.S. dollars at least indirectly, are you?

Mr. ALLEN. It is my understanding that U.N. officials have assured us that is not the case.

Mr. PASSMAN. You are going by what Mr. Kennedy said, in all probability. I want someone here to pin this down, that these dollars are so earmarked that we know that we designate what countries get the money. Then I want a list of the countries that got the U.S. dollar contribution to the Special Fund for the past 5 years, and by country.

Mr. ALLEN. May I submit that for the record, sir?

Mr. PASSMAN. We want it to come to the committee. Be sure you understand my request. Since you indicate there are no U.S. dollars going to Cuba, that we earmark it and know where the money is, and it goes out as a U.S. contribution and not mixed up with the other contributors, I want you to tell us what countries received the U.S. dollars out of the special account for the past 5 years, and the amount. Then make the statement, if you will, in submitting that, that you just made—that there are no U.S. dollars going to Cuba. You get that information for us, please, sir.

(The information requested follows:)

The testimony that it is our understanding that U.S. dollars will not be used for the United Nations Special Fund project in Cuba is based upon the statement by the Managing Director of the Fund. The operational plans for the particular project do not contemplate expending dollars from any source; supplies, equipment, and services for this project will involve expenditures in Cuban pesos primarily. The United States and some other free world countries pay their contributions to the Fund in dollars and the accounts of the Fund record the amounts of cash held in U.S. dollars from whatever source. Similar accounts are maintained for each of the other national currencies.

Consistent with the witness' testimony, neither U.S. contributions to the Fund nor the contributions of other governments are earmarked for specific countries. Therefore it would not be possible to supply a list of countries for whose programs U.S. funds were used. However, as has been stated on other occasions, the relationship between the amount of resources pledged, and the amount of project assistance authorized is extremely favorable to the free world

countries. (In round percentages) 40 percent of special fund resources have been pledged by the United States. However, free world countries have received project assistance amounting to 98 percent.

CONSTRUCTION OF NEW MILITARY CAMPS IN CUBA

Mr. PASSMAN. I shall quote from U.S. News & World Report for June 3, 1963, page 31, "Washington Whispers." Quote:

Russians have started construction of three new military camps in Cuba during the past 2 months. Major Russian bases on the island are being expanded and modernized for what appears to be a permanent status.

Did you read that article in U.S. News & World Report?

Colonel ASHTON. No, sir.

Mr. PASSMAN. Would you like to comment on it?

You could hear a gun shooting in Cuba over in the countries in your area, could you not, if you were close enough to the border?

Colonel ASHTON. Mr. Passman, our program is designed to meet threats from Cuba, as you well know, especially in the Caribbean area. However, I am not prepared to answer specifically on installations and equipment there. General Carroll was before the subcommittee, and he handles questions like that. I would prefer not to get into the subject, because I do not know enough about the detail.

Mr. PASSMAN. I will not ask you to go into the policy. You have not read this current article in U.S. News & World Report, and you would not be in a position to confirm or deny it?

Colonel ASHTON. No, sir.

LATIN AMERICAN COUNTRIES RECEIVING MILITARY AID

Mr. PASSMAN. There are 21 American Republics, including Cuba and the United States. Taking out those 2, it leaves 19. In how many of those countries have you a military aid program planned, whether suspended or otherwise? In how many of the 19 countries do you have past, present, or planned programs?

Colonel ASHTON. We have at the present time programs in 20 countries.

Mr. PASSMAN. In 19 countries?

JAMAICA PROGRAM FOR FISCAL YEAR 1963

Colonel ASHTON. In 20 countries. Mr. Passman, I would like to correct the record here. We are developing a one-shot program for Jamaica, of $——— in fiscal year 1963, which does not show in the presentation book. This brings the total to 20 countries in 1963.

Mr. PASSMAN. How many one-shot programs have you started since you have been in charge of this program for Latin America?

Colonel ASHTON. Since I started in the program—you are going back clear to 1957, Mr. Passman?

Mr. PASSMAN. I am going back to when you took over as the director of the Latin American military program.

Colonel ASHTON. This is the only one-shot program we have had.

Mr. PASSMAN. Usually these are just the begining of a permanent program. Has that not been your experience?

Colonel ASHTON. We have had no one-shot programs that I can think of since I have been in this region.

Mr. PASSMAN. When did Jamaica gain its independence?

Colonel ASHTON. Jamaica gained her independence—I would like to refer to Mr. Allen—I think about a year and a half ago.

Mr. ALLEN. It was a little less than a year ago.

Mr. PASSMAN. I wonder if an amendment to the law would be opposed by the administration if we had a policy that you could not give military assistance to a new nation until it had been a nation at least 1 year. We are in 70 nations with a military program, past, present, starting, or continuing.

Colonel ASHTON. I would like to answer that, Mr. Passman.

Mr. PASSMAN. Answer what?

Colonel ASHTON. That question. I think as far as the program in Jamaica goes, I am not speaking to the law but to an example. There developed in Cuba a very critical situation shortly after Jamaica gained their independence.

(Off the record.)

Mr. PASSMAN. It is a kind of dressed-up bribe.

Colonel ASHTON I would not say that.

Mr. PASSMAN. I know you would not, but I will. Tell us specifically what the $——— will be used for.

Colonel ASHTON. The money for Jamaica——

Mr. MINSHALL. Do I understand the colonel correctly—this is not in the book?

Colonel ASHTON. It is a classified program. The details of the program are classified.

Mr. MINSHALL. Why is it classified?

Colonel ASHTON. The details?

Mr. MINSHALL. Yes.

Colonel ASHTON. It has not been released to the Jamaican Government as yet.

Mr. PASSMAN. They know we are working on a program.

Colonel ASHTON. They know we are working on a program. They know we have discussed the details with them. The program itself has not been released.

Mr. MINSHALL. Why do you not tell them now? What is the difference?

Colonel ASHTON. Mr. Congressman, in developing these programs, if we were to tell the country at the very time we develop it exactly what we were going to do, we would be in an almost impossible position, because by the time we go through our various reviews, not only within our own military organization, but with the other Government organizations——

Mr. MINSHALL. They might settle for half if they knew about it.

Colonel ASHTON. They might want twice as much.

Mr. PASSMAN. Do you not discuss with them their requirements before you get into one of these contracts?

Colonel ASHTON. That is affirmative. We always discuss in generalities the requirements, Mr. Passman. The details of some of these programs we do not go into.

Mr. PASSMAN. For what purposes are you going to use the ———?

Colonel ASHTON. The ——— in Jamaica is to provide ——— trucks with trailers and associated radio equipment; ——— naval patrol

boats with associated equipment; ——— lightweight aircraft for surveillance purposes; and a limited amount of training.

Mr. PASSMAN. Is that money coming out of the fiscal 1963 appropriation?

Colonel ASHTON. Yes.

SOURCE OF FISCAL YEAR 1963 FUNDING FOR JAMAICA

Mr. PASSMAN. What program did you have to reduce to be able to get the $——— for Jamaica?

Colonel ASHTON. To get the $——— program for Jamaica, Mr. Passman, we had to reduce no program, because at the time we had sufficient funds to accomplish our 1963 program.

Mr. PASSMAN. You had sufficient surplus over and above your requirements to fund this without any supplemental funds?

Colonel ASHTON. These funds did not come from any surplus from Latin America. They came from the military assistance program, and I think General Wood might address himself to that.

Mr. PASSMAN. Let us find out what you know about it first, please. Have you any particular worries about any deficiencies presently, or is the overall program for the 19 Latin American countries moving along satisfactorily?

Colonel ASHTON. I would say our 1963 program has developed satisfactorily.

Mr. PASSMAN. Now we will ask General Wood about this matter. You have a program which is classified for Jamaica in the amount of $———. Was it necessary to cut back on some other program to be able to provide this $——— for Jamaica? If so, what program did you cut back?

General WOOD. We funded it from recoupments.

Mr. PASSMAN. That is what I usually refer to as the deobligation, or dereservation, category. At least, we are talking about the same thing. Your definition and mine mean the same thing, do they not?

General WOOD. Yes, sir.

EXCESS STOCK PROGRAM IN LATIN AMERICA

Mr. PASSMAN. Page 205 indicates that you propose to furnish excess stocks with an original acquisition cost of $7,978,000 to 15 countries in this area. Is that correct, sir?

Colonel ASHTON. That is true.

Mr. PASSMAN. How does that sum compare with fiscal 1963?

Colonel ASHTON. In fiscal year 1963, we furnished $5.6 million excess stocks.

Mr. PASSMAN. As we think of the predicament we find ourselves in with Communist Cuba, I should say that your area is just about as hot and could be as explosive as any other place on the face of the earth.

Colonel ASHTON. I would say so, yes, sir.

Mr. PASSMAN. It would not behoove this committee or you or any of your superiors to give preference to any other part of the world where you have hot spots, over Cuba, would it?

Colonel ASHTON. I am not prepared to address myself to that.

Mr. PASSMAN. I am trying to establish that Latin America should not take second place in the danger areas that we have. Would you agree to that viewpoint, Mr. Secretary?

Mr. ALLEN. Thank you, sir. Yes, sir, I would agree, but the nature of the threat will vary and, therefore, the nature of our response to it would vary.

Mr. PASSMAN. I am saying that Latin America should have just about as high a priority on military assistance, if military assistance is justified, as any other place where we have a military assistance program.

Colonel ASHTON. I can address myself——

Mr. PASSMAN. I am talking to the Secretary, because you said you did not know.

Mr. ALLEN. I would agree, sir, that at the moment Cuba is the hottest in the Caribbean, and Latin America is the hottest area.

Mr. PASSMAN. There has been some complaint that we adversely affected the program last year by our cut. But, along the way, we find in all the areas, except one, they are getting along satisfactorily. The colonel says that is true for Latin America, so we will just let the record speak for itself. We did not want people to get the idea that peace and harmony prevailed in Latin America, and that is why it was getting along nicely there. The fact is that they were sufficiently funded, and I want to thank the colonel for his forthrightness in so answering.

SHIP LOAN LEGISLATION

Last year, if I recall correctly, a portion of your program was based on the passage by Congress of ship loan legislation. The Congress did not pass the legislation and your program was reduced proportionately. Is that correct, sir?

Colonel ASHTON. That is true, Mr. Passman.

Mr. PASSMAN. Could you tell us the amount in the fiscal 1963 program for the ship loan part of your program?

Colonel ASHTON. Our ship loan program amounted to approximately $22 million.

FISCAL YEAR 1963 PROGRAM REQUEST FOR LATIN AMERICA

Mr. PASSMAN. What was your total request for Latin America for fiscal 1963?

Colonel ASHTON. Our total request for fiscal year 1963 in Latin America was $76.9 million.

Mr. PASSMAN. What is the ship part of it?

Colonel ASHTON. The ship loan is $22 million.

Mr. PASSMAN. As the Congress did not pass the ship loan legislation, that would have made your request, by deletion, $54,900,000; is that correct, sir?

Colonel ASHTON. If the funds that were in for the ship loan were taken out of Latin America, the chairman is correct.

OBLIGATIONS IN FISCAL YEAR 1963 FOR LATIN AMERICA

Mr. PASSMAN. How much, then, did you obligate for Latin America in fiscal 1963?

Colonel ASHTON. Our fiscal year 1963 program amounts to $70.6 million.

Mr. PASSMAN. Where did you get the other $15,700,000?

Colonel ASHTON. The $15 million that was put in the program——

Mr. PASSMAN. $15,700,000.

Colonel ASHTON. $15,700,000. The funds were given to the region from worldwide recoupments, as explained by General Wood.

Mr. PASSMAN. That money came from the recoupment program, too?

Cononel ASHTON. Yes.

Mr. PASSMAN. That is really a great device.

Mr. RHODES. The greatest invention since the wheel.

OBLIGATION AND RESERVATION PROCEDURE UNDER MAP

Mr. PASSMAN. In all departments of the Government we have what is known as obligations. When they get the money, they obligate it. In the military it goes through what we refer to as a reservation status. The military assistance program reserves funds for their anticipated program. At a subsequent date when the Defense Department places the orders, then it enters into an obligation phase. Is that your understanding of it, sir?

Colonel ASHTON. That is my understanding.

ILLUSTRATIVE NATURE OF PROGRAM

Mr. PASSMAN. In effect, this would be what we have often referred to as an illustrative program, since you can transfer from one region to another, from one country to another, and it is not firm. It is merely illustrative. You do the best you can, saying this is where it will be spent, but under the law you have the right to transfer from one country to another and one area to another. Is that correct, sir?

Colonel ASHTON. I would say the Latin American program, Mr. Passman, as of this date is not an illustrative program. We have exact items and details which have been furnished and developed.

Mr. PASSMAN. Would you say it is illustrative in other places of the world?

Colonel ASHTON. I would say no, sir.

Mr. PASSMAN. Then where did you get the money? You indicated, and General Wood so stated, that it came out of the military assistance program. It was illustrative to the point that you had the right to transfer from one country or area to another, cancel one project and start another. We are not quarreling with it, but we are trying to establish that you do have a lot of flexibility.

SOURCE OF RECOUPMENTS

Could you tell us from what part they deobligated, or dereserved, squeezed out, or recouped, $15,700,000 to give to the Latin American area?

Colonel ASHTON. Mr. Passman, I have to refer that to General Wood, because I am not able to answer as to the source of the funds.

Mr. PASSMAN. I will ask General Wood, did you recoup it out of Latin American prior reservations, or did you recoup it generally?

General Wood. Of course, you have to say, Mr. Chairman, the overall program as presented to the Congress was based on a figure which was related to requested NOA (new obligational authority) of $1.5 billion. That much was not authorized, as you know. All programs had to be amended, first, in accordance with the funds available. The program as we planned it contemplated recoupments, as General Palmer told you last year and as I told you earlier, which were utilized to fund the overall program decided upon.

As far as Latin America is concerned, the Defense Department desired to have a program of roughly this amount, which is limited, as you know, by the materiel restriction of $57.5 million. It would be hard to tell where each dollar is derived, because the whole program is worked on as an entity. Within the new funds available, plus the recoupments, we had the best balanced program for the world that we could put together. Insofar as Latin America is concerned, this was the overall amount, we desired to devote to that area.

Mr. Passman. You have a lot of dedicated people under you. Those who have been with this program for many years should speak with authority as to whether or not the program in their particular area is going along satisfactorily, should they not?

General Wood. Yes, sir.

Mr. Passman. I think all of them have said yes, with the exception of perhaps one, and that was the gentleman who appeared before us yesterday. It makes us feel good to know that a program we were said to have wrecked is going along satisfactory. I would like to wreck some more on that basis.

So far as recoupments are concerned, if you had a system whereby you could tell the committee and knew yourself at what time you programed funds to a certain country and the cost of the items programed, then when you recoup, squeeze out, or deobligate, or dereserve, you would know from what pot you were dereserving, or recouping, would you not?

General Wood. We can only estimate based on experience, due to changes in prices. That is one reason you see changes in the excess stocks as you were mentioning yesterday.

Mr. Passman. General, I know it is an illustrative program, and I am going to give the members who do not agree, if the committee does not object or if they are so inclined, an opportunity to correct the record. One will say yes and the other will say no, if that is not done. It does not look good, but that is not my responsibility. I am trying to establish that it takes money to buy this equipment. If you make a reservation or obligation, when the deliveries are made it takes money to pay for them. It is coming from the overburdened American taxpayer. If you had a system whereby you obligated, we shall say, 20 tanks to country A and later you deleted 5 of those tanks, you would certainly know what country you deleted from and the cost of them.

When I asked you the question where did you get the money and what item did you deobligate, or dereserve, to get the money, that was the same type of question we asked last year of General Palmer. Could you tell us on what date and in what amount you obligated these funds to all the countries where you have a little bank, or "kitty"? We hope at some subsequent date we shall be able to say these are the dates on which we obligated these funds to Country A,

B, C, D, and E, and here are the items and their cost. We have decided now we do not need certain items, so we are deobligating, or dereserving. Then when we ask you the question where you got the money, you should be able to tell us.

If I ran a business and could not tell you for what reason I set up a reserve, I am afraid Mr. Caplin would not buy that, and I might have to get about a year's leave of absence from here. You get a year and a day in some places.

General Wood. I would think a truly illustrative program, if we presented such, would not have the tremendous amount of detail which this book has. We try to present a program which at that time we consider as firm as we can visualize. There are changes in it. I can tell you where, in 1963, the recoupments came from, what general items and what amounts of money. They add up, of course, to a total which we estimated for this year as $232.5 million.

Whether a particular dollar—for example, when we canceled the JUPITERS in Italy and Turkey, we reckoned we recouped $14 million in 1963.

Mr. Passman. That is a small amount against $232,500,000.

General Wood. That is an example. I have all the others, if you would like the information.

Mr. Passman. Of course, we have asked for information previously. We would not want to confuse the record with just a partial list. We have requested that you tell us when you created this "kitty," or reserve, or bank. We want to know when you created the bank, on what dates. When we get that information, we will be in position to proceed to ask the question on the entire amount of deobligation.

Colonel, is it your understanding that the squeezeout, recoupment, or deobilgation, represents an amount originally obligated, or reserved, in excess of the cost at the time of delivery?

Colonel Ashton. I am in no position to answer that. Again, I would have to refer to General Wood.

Mr. Passman. He has answered the question. I wanted to know your opinion about it. Thank you very much.

Argentina

For 1964, the estimate for Argentina is $———.

Colonel Ashton. That is correct.

Mr. Passman. Since Argentina has procured most of her military equipment abroad, why do we spend any money for training purposes there?

EQUIPMENT PROCUREMENT ABROAD

Colonel Ashton. Mr. Chairman, I think a statement that Argentina procures most of her equipment abroad applies to the past. We have had no examples in recent years of significant purchases by Argentina of equipment.

Mr. Passman. What did she do with equipment she bought from other parts of the world prior to her change of heart? Does she still use it?

Colonel Ashton. Most of it is still in use; yes.

Mr. Passman. What countries did she buy from?

Colonel ASHTON. Essentially the purchases were from England. There was also considerable equipment bought from the United States.

OTHER SERVICES

Mr. PASSMAN. What is the other services item $———?

Colonel ASHTON. I will have to look that up.

Mr. PASSMAN. You can look it up and insert the information in the record.

(The information supplied follows:)

The "other services" for Argentina consist of training aids, including:
(1) 15–J–1c TRNR w/HT finder.
(1) C–8.
(2) CIIC w/CVTR.
(1) Load machine 3/50.
(1) Filmstrips films view gr.
Other training aids.

BOLIVIA

Mr. PASSMAN. You are requesting for Bolivia $———?

Colonel ASHTON. That is correct.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. I note in the 1963 program there is $4,125,000. What was the amount justified to the Congress last year for this country?

Colonel ASHTON. In Bolivia we requested last year $———.

Mr. PASSMAN. But you programed $4,125,000?

Colonel ASHTON. That is correct.

Mr. PASSMAN. Where did you get the additional $——— over and above the amount you justified to Congress?

Colonel ASHTON. This was either reprogramed from recoupments in the Latin American area, or worldwide recoupments.

Mr. PASSMAN. I am making a statement of fact that you programed $——— over and above what you justified to Congress last year.

I am speaking about the difference between what you programed and what you requested.

Colonel ASHTON. You are correct.

AIRCRAFT PROGRAM

Mr. PASSMAN. How many Cessna 185 aircraft did you justify to Congress last year for Bolivia?

Colonel ASHTON. We justified no Cessna aircraft for Bolivia last year.

Mr. PASSMAN. Did they put those planes on sale and you bought a few for every country in the world?

Colonel ASHTON. No, sir.

Mr. PASSMAN. We have run into that kind of situation quite often. What did they cost?

Colonel ASHTON. The cost of a Cessna is $18,300.

Mr. PASSMAN. How many Cessnas did you program that you did not justify last year for Bolivia?

Colonel ASHTON. ———.

Mr. PASSMAN. Is that kind of an executive-type airplane, basically?

Colonel ASHTON. No, sir; it is not an executive type aircraft in Latin America.

Mr. PASSMAN. As we think of the 185 Cessna, is it a business type aircraft?

Colonel ASHTON. No, sir; in the Air Force we think of the aircraft as a military transport aircraft. An executive aircraft is designed especially with plush equipment and various other items for that specific purpose.

It is a passenger-carrying airplane but it can be converted to cargo.

Mr. PASSMAN. It could also very easily be converted to an executive type, as we think of an executive type aircraft in America.

Colonel ASHTON. If by putting a seat in the airplane, we could call it an executive type, the definition would fit.

Mr. PASSMAN. Most airplanes come with seats unless it is specifically built for cargo.

Colonel ASHTON. On the civilian side; yes, sir.

Mr. PASSMAN. Did we get a special buy on those aircraft, since we are running into them all over the world, and since they have not been justified? It appears that perhaps they were a bargain.

Colonel ASHTON. It is like any other aircraft procurement. The more we buy of any one type, the cheaper it is to procure it.

Mr. PASSMAN. If the military needs three of something, they usually buy seven. Is that about the way it works?

Colonel ASHTON. In Latin America, we buy exactly the number of aircraft we need for the mission.

Mr. PASSMAN. Whether they have been justified or not?

Mr. RHODES. May I ask General Wood a question?

CIVIC ACTION PROGRAM

General Wood, the civic action category appears in the justifications for fiscal year 1964, but not for fiscal year 1963.

Therefore, we have to assume whatever we spent for civic action in fiscal year 1963 appeared elsewhere in the justifications?

General WOOD. Yes; I think that is correct. I think I said before, the identification of this program as such, and the interest in it as such, particularly in Latin America, is relatively new. It does not mean there may not have been, and probably were, military type units engaged in certain countries in civic action type projects.

Mr. RHODES. In Bolivia in fiscal year 1963, you spent $——— on civic action. In order to find out what was really spent in Bolivia, or obligated in Bolivia compared to your justifications of last year, we would have to add that to the $4,125,000, which would give you a figure $———.

General WOOD. No, the $4 million is the total program. Whatever equipment was used for civic action would be part of that, and would show up in the vehicle and communication equipment.

Mr. RHODES. The justifications for this year were shown for fiscal year 1963 in the amounts that were spent for civic action?

General WOOD. Yes, as a part of the overall total of the program for that country; that is correct.

Mr. PASSMAN. Page 210 indicates that military assistance is supporting ——— engineer battalions. However, the sheets for Bolivia indicate they have only ——— engineering battalions in being.

Colonel ASHTON. I am not familiar with the sheet.

Mr. PASSMAN. Page 210.

Colentl ASHTON. I am familiar with the fact there are engineering battalions in Bolivia because I saw them about 4 months ago.

Mr. PASSMAN. If you go to page 209, you will see ——— engineering battalions.

Colonel ASHTON. The correction ——— has not been submitted to the committee.

Mr. PASSMAN. If we had not asked that question, we would have never known the difference.

Colonel ASHTON. I knew the difference in my book.

Mr. PASSMAN. We had no way of knowing it.

Colonel ASHTON. That is true.

BRAZIL

Mr. PASSMAN. You are requesting $——— for Brazil for fiscal year 1964; is that correct?

Colonel ASHTON. That is correct.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. What amount did you request for this country program in fiscal year 1963?

Colonel ASHTON. In fiscal year 1963 were requested $———.

Mr. PASSMAN. How much did you program for Brazil for fiscal year 1963?

Colonel ASHTON. $13,039,000.

Mr. PASSMAN. Where did you get the additional $———.

Colonel ASHTON. I refer back to my original answer, Mr. Passman; it was either from Latin American recoupments or worldwide recoupments.

Mr. PASSMAN. By recoupments, let the record show again they are funds previously obligated, you had no need for them, you deobligated them and you use them for new programs over and above what you justified to Congress.

Colonel ASHTON. No, sir. The money was reprogramed to meet various priorities that developed, especially in Latin America.

Mr. PASSMAN. Sir, you requested last year $——— for Brazil. That was your top request. We would have thought that you would have been satisfied with the $———. But at a later date you programed $——— above the highest request you made to the Congress for Brazil. You had to get the additional money somewhere. You say it came out of recoupments, or deobligated funds, either from Latin America or the worldwide program. Is that correct?

Colonel ASHTON. It could have come out of readjustments of other country programs in Latin America.

Mr. PASSMAN. It came out of funds previously obligated for another purpose?

Colonel ASHTON. That is true.

Mr. PASSMAN. Thank you very much.

Colonel ASHTON. But, in Brazil we had developed a situation where we required considerably more aircraft for civic action and they were furnished as a result of this program.

Mr. PASSMAN. Did you get the aircraft you referred to out of the excess stocks?

Colonel ASHTON. Yes, sir.

Mr. PASSMAN. You certainly did not take it out of the additional money.

Colonel ASHTON. The rehabilitation and repair did come out.

Mr. PASSMAN. What did it cost to rehabilitate and repair the aircraft.

Colonel ASHTON. I will give you an estimated price, between $90,000 and $100,000.

Mr. PASSMAN. We are still talking about ———. We make this statement because Secretary McNamara indicated great damage has been done to this program. When we finish and add up the amount of money that you programed over and above the amount requested of the Congress in different areas, I think Secretary McNamara will recognize that it is not what he referred to as "the concrete program."

CIVIC ACTION PROGRAM SUPPORT IN BRAZIL

Page 12 indicates that the MAP is supporting ——— engineer battalions. However, the forces in being for this country indicate that they only have ———.

Colonel ASHTON. We show ——— engineer battalions MAP supported. In the forces in being, we show ———; however, we do show infantry brigades and in the infantry brigades there are engineering battalions as part of the unit.

Mr. PASSMAN. Is there another error in the justifications?

Colonel ASHTON. It is not an error. It is part of one of the brigades.

Mr. RHODES. Actually, does that not mean that these forces which are created primarily for civic action really are not military forces at all? Is that not the reason you do it that way?

Colonel ASHTON. Mr. Congressman, I do not believe I know of any cases where we have created specifically a battalion for civic action purposes. What we have done is change a unit from one mission, let's say antiaircraft, to engineering.

CIVIC ACTION PROJECT IN GUATEMALA

Mr. MINSHALL. I personally visited Guatemala last fall. I know they created, ostensibly for engineering purposes only, an engineer battalion. It was not activated when we were there.

Colonel ASHTON. That is true. But those forces were taken out of an infantry organization that was down there. They were not new forces.

Mr. MINSHALL. These people were trained at Fort Gulick, the cadre was, and that was as far as they had gone until we put pressure on them.

Colonel ASHTON. I did not make myself clear.

Those were part of an overall infantry unit we had in Guatemala. They took some of the infantrymen and transferred them to an engineer battalion.

Mr. MINSHALL. They were activated as an engineering battalion, which is a nonfighting outfit.

Colonel ASHTON. Combat engineers have a capability for some fighting.

Mr. MINSHALL. Yes. A limited capability. These were used for roadbuilding and bridgebuilding.

Colonel ASHTON. I think we are also furnishing some weapons to that unit so when they are in the back area they can aid in internal security. They are not completely unequipped with weapons.

Mr. MINSHALL. I think you are stretching the point.

Mr. RHODES. Your combat capability goes down when you change one of these units as you have described.

Colonel ASHTON. There is no question about that.

Mr. RHODES. There is no question but what my statement is correct?

Colonel ASHTON. Yes. We have to analyze, as you know, in each case which is the more important. If we want to reduce combat efficiency to get more civic action, we will do it.

Mr. RHODES. This adds up to what I tried to convince General Wood of the other day; this is really in the economic field. You are getting out of the military field when you get into civic action. You are forgetting your primary mission, which is military.

General WOOD. Let's say we think that stability in a country is related to its internal security position, and civic action is one of the means of achieving stability.

It is true, civic action is of economic value to the country. You will recall there is a section in the law which indicates support for that activity. It is just we have thought that Latin America in general does not have an overt threat against it, an external threat which calls for major emphasis on hemispheric security. It has a subversive type of threat emanating from Cuba, and we think our program should be tailored more to defeat that sort of threat. So that emphasizes internal security in civic action.

I will not disagree with you. The utilization of military forces for civic action purposes assists the economy and the well-being of a country. Of course it does. But that tends toward stability.

Mr. RHODES. Would you agree with me that it weakens the military effort?

General WOOD. It weakens what has been thought to be in the past the essentiality of the military effort. At the same time, shall we say, in many of those countries I would say it is desirable to emphasize the type of military units that can do work rather than the type of units that may sit in barracks.

Mr. RHODES. I will not disagree with you.

I think in many areas that this civic action business makes a lot of sense. The thing I do disagree with is putting it under the military. I think there should be some sort of a category worked out to show this is really not military, in the sense we have known it in the past.

General WOOD. Section 505(b), which we tie this to, says:

THE FOREIGN ASSISTANCE ACT OF 1961

CHAPTER 2. MILITARY ASSISTANCE

SEC. 505(b). To the extent feasible and consistent with the other purposes of this part, the use of military forces in less developed friendly countries in the construction of public works and other activities helpful to economic development shall be encouraged.

JOINT USE OF ECONOMIC AND MILITARY FUNDS FOR CIVIC ACTION TYPE PROJECTS

Mr. PASSMAN. You have the AID agency operating in every one of these countries, and there are seven or eight different funds from which you can draw money for the same purpose.

I think in the record there are two full pages of the type of projects you can fund out of supporting assistance. It can go to those countries that have some type of military postures.

It is the same thing you get here out of your civic action program. If you get $36 million in economic aid projects over in the military, and you have the same type of project being supported out of supporting assistance, it would appear to me it would be confusing to your people.

General WOOD. I think the rationalization there is, first, the military units have a use in a military capacity in the event of conflict to build roads or what-not.

Second, as you know, this is a joint program with AID funding the materials. Of course, AID cannot fund the military equipment.

Third, in many of these countries the military is the only organization you can depend on to get such work done.

Mr. RHODES. I recognize the state of the law. I am familiar with 505(b) and the fact Congress has apparently suggested, if not directed, this sort of activity be undertaken where it can possibly be done.

I am just wondering the wisdom of it, and the propriety of dubbing it "military." I realize maybe this might not be the place to wonder about the wisdom.

Let me suggest the possibility, since we have been so good in organizing a domestic Peace Corps here, perhaps we should be doing something like that in these countries. It might result in more accuracy than calling it military assistance.

In other words, the military has a definite role in the scheme of things. I just have my doubts as to whether this is part of that proper role in all instances. Perhaps as a stop-gap, it can be tolerated, but maybe we should consider some other types of organization over the long pull if this sort of thing is necessary.

MILITARY EQUIPMENT FOR CIVIC ACTION PROGRAM

Mr. PASSMAN. Will you submit for the record a list of the equipment and machines supplied under the civic action program, military, that cannot be supplied by the AID Agency?

I think it is a good time for all of us to know whether or not AID could fund the cost of equipment that is under the civic action part of your program.

General Wood. We can certainly indicate the types of military equipment which they utilize.

Mr. Passman. I am saying let AID decide whether they should furnish it.

Colonel Ashton. May I address myself to this?

I have been working or interested in Latin America for 15 years. Since 1957 I have been working on the civic action program for the military. It is something quite close to my heart. I think I can touch on Mr. Rhodes comments by giving you a specific example where, by going into a civic action program, it is possible we are going to save money in our military assistance program.

CIVIC ACTION IN COLOMBIA

I refer you specifically to Colombia. In Colombia we have a very bad bandit situation, as everyone is familiar with. We are now up to around $——— a year in our military assistance program trying to provide them the types of equipment that will help them combat these bandits.

One of the basic causes of this banditry is the problems that they have out in the rural areas with the people that do not have water, sanitation, and all the other things that are developed by civic programs. I know for a fact that the only outsider that can get into these areas is an armed military man, or an armed policeman. Usually it has to be a military man.

By putting some military forces out there in civic action efforts to alleviate these conditions, the threat of banditry from these peasants could be reduced, and ultimately lead to a reduction in the military assistance program.

Mr. Passman. We hope so.

Chile

The next country is Chile. You are requesting $——— for fiscal year 1964; is that correct?

Colonel Ashton. That is correct.

FISCAL YEAR 1963 PROGRAM

Mr. Passman. What amount did you request for Chile in fiscal year 1963?

Colonel Ashton. $———.

SHIP LOAN LEGISLATION

Mr. Passman. What was the proposed cost of the two destroyers under the ship loan legislation last year?

Colonel Ashton. Approximately $———.

Mr. Passman. You requested $———?

Colonel Ashton. That is correct.

Mr. Passman. For the two destroyers you did not fund because Congress did not pass the legislation, it was $———. Am I making a statement of fact?

Colonel Ashton. I would have to refer back to my book.

Mr. PASSMAN. Refer back to it.

You requested last year $———. That was your total request. Of course, the two destroyers you said was $———; it is $———. So had you deleted that at the time of your request, your request would have been $———; is that true?

Colonel ASHTON. That is not true.

Mr. PASSMAN. Let us see what is true.

Colonel ASHTON. Again, I would like to remind the chairman we develop a program based on a ceiling of $57.5 million. Our program last year was developed under these considerations.

If we had not had these destroyers in the program, there would have been other equipments funded which would have been of a lesser priority, but costing almost as much money.

Mr. PASSMAN. You are giving an answer opposite to what you gave earlier. You are not going to hedge on this one.

You requested $——— for Chile for fiscal year 1963. That is what you justified to Congress.

Colonel ASHTON. I justified $57.5 million.

Mr. PASSMAN. I am speaking to this country where you justified only $———.

Colonel ASHTON. For Chile.

Mr. PASSMAN. And $——— of that for Chile represented the destroyers that the Congress did not pass the bill to provide.

Colonel ASHTON. That is true.

Mr. PASSMAN. Leaving a balance of $——— that you did justify to this committee.

Colonel ASHTON. That is true.

FISCAL YEAR 1963 PROGRAM FOR CHILE

Mr. PASSMAN. How much did you program, sir?

Colonel ASHTON. For Chile?

Mr. PASSMAN. For fiscal year 1963.

Colonel ASHTON. Our program for fiscal year 1963 in Chile was $8,940,000.

Mr. PASSMAN. Where did you get the additional $———?

Colonel ASHTON. Some of this was taken, I am sure, from the original program $——— we defended before you last year for Chile.

Mr. PASSMAN. You could not take it because the Congress did not give it to you.

What I am trying to establish for the record are the facts. I am not interested in who is going to reach second base first.

You requested $——— represented two destroyers. Left for other equipment, $——— that you justified. If we had funded it in its entirety, the part you justified, it follows that you programed $8,994,000, so you had to get the $——— from some other account, either recoupments, deobligations, or squeezeouts.

Colonel ASHTON. Mr. Congressman, as far as we are concerned, we were defending funds for two destroyers.

What happened was that the destroyers were not approved by the authorization committee and we did not get them. As far as I know, the funds for the destroyers were not deleted by the Appropriations Committee.

Mr. PASSMAN. You would have spent the money someplace else? You requested funds for destroyers. The Congress did not pass the authorization. Then you would have found some other place to spend the money.

Colonel ASHTON. As I said, we had a ceiling of $57.5 million.

Mr. PASSMAN. I am talking about one country. You gave us the direct answers. You pinpointed them previously. I am trying to put the facts in the record. I am not trying to win any argument.

You requested of this committee for Chile for fiscal year 1963 a total of $———; is that correct?

Colonel ASHTON. That is true.

Mr. PASSMAN. The destroyers represented $———?

Colonel ASHTON. That is true.

Mr. PASSMAN. So you justified then for other items $———; is that true?

Colonel ASHTON. That is true.

Mr. PASSMAN. But you wound up programing $8,940,000, so you actually programed $——— more for, shall we say, key end items, than the amount justified to the committee specifically in the details of the fiscal year 1963 justifications?

Colonel ASHTON. I will say we added to the program additional items as a result of the destroyer deletion, but I would like to also add for the record that these items would have been in the program if we did not have a ceiling on Latin America which restricted us from programing our full requirements.

Mr. PASSMAN. Every person before this committee has certainly indicated, "Yes, when we took out the destroyers the figure would have been this, but we programed this, so we programed this much more than we justified to the committee."

You only justified to the committee, taking out the destroyers, the figure of $———. The difference is $———. I missed $1 million in favor of the committee.

COLOMBIA

Colombia. The estimate for this country in fiscal year 1964 is $———.

Colonel ASHTON. That is true.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Last year, your estimate was $——— for this country's program?

Colonel ASHTON. That is true.

Mr. PASSMAN. We included approximately $——— for the activities of a destroyer.

Colonel ASHTON. Again, Mr. Congressman, I am under the impression it is $———.

Mr. PASSMAN. You gave us $——— last year. That is close enough. That was contingent upon the passage of the ship loan legislation, is that correct?

Colonel ASHTON. I believe we gave you $——— last year.

Mr. PASSMAN. You gave us last year $———. That was contingent upon passage of the ship loan legislation, is that correct?

Colonel ASHTON. That is true.

Mr. PASSMAN. As the legislation did not pass, your present 1963 program of $10,011,000 represents a substantial increase over that originally contemplated, is that correct?

Colonel ASHTON. That is true.

Mr. PASSMAN. The same thing we referred to in the other countries. What amount did you actually program for Colombia?

Colonel ASHTON. The amount we actually programed was $10,011,000.

Mr. PASSMAN. You requested $——— for this country; represented a destroyer. So in reality you justified for other items $———, is that correct, sir?

Colonel ASHTON. I have not added that, but I assume it is correct.

Mr. PASSMAN. We want it verified.

Colonel ASHTON. You are subtracting what?

Mr. PASSMAN. Only $———, not the $———.

Colonel ASHTON. That gives you $———.

Mr. PASSMAN. You actually programed $10,011,000.

Colonel ASHTON. In 1963?

Mr. PASSMAN. Yes.

Colonel ASHTON. That is correct.

Mr. PASSMAN. So you had to get $——— elsewhere?

Colonel ASHTON. That is correct.

Mr. PASSMAN. I point this out because Secretary McNamara said we had greatly damaged the program. We want some of his assistants to familiarize him with what we have run into.

That does not mean in the future you will not request money for the destroyers, is that correct?

Colonel ASHTON. That is not correct.

Mr. PASSMAN. You will not in the future ask for any money for destroyers?

Colonel ASHTON. I am not in a position to say that because it depends on priorities and the threat.

Mr. PASSMAN. If there was a need last year, there would be a need this year? I will ask that question.

Colonel ASHTON. That is true. But we have other priorities that have developed that require funding more than the destroyers.

You know what developed in the Caribbean with the Cuban situation. We had to do considerable adjustment in that whole area, and Colombia was one of the countries vitally affected.

Mr. PASSMAN. We hear that kind of comment for 70 countries around the world which are receiving military assistance.

COSTA RICA

The next country is Costa Rica. The estimate is $———.

Colonel ASHTON. That is correct.

FISCAL YEAR 1963 PROGRAM

Mr. PASSMAN. Last year you requested $——— for a training program, and the justification stated that no material is included in the proposed military aid program for fiscal year 1963, is that correct?

Colonel ASHTON. That is correct.

Mr. PASSMAN. How much have you allocated to Costa Rica out of fiscal year 1963 funds?

Colonel ASHTON. $490,000.

Mr. PASSMAN. That would be an increase of $——— over what you justified to the committee, is that correct, sir?

Colonel ASHTON. That is correct.

Mr. PASSMAN. How do you justify the inclusion of a Cessna 185?

Colonel ASHTON. The Cessna 185 is going into Costa Rica ———. As the chairman knows, in many cases a little aircraft is a much better implement for surveying, or reconnaissance, than a vehicle.

Mr. PASSMAN. Could this be used for a fishing plane if you could get to a short runway?

Colonel ASHTON. I think Cessna claims it could be used for almost any purpose.

This is for reconnaissance.

Mr. PASSMAN. They have these things over in Iran. We did not buy the entire factory output for last year, did we?

Colonel ASHTON. I am not familiar with that.

Mr. PASSMAN. I wish I had known this was going to happen. I would have bought some stock in the company. We are doing a lot of business with them we did not know anything about last year.

If the program in 1961 for training was $———; 1962, $———; 1963, it is estimated at $———, and for 1964, you are requesting $———; is that correct?

Colonel ASHTON. That is true.

DOMINICAN REPUBLIC

Mr. PASSMAN. For the Dominician Republic the estimate is $———; is that correct?

Colonel ASHTON. That is correct.

Mr. PASSMAN. How long has the new President been in power?

Colonel ASHTON. I think about 3 months.

Mr. PASSMAN. Last year you requested $——— for this program and in view of the Secretary's statement that we had harmed the program by our reduction of last year, how much did you allocate to this country in fiscal year 1963?

Colonel ASHTON. $3,981,000.

Mr. PASSMAN. Last year, the justification indicated no unexpended balance to the credit of this country; is that right?

Colonel ASHTON. It should have.

I will have to get my 1963 book. It should have been that way. I know it was.

FISCAL YEAR 1963 EXPENDITURES AND UNEXPENDED BALANCE

Mr. PASSMAN. What was the amount of the actual expenditures for equipment to the country for fiscal year 1963?

What amount did you draw out of the pipeline?

Colonel ASHTON. The actual expenditures in 1963 were $2,138,000. That is an estimated figure.

Mr. PASSMAN. As of July 1 you have unexpended to the credit of the Dominican Republic, $2,596,000. Let us put those figures together. That is $4,734,000, is it not?

Colonel ASHTON. That is correct.

Mr. PASSMAN. Where do you get the additional $753,000?

Colonel ASHTON. The only answer I can give is that these are estimated figures and would have to be reevaluated.

Mr. PASSMAN. You do see the discrepency, do you not?

Colonel ASHTON. I do see the discrepancy.

Mr. PASSMAN. Do not let that worry you. That is not the first one.

Please do not get excited about it. It is just something to fill in.

Mr. RHODES. Illustrative.

Mr. PASSMAN. Yes.

You ought to have a meeting with the AID people. They really capitalize on the illustrative.

ECUADOR

For Ecuador the estimate is $———; is that correct?

Colonel ASHTON. That is correct.

CESSNA AIRCRAFT

Mr. PASSMAN. Did you justify the Cessna 185 aircraft that is included in your 1963 program last year?

Colonel ASHTON. We did not.

Mr. PASSMAN. I am still interested in the Cessna. They are going to be well represented around the world in these executive-type aircraft.

TRAINING PROGRAM

Why are you increasing the training estimate so substantially, Colonel?

Colonel ASHTON. These training estimates are based upon submissions by the countries of the people that are available for training. We have received from Ecuador many requests that come up to this amount.

TYPES OF EXCESS STOCKS

Mr. PASSMAN. What type of excess stocks are you programing for Ecuador?

Colonel ASHTON. We are programing in 1964——

(Off the record.)

Mr. PASSMAN. That goes to them free with the exception of rehabilitation cost; is that true?

Colonel ASHTON. That is true, sir.

EL SALVADOR

Mr. PASSMAN. The next country is El Salvador. You are requesting $———; is that correct?

Colonel ASHTON. That is true.

FISCAL YEAR 1963 REQUESTED AND PROGRAMED

Mr. PASSMAN. How much did you justify before the Congress last year for this program?

Colonel ASHTON. $———.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. We programed some electronics——

Mr. PASSMAN. You asked for ——— last year, did you not?

Colonel ASHTON. That is true.

Mr. PASSMAN. How much did you program?

Colonel ASHTON. I am sorry.

We programed $1,584,000.

Mr. PASSMAN. Where did you get the additional ———?

That is up over 400 percent of what you justified. Where did you get the ———?

Colonel ASHTON. This was taken either from recoupments from the Latin American area or worldwide recoupments.

Mr. PASSMAN. This comes somewhere out of Secretary McNamara's damaged program?

Colonel ASHTON. Yes.

Mr. PASSMAN. It had to come from somewhere. You did not get it out of the Post Office Department's money, did you?

It came out of the military assistance program, did it not?

Colonel ASHTON. Yes.

I would like to again say something for the record.

Mr. PASSMAN. I think you should.

SHIP LOAN LEGISLATION

Colonel ASHTON. As far as we were concerned, on the destroyers and the ship loans last year.

Mr. PASSMAN. How many destroyers did you ask for this country?

Colonel ASHTON. None.

We programed a certain amount of funds which, to my understanding, were appropriated. Later on they were not authorized. The funds were reprogramed from these destroyers.

Mr. PASSMAN. We appropriated all the money you requested for the items you asked for, but since you did not get the destroyers, you found some place to spend the equivalent anyway.

Is that what you are saying?

Colonel ASHTON. We had other priority requirements.

Mr. PASSMAN. I want my question answered. Did I make a statement of fact?

Colonel ASHTON. That is true.

Mr. PASSMAN. Since Congress did not authorize the ship program, then you spend money all over the world in excess of what you justified in the other items.

Colonel ASHTON. If I can speak on that, and I might speak frankly to the Congressman, I think if I were a Congressman, I would be somewhat pleased to know that a situation could develop, as developed in the Caribbean as a result of the Cuban situation, where we could go ahead and furnish equipment to meet this threat without having to come back to Congress for something like $400,000 or $500,000.

Mr. PASSMAN. This is not just in your area. It is around the world.

I want to say, if Mr. Rhodes wanted to go out on full salary for the rest of his life and live to be a hundred, he would be a bargain because he uncovered the little bank up in the right-hand corner.

And believe me, there is a lot of money in that bank that is just as phony as a $3 bill, and when you do not get what you ask from Congress, then, by deobligations, or squeezeouts, you just go right ahead with your housekeeping.

General WOOD. And we are absolutely honest, Mr. Chairman.

Mr. PASSMAN. Certainly you are.

General WOOD. I think you recognize the flexibility inherent in the situation that we cannot control, nor Congress either.

Mr. PASSMAN. I am waiting for an emergency to develop. There will be a submarine get about 10 miles off the Louisiana coast, no doubt, just about the time we will come out with this bill.

I am waiting to see what kind of an emergency will pop up this year just before we report the bill out. I hope it is not serious.

Mr. RHODES. I am waiting for a PT boat to come up the mouth of the Colorado River.

General WOOD. I think you realize the situation is more serious than your words would indicate.

Mr. PASSMAN. In 70 nations around the world.

We will say there are some hotspots.

GUATEMALA

Guatemala. You are asking for $———; is that correct?

Colonel ASHTON. That is correct.

AIRCRAFT PROGRAM

Mr. PASSMAN. Page 228 indicates the MAP is supporting ———. However, the divider sheet does not ———.

Colonel ASHTON. Since this book was printed we have picked up support of some T–33's down in Guatemala and that does not show here.

Mr. PASSMAN. Is the situation in Guatemala improving?

Colonel ASHTON. I would rather——

Mr. PASSMAN. I withdraw the question.

You have to justify the equipment, and you have to know conditions, or you will not know how much equipment you needed unless someone else was working it out for you.

Is the T–33 a tactical fighter?

Colonel ASHTON. It is a trainer. We carry them in Latin America sometimes in our tactical fighter squadron because they are used for training of the squadron.

Mr. PASSMAN. The commitee would never have known the difference unless I had asked you the question, according to the specifications here.

FISCAL YEAR 1963 REQUEST AND PROGRAMED

How much did you request for this country last year?

Colonel ASHTON. $———.

Mr. PASSMAN. How much did you program?
Colonel ASHTON. We programed $2,524,000.
Mr. PASSMAN. Where did you get the additional $———?
Colonel ASHTON. I only show an increase of $———.
Mr. PASSMAN. That is correct.
Colonel ASHTON. This comes from either recoupments in Latin America areas, or worldwide.
Mr. PASSMAN. It came out of the recoupment account. It may have been for a Far Eastern section, or your country. You actually do not know?
You say just out of recoupments.
Colonel ASHTON. I do not know.

HAITI

Mr. PASSMAN. Next is Haiti, for which you are requesting $——— for fiscal year 1964.
Colonel ASHTON. That is correct.
Mr. PASSMAN. What was the amount of your request for Haiti for fiscal year 1963?
Colonel ASHTON. $———.
Mr. PASSMAN. What is your program?
Colonel ASHTON. $457,000.

DISPOSITION OF UNEXPENDED BALANCE

Mr. PASSMAN. Are you going to carry the remainder in this "kitty," or bank?
Colonel ASHTON. As of this moment, we are still carrying it.
Mr. PASSMAN. There are no firm plans to take it out at this time?
Colonel ASHTON. There is a plan to recoup this in case the political situation gets so we cannot possibly do anything down there.
Mr. PASSMAN. It is not firm at this time?
Colonel ASHTON. Not as of this moment.
Mr. PASSMAN. You are leaving the request at $——— as of this time?
Colonel ASHTON. That is true.
Mr. PASSMAN. If you should get all the funds you request, and the amount of the unexpended, you will have $——— to the credit of Haiti?
Colonel ASHTON. You are right.
Mr. PASSMAN. You could deobligate the $972,000, yet you are remaining firm; the $——— is to stay in your request?
Colonel ASHTON. That is true.
Mr. PASSMAN. If you deobligate the $972,000, you certainly would not need the additional $———, would you, for Haiti?
Colonel ASHTON. If the program goes in Haiti, and the government changes, we will require not only the appropriation we have requested here, but also the unexpended balance you see in the column.
Mr. PASSMAN. My question is altogether different.
If you should deobligate the $972,000 carryover on June 30, then you would not need the $———, would you?
Colonel ASHTON. I would say we would need the $——— plus the $972,000.

Mr. PASSMAN. You have $972,000 to the credit of Haiti, or will have on June 30, according to your present estimate?

Colonel ASHTON. That is true.

Mr. PASSMAN. If at some subsequent date you decide you will not have any military program in Haiti, and you deobligate the $972,000 program presently to the credit of them, because you would have no need for it, certainly you would not need the $———, would you?

Colonel ASHTON. I am not saying we do not have a need for the $972,000.

I am saying the military forces do require the $972,000. We are not providing it because of the government that is in power.

Mr. PASSMAN. Did I or did I not qualify my statement, that if you indicated earlier in the hearings you were considering recouping this for other purposes?

Colonel ASHTON. All right.

Mr. PASSMAN. Is it not appropriate for us to ask you whether in the event you do recoup, squeeze out, deobligate, or dereserve, the $972,000, you will then need the $——— for the same country?

Colonel ASHTON. My statement again, Mr. Chairman, is that if the situation develops in Haiti as we hope—that is why we have the fund in the fiscal 1964 program—we will require the full program. If the situation does not develop, we will deobligate both funds.

Mr. PASSMAN. How can you deobligate something you have not received? What if you were to run into a country in some part of the world that you could not persuade to accept military equipment, you would not consider them our enemy, would you, if they refused to accept it? I am assuming that you may get a government somewhere some day that will tell you they do not want military equipment. Then what would you say to them?

Colonel ASHTON. Then we would not furnish the equipment.

Mr. PASSMAN. I will say so far you have had a lot of good salesmen out, including the State Department, because you are in 70 nations with this program. Either they were persuasive or they liked to shoot pistols, one or the other.

USE OF CONTINGENCY FUND FOR HAITI

Mr. RHODES. Colonel, I do not really think you ought to ask for $——— for Haiti. We do not appropriate by countries. We appropriate a certain amount for military assistance as a category. There is not any way that I know of that we can take that $——— out of this program unless we do it by a limitation, which would probably be a violation of security.

I just do not think you ought to ask for this $———. You have $972,000 in the pipeline. If the government is changed, you are not broke. It just seems to me either this should be a matter for a contingency operation or it ought to be the subject of a supplemental reqeust. It seems to me, General, you ought to strike that out.

Colonel ASHTON. Although you are right that the appropriation is not by country, we do defend them by country. In the case of Haiti, we tried to include exactly the items we are planning to put in, in case of a change in government. That is the reason it is identified as such. Admittedly, it could go as a separate contingency fund. However, we would be back again to an item identification.

(Off the record.)

Mr. PASSMAN. As long as we keep giving the military assistance program more money than they need every year, Secretary McNamara will never have reason to use that "kitty." That was demonstrated by the substantial money in India and the ridiculous things we have run into in the hearings this year, item after item where they funded sometimes twice the amount for which they had requested funds. So far as the $——— is concerned they could find that much money in 5 minutes.

Mr. RHODES. I think they could.

My only point, Mr. Chairman, was if they just had to have it, there are places for them to get it. I just feel they know the legislative situation as well as we do, and they ought to withdraw this.

General WOOD. May I speak a word. I think it certainly is not clear to anybody that Duvalier might not be shot tomorrow. It also is not clear who might succeed him. Certainly the place is close to Cuba, and we would not want Castro's people to get in there. We would hope it would be a government we could deal with. In the hope that we have a government that would carry on our prior agreements, then it is a country to which we would consider giving an additional military assistance program—if Duvalier disappears and if it is a government we can make a deal with, and if we have a military program in 1964. Next year, based on what the chairman is doing this year, if we did not have anything here, we certainly would be asked why we did not; would we not?

SUPPORT OF PRESENT HAITIAN GOVERNMENT

Mr. PASSMAN. We have supported Duvalier militarily in the past, have we not?

Colonel ASHTON. To a small extent; yes, sir.

Mr. PASSMAN. You could not say positively you will not support the man and his government in the future if he remains in power; could you?

Colonel ASHTON. I would say on the military side, I do not believe we would want to support him.

Mr. PASSMAN. You would not want to and neither would I, but you could not say we would not; could you?

Colonel ASHTON. I am not in a position to say that.

Mr. PASSMAN. Are you, Mr. Secretary?

Mr. ALLEN. I would think our support, assuming he remained in power and we recognized him, because he is not at the amount, in our view, a constitutional president, our support would be extremely limited. The purpose of the very small amount of aid was principally to help the military, which do represent an element of stability as against these bandits.

Mr. PASSMAN. Are we not supporting many governments around the world which the dictators have taken over or where the military has seized power? Are we not supporting Peru? Are we not supporting Pakistan?

Mr. ALLEN. I cannot speak of Pakistan.

Mr. PASSMAN. I can say that we are.

Are we not supporting Iraq?

Mr. ALLEN. With respect to Peru, there is at the moment a military government, with elections scheduled in 10 days, with the miltiary pledged to respect the result of the elections.

Mr. PASSMAN. Around the world there is every form of government you can think of. In Laos, you have a coalition of a brother, half-brother, and first cousin. You are supporting them, and yet there are two factions shooting at each other today, I expect. You do know about that?

Mr. ALLEN. Yes.

Mr. PASSMAN. Over in Korea, there was a military coup and they took over. They were not elected by the people, but you are supporting them. You are supporting them in Iraq. You are supporting them in Pakistan. The head of government there just took over, and he is kind of proud of the fact that he did take over.

U.S. RELATIONS WITH HAITI

Mr. CONTE. You say you do not recognize Haiti as a constitutional government. We do have an Ambassador down there.

Mr. ALLEN. Since May 22, our relations with Haiti have been in suspense, and the Ambassador is now in Washington on consultation.

Mr. CONTE. The newspaper reports are that he is here merely to report on conditions in Haiti.

Mr. ALLEN. He will, of course, report to the President, but he is in consultations now in order to determine the future course of our relations with the present government of Duvalier.

Mr. CONTE. In other words, he may not go back?

Mr. ALLEN. That is posible. So far as I know, the decision has not yet been made.

Mr. CONTE. Up until the time he came to the United States about a week ago, we did recognize the Government of Haiti?

Mr. ALLEN. You see, up until May 15, Duvalier was the constitutional President under Haiti's constitution. Because his term expired at midnight of that night and he remained in power, his constitutional position changed, as far as we are concerned.

HONDURAS

Mr. PASSMAN. For Honduras, the estimate is $———.

Colonel ASHTON. That is right.

FUNDS REQUESTED AND PROGRAMED FOR FISCAL YEAR 1963

Mr. PASSMAN. How much did you request for this program in fiscal 1963?

Colonel ASHTON. In fiscal 1963 for Honduras we requested $———.

Mr. PASSMAN. How much did you program?

Colonel ASHTON. $1,458,000.

Mr. PASSMAN. Where did you get the additional $———?

Colonel ASHTON. This came from recoupments or readjustments in the Latin American program.

Mr. PASSMAN. Or worldwide?

Colonel ASHTON. Or worldwide.

Mr. PASSMAN. It came out of the "Rhodes kitty," as I have already referred to it.

Did you justify the Cessna 185 aircraft and the ——— Coast Guard utility boats that are in the 1963 program?

Colonel ASHTON. I know we did not the aircraft. Let me check on the utility boats.

The utility boats were not justified, either.

Mr. PASSMAN. So, that came out of the program that Secretary McNamara thought we had greatly affected adversely. You had to get the money somewhere, did you not?

Colonel ASHTON. He had to get it from somewhere; yes, sir.

Mr. PASSMAN. We build up reams of information about doubling these programs that you did not justify to the Congress. If all that money had been left intact, it would have been a substantial amount, would it not?

Colonel ASHTON. I am not sure we would have gotten the program we wanted for Latin America.

INCREASED PROGRAMING OVER JUSTIFICATION FOR FISCAL YEAR 1963

Mr. PASSMAN. If you put together all the things you programed that you did not justify to Congress last year for Latin America, it would be substantial, would it not?

Colonel ASHTON. Would you please repeat that question?

Mr. PASSMAN. If you would put together all the figures which represent increased programs for Latin America that you did not justify, as such, in your 1963 presentation, it would be a substantial figure, would it not?

Colonel ASHTON. No, sir; it could not exceed the $57.5 million.

Mr. PASSMAN. I would not expect it to exceed that. What would be "substantial," in your interpretation of what is substantial? Would you say $15 or $20 million would be substantial?

Colonel ASHTON. I believe we ran a study and we required, we thought, $10 to $15 million more last year as of the time we submitted the program to Congress.

Mr. PASSMAN. That is a good answer, but it does not get the job done. When you delete the ships, on account of not having the legislation, then if we take the actual program which you justified for Latin America by country, and if we take the overages, the amount of money that you programed over and above what you justified to the Congress representing the other items, it would be substantial, would it not?

General WOOD. I think as a percentage of the overall program, it would not be large, Mr. Chairman. Of course, in every case——

Mr. PASSMAN. When you run into $4 or $5 million in one country, $39 million in another country, would not those things be considered substantial? When you take out the ships that you did not get for Latin America because you did not have legislation, I believe this will show 15 or 20 percent increase over and about what you justified. We will work those things out for you and give you a copy of it.

MEXICO

Mexico is the next country. You are requesting $———, are you not?

Colonel ASHTON. That is true, Mr. Chairman.

Mr. PASSMAN. What amount did you request last year?

Colonel ASHTON. We requested $———.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. Training.

Mr. PASSMAN. How much?

Colonel ASHTON. Our program was $470,000.

Mr. PASSMAN. In this one you saved $———.

Colonel ASHTON. That is true. We also saved, as you know, about $——— in Haiti.

Mr. PASSMAN. In what way?

Colonel ASHTON. By not funding it.

Mr. PASSMAN. You did fund for Haiti, because you are carrying over $972,000 in the pipeline, are you not?

Colonel ASHTON. That $972,000 also represents other years besides 1963.

Mr. PASSMAN. That is what you are carrying to the credit of Haiti. Are you carrying this $19,000 over for Mexico as an unexpended balance, a credit to be used in subsequent years? You do have the credit to Mexico of $214,000.

Colonel ASHTON. Yes.

Mr. PASSMAN. That is what you programed $470,000 out of. You have $214,000 to the credit of Mexico, is that correct, sir?

Colonel ASHTON. That is an undelivered balance; yes, sir.

Mr. PASSMAN. It is for training, is it not?

Colonel ASHTON. Yes, sir.

NICARAGUA

You are requesting $——— for Nicaragua. Is that correct, sir?

Colonel ASHTON. That is true.

Mr. PASSMAN. In 1963, you programed $——— for training, and page 28 indicates that you have ——— training spaces in fiscal 1963. For fiscal 1964, you propose a program of $———, an increase of $———, but page 28 indicates that you will have an increase of only ——— training spaces. One place you show ———, and the other one ———.

Colonel ASHTON. That is true. We show ——— in 1963, and in 1964 we show ——— versus ——— on page 28. That is correct.

(Off the record.)

Colonel ASHTON. That is true.

PANAMA

Mr. PASSMAN. Panama. $——— is requested for this country?

Colonel ASHTON. That is true.

Mr. PASSMAN. How much did you request last year for this country?

Colonel ASHTON. For Panama, we requested $———.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. $498,000.

Mr. PASSMAN. From what source did you get the additional money?

Colonel ASHTON. From recoupments, readjustments in the Latin American program and worldwide recoupments.

PARAGUAY

Mr. PASSMAN. The next country is Paraguay, for which $——— is requested for fiscal 1964.

What amount did you request last year for Paraguay?

Colonel ASHTON. ———.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. $1,411,000.

Mr. PASSMAN. Where did you get the additional money?

Colonel ASHTON. From readjustments in the Latin American program and worldwide recoupments.

Mr. PASSMAN. Out of deobligated funds, so the record will show what we are talking about. It came from prior unfirm obligations.

PERU

The next country is Peru. You are requesting $——— for 1962; is that correct?

Colonel ASHTON. That is correct.

FUNDS REQUESTED AND PROGRAMED FISCAL YEAR 1963

Mr. PASSMAN. What amount did you request in fiscal 1963?

Colonel ASHTON. $———.

Mr. PASSMAN. What was the cost of the destroyer you had included in that request?

Colonel ASHTON. Approximately $———.

Mr. PASSMAN. If you subtract the destroyer from the full request in the amount of $———, it would leave $——— for the other key end items. Is that correct?

Colonel ASHTON. That is correct.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. $8,513,000.

Mr. PASSMAN. From what source did you get the additional money?

Colonel ASHTON. From adjustments in the Latin American program, Latin American recoupments——

REPORT REQUIRED UNDER SECTION 108 OF MSA ACT OF 1956

General WOOD. I would like to raise this question now, if I may. As you know, according to law, we submit a 90-day report, which requires some effort. If it does not serve any useful purpose, I would be glad to be relieved of that responsibility.

Mr. PASSMAN. What report are you talking about, to whom is it submitted, and on what days?

General WOOD. This is the one under section 108 of the Mutual Security Appropriation Act of 1956, which provides for a report every 90 days on items to be delivered against fund reserves and deliveries and services rendered.

Mr. PASSMAN. What do you want us to do, give you a rubber stamp, a blank check, or do you want us to ask questions and know what you do after Congress appropriates the money? You do not think we are not being practical in finding out something about what you are doing?

General WOOD. I want to know if it serves a useful purpose.

Mr. PASSMAN. I am sure that it does.

When we go all over the world and see a program that we have been accused of ruining, but where you had enough money to double the program in a lot of the countries, it just prompts us to wonder why we were so liberal with you last year.

Let us ask the questions, and you keep making your reports. I am sure they serve a good purpose.

General WOOD. Thank you, sir.

VEHICLE PROGRAM FOR PERU IN FISCAL YEAR 1963

Mr. PASSMAN. Last year you requested ——— trucks for Peru.

I hope Secretary McNamara takes the time to read part of this record so he can see how badly we "ruined" this program. You surely have a lot of extra money in there from somewhere, whether recouped, deobligated, or overestimated, I do not know.

Colonel ASHTON. How many trucks was that, Mr. Chairman?

Mr. PASSMAN. Last year you requested ——— trucks.

Colonel ASHTON. That is true.

Mr. PASSMAN. How many have you programed for fiscal 1963, to date?

Colonel ASHTON. ———.

Mr. PASSMAN. You more than doubled that program.

Colonel ASHTON. In vehicles, that is true.

Mr. PASSMAN. Over and above what you justified to Congress.

Is there an elected President in Peru?

MILITARY GOVERNMENT IN PERU

Colonel ASHTON. There is a junta.

Mr. ALLEN. There is not an elected President at the moment.

Colonel ASHTON. A military junta in Peru right now.

Mr. PASSMAN. Did the President take over with the consent of the elected officials, or did he just decide one day he liked the job well enough to take over militarily?

Mr. ALLEN. The present Government of Peru came into power, unfortunately, by military coup.

Mr. PASSMAN. I wonder if he used any of the military equipment we gave him to execute this military coup.

Mr. ALLEN. I am not aware that it did.

Mr. PASSMAN. He could not do it with sticks, could he? Do you think maybe he left the equipment we gave him parked somewhere, and used some other equipment? Military coups are not brought about, are they, with smiles?

Colonel ASHTON. It did use some equipment, Mr. Chairman, but this was bought by the Peruvians and not furnished under the military assistance program.

MAP IN PERU

Mr. PASSMAN. You did have a military assistance program going in Peru at the time; did you not?

Colonel ASHTON. We did, and we suspended it.

Mr. PASSMAN. You also have a military program going in Peru now; do you not?

Colonel ASHTON. We have reestablished it.

Mr. PASSMAN. How long did it take you to switch over from the old Government to this one? A couple of weeks, or less time?

Mr. ALLEN. It took considerably longer than that, sir, because once the military coup took over the Government, we suspended our relations.

Mr. PASSMAN. It takes a little longer to recognize one of those than an elected government, does it not?

Mr. ALLEN. Could I make a general statement, sir, that of course we cannot choose the type of government in each of the countries around the world that we would like. We use our efforts to bring about democratic governments where we can.

Mr. PASSMAN. What are we trying to preserve? You have a friendly government on Wednesday, a military coup on Thursday, and 2 weeks later in goes your aid program again.

Mr. ALLEN. May I make a statement on Peru, sir?

Mr. PASSMAN. Surely.

Mr. ALLEN. We suspended our relations there and suspended our military aid program, and the 19 other Latin American countries also suspended relations. As a result——

Mr. PASSMAN. I thought you had a program going. You are telling us you had no program in Peru?

Mr. ALLEN. We suspended it.

Mr. PASSMAN. I go to bed at night, but of course I get up in the morning. Do you have a military program going in Peru now?

Mr. ALLEN. There is one.

Mr. PASSMAN. Have you an economic aid program going in Peru?

Mr. ALLEN. I am not familiar with our economic aid program.

Mr. PASSMAN. How about it, Mr. Scheinman?

Mr. HARRISON. Yes.

Mr. PASSMAN. Thank you very much. The record speaks for itself.

Mr. ALLEN. Could I supplement it with one statement?

Mr. PASSMAN. The gentleman may insert the statement in the record.

(The information furnished for the record is classified.)

Mr. PASSMAN. Did you have a destroyer program for Peru?

Colonel ASHTON. We did have a destroyer program in Peru.

Mr. PASSMAN. Thank you.

URUGUAY

The next country is Uruguay, for which you are requesting $———. Is that the correct amount, sir?

Colonel ASHTON. That is correct.

Mr. PASSMAN. Why do you have such a large unexpended balance in the line item for ships in the amount of $———?

Colonel ASHTON. I cannot identify the items. I do not consider the balance too large, considering the lead time.

(The information requested follows:)

The unexpended balance for ships shown for Uruguay pertains to the overhaul of two DE's. While the work on these ships has been completed, bills have not yet been received for much of this work. The unexpended balance is an estimate of the remaining unpaid costs.

Mr. PASSMAN. The total amount unexpended is $2,374,000, to the credit of Uruguay?

Colonel ASHTON. The total?

Mr. PASSMAN. To Uruguay's credit at the end of this fiscal year, $2,374,000.

Colonel ASHTON. Yes, that is correct.

Mr. PASSMAN. That, too, is due to the "Rhodes bank."

SMALL ARMS PROCUREMENT

Do you think Uruguay ought to be able to finance the purchase of ——— pistols?

Colonel ASHTON. I would say so, yes.

Mr. PASSMAN. What did those ——— pistols cost, if they are used? Are they new pistols or used ones?

Colonel ASHTON. They cost approximately ———.

Mr. PASSMAN. You have a request for Uruguay, ——— pistols at a cost of ———?

Colonel ASHTON. That is correct.

Mr. PASSMAN. And you think they may have been able to pay for them themselves?

Colonel ASHTON. As an individual item they could have paid for it. As a part of a——

Mr. PASSMAN. I am talking about the pistols alone, now.

Colonel ASHTON. I am talking about a program and pistols are a part of a program, and they could not afford to pay the entire amount.

Mr. PASSMAN. They could have paid for the ——— pistols?

Colonel ASHTON. Yes, sir.

Mr. PASSMAN. What is the cost of the ——— pistols?

Colonel ASHTON. The acquisition cost is ———.

Mr. PASSMAN. And it cost ——— to rehabilitate them.

Mr. MINSHALL. What kind of pistols were they?

Colonel ASHTON. I will have to supply that for the record.

Mr. PASSMAN. What type of pistols do you usually use in the service? The MP's use them, do they not?

Colonel ASHTON. They use .45 automatics, I believe.

Mr. PASSMAN. This is interesting; ——— rehabilitation costs for ——— pistols that originally cost ———.

Colonel ASHTON. That is right.

(The information requested follows:)

The pistols programed for Uruguay are .45-caliber pistols. The unit acquisition value is $54 each. The repair and rehabilitation cost is $24 each.

VENEZUELA

Mr. PASSMAN. For Venezuela you are requesting $———?

Colonel ASHTON. That is correct.

Mr. PASSMAN. What was the amount of the request in fiscal year 1963?

Colonel ASHTON. $———.

Mr. PASSMAN. What amount did you program?

Colonel ASHTON. We programed $1,325,000.

Mr. PASSMAN. Where did you get the additional ———?

Colonel ASHTON. Readjustment of the Latin American program or recoupments——

Mr. PASSMAN. Thank you very much.

LATIN AMERICA AREA PROGRAM

The next program is the Latin America area program for which $——— is requested; is that correct, sir?

Colonel ASHTON. That is correct.

AMOUNT REQUESTED AND PROGRAMED FOR FISCAL YEAR 1963

Mr. PASSMAN. How much did you request for this program last year?

Colonel ASHTON. We requested $———.

Mr. PASSMAN. How much did you program?

Colonel ASHTON. We programed last year $2,173,000.

Mr. PASSMAN. Where did you get the additional money?

Colonel ASHTON. From recoupments and reprograming.

COST OF SALARIES AND EXPENSES

Mr. PASSMAN. Last year's estimate provided $——— for salaries for civilians and associated expenses. This year the estimate for the same purpose is $———. Why the increase?

Colonel ASHTON. Which page are you on, Congressman?

Mr. PASSMAN. Page 247.

Your estimate last year provided for $———. What did you program?

Colonel ASHTON. We don't have that——.

Mr. PASSMAN. You requested $——— and you are requesting $——— this year.

Colonel ASHTON. That is true.

Mr. PASSMAN. That is an increase of approximately 285 percent. Give us the reason why.

Colonel ASHTON. The increase in the administration of the military assistance program in Latin America and the responsibilities caused us to increase the numbers of civilians working in some of these countries and also the size of the military assistance organization in the Panama Canal. For that reason we have charged much of this to the travel and maintenance of these civilians.

There is also another situation which we have had, and that is that many of these civilians have been paid out of departmental funds. We have taken some of these costs and are putting them under military assistance——

Mr. PASSMAN. Is that being compensated for in this request as they come in? Each year we have these different requests in this agency. When you go across the board they want an increase here because

they are being relieved over here. When we get back to the other agency we find their request remains as high or higher.

Colonel ASHTON. I know we are picking up some expenses of civilians that had been paid previously by their departments.

REPAIR AND REHABILITATION OF EQUIPMENT

Mr. PASSMAN. You programed $——— for repair and rehabilitation of equipment in fiscal year 1963?

Colonel ASHTON. That is true.

Mr. PASSMAN. What amount did you spend out of that request?

Colonel ASHTON. Of the———?

Mr. PASSMAN. Yes.

Colonel ASHTON. I am trying to determine whether we obligated that money or not.

Mr. PASSMAN. You show that it is obligated, and that you are carrying every dime of it over. Am I correct?

Colonel ASHTON. That is right.

Mr. PASSMAN. Was that just put in to make this figure balance out or is there some other reason?

Colonel ASHTON. No, sir; the fact is that we have these C–47's in storage and we are getting ready to rehabilitate them. I am not sure as of this date whether funds have been obligated.

Mr. PASSMAN. Had they been taken out last year there would not have been any great damage done?

Colonel ASHTON. I would say not serious damage. I think it is critical that we get this civic action going, and these are for civic action projects.

Mr. PASSMAN. You are familiar, of course, with the two parts of this program, one is shelf items and the other had to do with procurement?

Colonel ASHTON. That is right.

Mr. PASSMAN. What percentage comes off the shelf as we refer to it, and what percentage is procured by specific request?

Colonel ASHTON. Frankly, Mr. Chairman, I never studied that. I have never gotten into it.

Mr. PASSMAN. You have never gotten into it?

Colonel ASHTON. No, sir.

LEADTIME ON SHELF ITEMS

Mr. PASSMAN. I suggest you get into it because it is most interesting. I believe that General Wood will tell you that 39 percent of it, the revised figure—we got a different figure the first week but the revised figure is 39 percent off the shelf, 61 percent new procurement. Are you familiar with the leadtime?

Colonel ASHTON. Of new procurement?

Mr. PASSMAN. No, the shelf time. From the time you establish the need and the order is given, do you know the leadtime from the shelf to the boat?

Colonel ASHTON. I am not familiar with that.

Mr. PASSMAN. Since you are an important man in this field, would you like to hazard a guess as to what the leadtime would be if it is a shelf item?

Colonel ASHTON. I appreciate the compliment. I would say it would be between 4 and 6 months.

Mr. PASSMAN. Some of the others said 45 days to 9 months, so you are at least in the general range.

Colonel ASHTON. I think it would depend on how fast we wanted to move it.

Mr. PASSMAN. What would you say the overall leadtime would be?

Colonel ASHTON. If you are talking about aircraft——

Mr. PASSMAN. I am talking of the average now. We know that ships and long leadtime and some other items are much less. We have to strike an average.

Colonel ASHTON. I would say 15 to 24 months, somewhere in that area.

Mr. PASSMAN. You are in the general range.

You are familiar with this "kitty," which is a carryover of some $2,332 million from prior years' appropriations, and as the MAP request for fiscal year 1964 is $1,405 million, do you feel that, with the flexibility that is available and this being an illustrative program, and so as to bring more control into the program, if the Congress, in its wisdom, should not provide any money this fiscal year, you could operate out of the carryover that you have for Latin America?

Colonel ASHTON. In Latin America we could not operate without getting additional funds.

PIPELINE IN LATIN AMERICA

Mr. PASSMAN. You could operate but not satisfactorily, according to your understanding of the program; is that correct? You have money. You have $81,377,000 in the pipeline to the credit of Latin America; is that correct, sir?

Colonel ASHTON. That is true.

Mr. PASSMAN. Which is in excess of the amount of money that you plan to spend for Latin America in fiscal year 1964; is that correct?

Colonel ASHTON. That is also true.

Mr. PASSMAN. So if you did not get any money at least, by reshuffling, you could fund the program for 1 year.

Colonel ASHTON. My understanding is these items are funded and are in the process of delivery.

Mr. PASSMAN. Anyway, you would not want to try to operate 1 year without any additional funds?

Colonel ASHTON. We couldn't do it.

Mr. PASSMAN. You could do it but you would not like to do it. We operated for about 160 years without any of the program.

Colonel ASHTON. We couldn't operate a military assistance program in Latin America without additional funds.

Mr. PASSMAN. You could operate but not in the style in which you would like to operate. I say as long as you have this much money on hand, over a year's supply of money, you could operate.

Mr. Rhodes?

TRANSFERS FROM MILITARY TO ECONOMIC ASSISTANCE

Mr. RHODES. General Wood, has there been any money transferred into or out of the military program in the last fiscal year?

General WOOD. No, sir. Not in the current fiscal year.

Mr. RHODES. I am talking about fiscal year 1963.

General WOOD. No, sir. Not yet. The fiscal year isn't over yet.

Mr. RHODES. Do you know of any transfer which may occur?

General WOOD. At the moment I have no specific idea. It is always possible, before the end of the fiscal year—not out of MAP—I say that because the AID people have testified they will have some money left over.

Mr. RHODES. General, what about the funds which were transferred toward the end of the last fiscal year, fiscal year 1962?

General WOOD. Transferred from the military assistance to the AID—I believe I can find it.

It is at page 13, column E.

Mr. RHODES. Do you want to read it?

General WOOD. $23 million.

Mr. RHODES. Transferred into the military assitance program, or out?

General WOOD. Out of the military assistance.

Mr. RHODES. To AID generally or to a certain category of AID?

General WOOD. The transferring is done directly, $13.5 million to the contingency fund and $9.5 million to the program called international organizations and programs.

Mr. RHODES. Do you know what the money transferred to international organizations and programs would be used for?

General WOOD. No, sir.

PREPARATION OF JUSTIFICATION

Mr. RHODES. Now, I was doing some arithmetic a little while ago, General. Let's take the Africa program as an example. Turn to the cover page, page 19 and compare it with page 95 of the 1962 justifications. I had assumed that if I were to take the amount shown in column G of the 1962 justifications, which is the cumulative total through June of 1962, and add to that amount the figures shown in column F of the 1964 justifications, which sets forth the fiscal year 1963 expenditures of $27,184,000, that I would then get the total which appears in column G of the 1964 justifications. But I find that this is not the situation, I get a figure of $98,918,000 by adding those figures, whereas in the 1964 justifications cumulative through June 1963, as shown in column G, it is $94,504,000. I tested that in several instances and find that this is true throughout the book. I am a little at a loss to know why.

General WOOD. I think the only rational answer I could give you is that when these books are printed we have an estimated total as of the end of the fiscal year which may not be accurate, and therefore the figures are likely to vary.

Mr. RHODES. If you find that is not the only answer will you provide it for the record?

General WOOD. Yes.

(The information requested follows:)

The statement made is correct. Since delivery/expenditures values are estimated, the actual deliveries/expenditures in most cases vary to some degree. In the specific area cited, delivery/expenditure through fiscal year 1962 were

reported in the June 30, 1962, records as $67,320,000 instead of $71,734,000, the estimated value for June 30, 1962, shown in the previous presentation book.

Mr. RHODES. It strikes me your column G here is not a very satisfactory figure because of the reason you just set forth. I think you are right. I think the reason it doesn't add up is because your 1963 figures are an estimate.

I will call your attention to the fact that you have an estimate for 1963 in column F right next to it, and it strikes me that if your cumulative would be through the preceding fiscal year—in other words, in this justification book for 1964, if your cumulative was through June of 1962, and then you had your estimate for 1963 next to it, that you would have more meaningful figures than you do by having your column G consisting of a mixture of firm figures and estimates.

General WOOD. If the committee would prefer it that way it would certainly make no difference to me.

Mr. RHODES. I am just one member and I would certainly want to clear that with the chairman before you changed it, but it seems to me it would be easier for me to understand if that were the situation.

PROGRAM FUNDING LIMITATION FOR DEFENSE ARTICLES

Now, Colonel Ashton, in your statement you point out the fact that by the Foreign Assistance Act of 1961 Latin America cannot have a program for defense articles exceeding $57.5 million. On the second page you have the total program of $77,262,000 set forth and then you deduct defense services of $20,647,100, making a ceiling of $56,614,900, which is under the amount set forth in the Foreign Assistance Act of 1961.

DEFENSE SERVICES

My question is, what items are included in defense services?

Colonel ASHTON. In the defense services, this $20 million represents essentially about $18 million in training. There are some training aids, a little technical assistance and some $400,000 of repair and rehabilitation for some military assistance materiel.

Mr. RHODES. Does the Foreign Assistance Act of 1961 specifically exempt the activities you mentioned from the ceiling?

Colonel ASHTON. That is right. It exempts defense services and these are defined in the assistance act as defense services.

AIRCRAFT PROGRAM

Mr. RHODES. Colonel, since you are an Air Force officer let me call your attention to some figures I have here on aircraft. Turn to Haiti which is page 229. As far as I can tell the only aircraft we have ever given Haiti consists of ———. But you have $——— proposed for aircraft for 1964, which I presume is for repair and maintenance of this ——— aircraft. Isn't that a very high figure?

Colonel ASHTON. No, sir. Our repair and rehabilitation ———.

Mr. RHODES. Are you going to repair ——— every year? You had $——— in 1962.

Colonel ASHTON. This represents spares for other aircraft. We have some T–6's and other types down there.

Mr. RHODES. Which you don't have listed here.

Colonel ASHTON. Yes, sir. I think they have in the country ———.

EQUIPMENT PROCUREMENT FOR VENEZUELA

Mr. RHODES. I note in Venezuela they will mainly buy materiel in the amount of $———. Would you tell us what will be included in the Venezuela buy for next year?

Colonel ASHTON. Mr. Rhodes, this $——— is based on an estimate. That is why I am dodging around a little bit here. They have submitted a list of requirements of equipment which they wish to purchase. This includes vehicles, aircraft, and the various types of military hardware shown in other programs through here. We have sent the list back to them. They are now pricing it out and will then come back with a firm list, so I cannot say exactly what they will purchase.

Mr. RHODES. Can you give me a rough idea as to whether they are Army items, Air Force, Navy, or what?

Colonel ASHTON. All three services. There are some aircraft and the like in there for the airforce.

Mr. RHODES. What type aircraft?

Colonel ASHTON. They have requested some SA–16's, which I think you are familiar with. That is the major request.

Mr. RHODES. Are there any jet airplanes?

Colonel ASHTON. In this request there are none.

INCREASED AID TO PARAGUAY

Mr. RHODES. I note your aid to Paraguay has stepped up rather considerably. You began it in 1958. Cumulative deliveries through June 1963 are only $1,243,000, but your projection is $——— for fiscal year 1964. What is the reason for this step-up?

Colonel ASHTON. We started our original program in Paraguay with ——— aircraft. They are now engaged quite heavily in a civic action program in that country using the army engineering units. Most of these funds are going to that army engineer unit.

Mr. RHODES. Then this could very well be going to that other spigot that we pointed out of aid, that you now call civic action?

Colonel ASHTON. Yes.

Mr. RHODES. I withdraw the question.

Colonel ASHTON. I understand your statement. I assume, Mr. Rhodes, you are familiar with the findings of the Selden committee when they made their trip through Latin America and their comments on civic action for the military. If you are not, I would like to read it into the record. It is a very short statement.

Mr. RHODES. I am very familiar with it. If you want to submit it for the record you can speak to the chairman about that.

Mr. PASSMAN. Will it serve any useful purpose?

Mr. RHODES. Not for me.

Mr. PASSMAN. Then there is no use inserting it.

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

Mr. PASSMAN. Mr. Conte?

PROCUREMENT UNDER VEHICLE PROGRAM

Mr. CONTE. General, in all these military justifications there is a lot of money for trucks and vehicles. Are these vehicles all being bought in the United States?

General Wood. They are all being brought in the United States; yes, sir. Some are being bought in what the manufacturers call a knocked-down condition and assembled overseas but there are no vehicles as such purchased over there.

Mr. Conte. Last year we had evidence of some being purchased in Japan.

General Wood. And Congress took action to prohibit that, if you will recall.

SMALL ARMS PROCUREMENT

Mr. Conte. I am somewhat intrigued by these pistols. This bothers me.

General Wood. Frankly, it bothers me a little bit.

Mr. Conte. I do a lot of hunting myself and have quite an array of guns. If these pistols—say they are Colt 45's—cost ——— new, I just can't see why you need $——— to rehabilitate them. Even if you have to put new barrels in the guns.

General Wood. I think it needs checking, too; but of course if such an item as that is declared excess by a service it must be in pretty poor condition because the service is still utilizing that type of weapon and it must require considerable work to put it back in shape. On the other hand, I agree with you the estimate seems a little high.

Mr. Conte. Will you get for the record the breakdown on that?

General Wood. Yes, sir.

(The information requested may be found on p. 530.)

NAVAL VESSEL OVERHAUL COST

Mr. Conte. You have a destroyer escort overhaul here for ———. What is the cost of that?

Colonel Ashton. It usually runs around $1.7 million if it is done in the United States and this vessel is being done here.

Mr. Conte. Where is it being done?

Colonel Ashton. It would be done here in the United States.

Mr. Conte. Will you let it out to competitive bid?

Colonel Ashton. I am not prepared to answer that, Mr. Conte. General Wood, could you answer that?

General Wood. It is my understanding that is the Navy's practice, Mr. Conte. It is, of course, decentralized by us to the Navy to do. I would have to check it but it is my understanding it is done on a competitive bid basis.

Mr. Conte. What is the age of that destroyer?

Colonel Ashton. They have ——— down there. I am not sure which one they have selected, but I am sure it must be 20 years old—15 to 20 years old.

General Wood. These are destroyer escorts.

Mr. Conte. Even though they are that old they haven't been in use? They are in mothballs?

Colonel Ashton. These are ships belonging to ——— and they are using them.

Mr. Conte. What is the cost of a new destroyer escort?

Colonel Ashton. I couldn't answer that specifically. I remember last year we looked up destroyers and I think they ran around $30 to $35 million for a new destroyer.

We would have to furnish that for the record.

(The information requested follows:)

The cost of this type of destroyer is approximately $15 million.

Mr. CONTE. It was originally said here at the beginning of the hearings that military assistance in Latin America could be justified for internal stability in the Western Hemisphere. Do you feel that a DE helps in that regard for ———?

Colonel ASHTON. There is also, as I said in my statement, a certain amount of funds in here that are to protect some of our existing investments. I think as the Secretary testified, there are some dollars in here that aren't exactly for internal security or civic action.

Now, in a larger country than ———, I would say a DE could be good for internal security weapon. As you know, we have our own ships. As a show of force in certain ports, they could be quite influential.

Mr. CONTE. I am speaking of ——— now.

Colonel ASHTON. (Off the record.)

LATIN AMERICAN COUNTRY PARTICIPATION IN CUBAN BLOCKADE

Mr. CONTE. How many Latin American ships participated in the blockade of Cuba in 1961?

General WOOD. I cannot give you the number. I would have to furnish it for the record.

(The information submitted for record is classified:)

Mr. CONTE. What countries participated in the blockade?

Colonel ASHTON. Argentina I believe was the only country that actually sent any ships. Let me check on that.

Mr. ALLEN. I think that is true, that Argentina was the only country contributing naval units. Some 12 countries offered assistance of one sort or another. The Dominican Republic, as I recall, offered some patrol boats and we didn't use them but simply used their facilities, their port facilities. So the contributions varied from country to country and most of the offers were not actually taken up.

Colonel ASHTON. Argentina is the only record I have.

Mr. CONTE. Argentina is the only country to supply vessels or a vessel?

Colonel ASHTON. My records show that the Dominican Republic and Venezuela also contributed vessels.

CUBAN AGENT INFILTRATION IN LATIN AMERICA

Mr. CONTE. In answer to some of the questions on military assistance to these Latin American countries it was indicated a great many agents were being trained in Cuba and then sent back to these Latin American countries. Do you have any evidence some of these agents are infiltrating the military in Latin America, in the 20 other countries?

Colonel ASHTON. (Off the record.)

Mr. CONTE. In Central America, in Costa Rica, I was there a few years ago and as I recall they had no Army, they just had a police force.

Colonel ASHTON. We didn't for a long time, as you know, help them out in military assistance. In this police force there is a semi-

military unit. I think it is about ——— men. I couldn't give you the exact figure. It acts as a military force even though it is part of the civilian police. With the increase of the threat from Cuba we decided to go into this country and help this military unit out, at their request, and that is what this program constitutes. It contains equipment for them to improve the capability for patrolling borders, and putting down any insurrections and incursions from neighboring countries of Communist-led bands.

Mr. CONTE. Do you have any intimation of the influx of these Cuban trainees in Panama?

Colonel ASHTON. I would have to furnish that for the record.

Would you like to have that furnished for the record?

Mr. CONTE. Yes.

(The information supplied for the record is classified:)

SUSPENSION OF MAP IN HAITI

Mr. CONTE. In regard to Haiti, have you suspended all military assistance?

Colonel ASHTON. We have suspended all shipments of material.

There were two students in training. I believe both are medical students. We are letting them stay, but as soon as they complete their medical education they will go back, which will be in a very few months.

Mr. CONTE. We have not made any actual deliveries there?

Colonel ASHTON. We have stopped everything at the port. We have not pulled anything out of Haiti as such.

Mr. CONTE. I read in a newspaper recently that about 1,200 agents from Guinea were moving over to Cuba for indoctrination to be used in Haiti.

Colonel ASHTON. I will have to furnish that for the record.

(The information requested follows:)

There has been no evidence of the transfer of 1,200 Guinean agents to Cuba for indoctrination preparatory to conducting operations in Haiti.

Mr. ALLEN. Could I supplement that?

While it is difficult to be absolutely certain, so far as I understand, we have not yet been able to prove this particular charge. Indeed, it is my understanding it would be difficult for Castro, not that he would not like to, to use Guineans in Haiti because of differences in background and in language.

Even the Haitians who have been living in Cuba for many years would be difficult to use as agents because they would be so easily spotted. Haiti is such a small country and everyone knows everyone else, you cannot introduce a stranger without it being fairly obvious.

So we are inclined to doubt the actual truth of the use of Guineans in Cuba. He may be training them——

Mr. MINSHALL. Is it not a fact our communications in Haiti are very inadequate and people can be landed on some of the northwestern shores and we would not know they were there?

Mr. ALLEN. Communications are difficult there. However, though the military could speak to this better than I, it is my understanding the Navy is maintaining a pretty good control of the windward passage between Cuba and Haiti.

Mr. MINSHALL. They are maintaining a patrol but not an adequate patrol to prevent some boats from getting in there each night. That is the report we have had.

You would agree it is possible for them to get in and we would not know?

Mr. ALLEN. I believe they could get in, but sooner or later we would know.

Mr. MINSHALL. What do you mean by sooner or later?

Mr. ALLEN. It is my recollection that certainly before Ambassador Thurston left, our authorities were given permission to travel by helicopter over Haiti for the ostensible purpose of checking the American nationals in the area outside Port au Prince. There has been that much of a recent tour of the area.

Mr. MINSHALL. Did they land and talk to these people?

Mr. ALLEN. They landed by helicopter.

Mr. MINSHALL. You do not think these enemy agents would walk up to an American and say "I am here."

Mr. ALLEN. One cannot be completely sure.

SUCCESS OF MAP IN LATIN AMERICA

Mr. MINSHALL. In the limited time I have had, I have been scanning over the objectives of military assistance in all these various countries. How many countries are there in the Latin American sphere?

Colonel ASHTON. Nineteen.

Mr. PASSMAN. You said this morning you brought another nation in which brings it to 20.

Colonel ASHTON. Our program for 1964 is for 19 nations.

Mr. PASSMAN. Are you thinking in terms of Haiti not being in the 1964 program?

Colonel ASHTON. Haiti being in, but Jamaica not.

Mr. MINSHALL. As outlined on the back of each sheet here for each country, you have the objectives of military assistance. They are all uniform. They start out, "To assist the country's armed forces in improving their capability for," and so forth.

Then the force capability for these countries varies a bit. I have taken some at random.

(Off the record.)

Mr. MINSHALL. Comparing the objectives of military assistance with the force capability, I just wonder in all these years if we have accomplished our purpose. They are your examples, not mine.

Colonel ASHTON. That is true.

I have gone through these programs for a good many years, and if you will go back and trace the history, you will find practically all our programs have been essentially for the maintenance of existing forces with a little added here and there for force improvement.

Our program for 1964 is a big maintenance program. So when you say "develop a capability," we are maintaining what we have and putting the limited funds that remain into improving the capability. But we are a long way from achieving complete capability in most of these countries.

Mr. MINSHALL. Do you think this warrants the additional spending of hundreds of millions of dollars over the years to try to improve their capability when you have done so poorly in the past?

Colonel ASHTON. I would not say we have done poorly.

Mr. MINSHALL. Your record speaks for itself.

Mexico: I read from your justification books.

(Off the record.)

Mr. MINSHALL. They are not too good even at that, as I understand.

Colonel ASHTON. It is a question of degree.

When you start from practically nothing and start climbing up the ladder, you reach a certain point. We have progressed up the ladder.

Mr. MINSHALL. What rung are you on?

Colonel ASHTON. I say compared to 1959, we have improved considerably the capability.

Mr. MINSHALL. Are you halfway up, or near the top?

Colonel ASHTON. ———.

Mr. MINSHALL. They are far from an effective force, so you will agree with that, overall?

Colonel ASHTON. For the overall missions, that is correct.

AMOUNT OF AID TO LATIN AMERICA

Mr. MINSHALL. Since the Cuban crisis first manifested itself, we can go back to the previous administration if you wish, but I think it manifested itself more violently with the Bay of Pigs.

Since the buildup last fall, how much more have we had to put in the Latin American countries in military aid because of the Cuban crisis than we would have normally?

Colonel ASHTON. We have not put into the Latin American countries as a result of this crisis any additional funds.

We have reprogramed equipment, as I explained to the chairman, from various countries in order to take care of this priority problem we have in the Caribbean area. But since we are limited by the ceiling, we readjusted various programs in various countries to meet the Castro Communist threat.

Mr. MINSHALL. You have readjusted those on the periphery of Cuba with more strength?

Colonel ASHTON. That is true.

Mr. MINSHALL. That has added to the cost of the military aid program?

Colonel ASHTON. We have pulled funds out of other country programs where we had requirements, because we thought the threat in the Caribbean was more serious.

Mr. MINSHALL. It has cost you more?

Colonel ASHTON. That is true.

General WOOD. We are limited by the ceiling.

PROGRAM IN JAMAICA

Mr. MINSHALL. It is not shown in your justification, but who requested these funds for military aid in Jamaica?

(Off the record.)

Colonel ASHTON. We received that a week after the crisis broke out.

Mr. MINSHALL. What kind of an armed force, or police force, do they have?

How will they use the equipment you outline?

Colonel ASHTON. The equipment is relatively simple ———. They can operate this type of equipment. It is not complicated to the degree where it requires a sophisticated armed force.

Mr. MINSHALL. How much will these funds contribute to the internal security and the defense of Jamaica, $———? That is one of your force objectives?

Colonel ASHTON. This is a one-shot program.

Mr. MINSHALL. In other words this is a payoff?

Colonel ASHTON. I am saying in return for the assistance we are going to get from a patrol in that area ———, we are achieving a return ———.

Mr. MINSHALL. Do you not think they would give us that assurance anyhow? Do we have to buy our way everywhere?

Colonel ASHTON. They did not have the capability to assist us.

Mr. MINSHALL. How much will this ——— assist us?

What will happen if we do not pay it?

Colonel ASHTON. We will not have ——— help ——— in the future patrolling of that area.

General WOOD. ———.

(Off the record.)

Mr. MINSHALL. You know very well a Puerto Rican and Jamaican can practically travel at will to Cuba right now. Why would they have to do it clandestinely?

General WOOD. I cannot verify what you state.

Mr. MINSHALL. I know.

General WOOD. I do not know.

Mr. MINSHALL. They come from Puerto Rico. They land at Kingston and they go directly into Havana. We have not been able to stop it. It is ordinary commercial air traffic.

Colonel ASHTON. I could give you a little philosophy on that.

(Off the record.)

Mr. MINSHALL. Did we have any evidence prior to this time that Castro people were trying to infiltrate into Jamaica?

Colonel ASHTON. I would have to furnish that.

Mr. MINSHALL. What was the reason for putting these ——— there if there was no evidence of it? If you did not know about it, how could you authorize the program?

Colonel ASHTON. This is a request developed between the Jamaican Government and the JCS. There was an intelligence analysis of what was happening. I did not get into it personally.

AIRCRAFT PROGRAM IN LATIN AMERICA

Mr. MINSHALL. You discussed from time to time the Cessna 185 aircraft. I would like to know for my own information, how many aircraft were programed for last year that were not justified and how many were programed altogether, and what was the total cost—aircraft of all types, including the 185's.

Colonel ASHTON. I will furnish that for the record.

(The information supplied follows:)

The Latin America fiscal year 1963 military assistance aircraft program is as follows:

Aircraft type	Quantity and cost of aircraft programed in fiscal year 1963		Quantity and cost as justified in fiscal year 1963 congressional	
	Quantity	Cost (thousands)	Quantity	Cost (thousands)
Cessna 185	16	$378.3	0	
Cessna CH-1c	1	62.2	0	
C-47	47	4,971.3	15	$2,042.9
F-86F	9	1,160.4	11	1,663.6
HU-1b	3	914.2	0	
T-28A	0		6	270.7
T-33A	2	181.6	2	138.4
T-37B	6	1,243.5	16	2,954.0
Total	84	[1] 8,911.5	50	[1] 7,069.6

[1] Dollars include aircraft cost, initial spares, and miscellaneous support equipment.

Mr. MINSHALL. You always cover up with a lot of spare parts for military aircraft. How many spare parts have you funded for these 185's?

Colonel ASHTON. For the 185's?

Mr. MINSHALL. You said the overall cost per copy of each plane was about $18,000. What other costs are there in connection with the purchase of these planes that can be added to that?

Colonel ASHTON. I will provide that.

(The information supplied follows:)

A total of $73,400 was included as spare parts support for 16 Cessna 185 aircraft in Latin America's fiscal year 1963 program. $6,800 was included as spare parts support for one Cessna 185 in Latin America's fiscal year 1964 military assistance program. The total program cost follows:

Cessna 185

[Dollars in thousands]

	Quantity	Aircraft cost	Spare parts cost	Miscellaneous support equipment cost	Total cost
Latin America fiscal year 1963 MAP	16	$286.3	$73.4	$18.6	$378.5
Worldwide fiscal year 1963 MAP	55	1,000.0	136.6	18.6	1,155.2
Latin America fiscal year 1964	1	18.3	6.8	1.7	26.8
Worldwide fiscal year 1964	12	218.6	6.8	1.7	227.1

In addition to spare parts, $18,600 in fiscal year 1963 and $1,700 in fiscal year 1964 was included in Latin American countries for miscellaneous organizational, and field maintenance equipment in support of Cessna 185 aircraft.

Engines are furnished within the spare parts dollar requirements at the rate of one spare engine for each two installed engines.

The range of spare parts will cover the initial stockage requirements of 6 months and normally will include items other than the air frame. Major air frame items, such as wings, and tail sections are not normally furnished to the country except on a required basis.

Mr. MINSHALL. There are other costs?

Colonel ASHTON. There are spares. I will have to look that up.

Mr. MINSHALL. How many new engines do they send with each of these aircraft?

How many new wings and that sort of thing, or whatever they consider adequate spare parts—worldwide, and especially for Latin America?

Colonel ASHTON. I will furnish that.

Mr. MINSHALL. That is all I have.

COST OF PISTOLS

Mr. CONTE. Can you tell me why you need ——— pistols for Guatemala, and what they cost?

Colonel ASHTON. It looks like the cost will be about the same, $24.

Mr. PASSMAN. Earlier you testified the pistols would cost $———.

Colonel ASHTON. That was the excess cost.

Mr. PASSMAN. You told us $——— would be the cost of the pistols.

Colonel ASHTON. I said that was the excess cost. I did not say it was the cost of the pistols. It is going to cost us $——— to rehabilitate them.

Mr. PASSMAN. I asked you what ——— pistols cost, and you said $———. You said rehabilitation would be $———. I said rehabilitation amounts to 50 percent of the acquisition cost.

Colonel ASHTON. I believe I said the excess costs are not charged to the program.

Mr. PASSMAN. We were trying to establish a cost.

Mr. CONTE. I would like to have the cost of those for El Salvador, Ecuador, Colombia, Bolivia, and Chile.

All pistols.

(The information supplied follows:)

The pistols programed for Bolivia, Chile, Colombia, Ecuador, and El Salvador have an acquisition value of $54 each. The repair and rehabilitation cost is $24 each.

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. You have a military aid program going, or you have a reservation of funds, for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

Colonel ASHTON. In 1963.

Mr. PASSMAN. Which one will you omit in fiscal 1964?

Colonel ASHTON. Jamaica.

Mr. PASSMAN. But you will have in the pipeline funds to the credit of Jamaica from which you will make disbursements in 1964?

Colonel ASHTON. Which we have obligated in 1963. The equipment will probably be delivered in 1964.

Mr. PASSMAN. Out of the amount of unexpended funds you will have a continuing program in 1964 for Jamaica?

Colonel ASHTON. For deliveries of equipment, that is true.

Mr. PASSMAN. Is that not a continuing program?

Colonel ASHTON. I am not clear of your definition.

Mr. PASSMAN. Do you understand what I mean, General Wood?

General WOOD. I understand.

Mr. PASSMAN. If you have money in the pipeline to be disbursed in fiscal year 1964, it would be a military program being continued out of prior reservations?

General WOOD. Yes.

FUNDS FOR NUTRITIONAL SURVEYS

Mr. PASSMAN. Do you have any funds budgeted for nutritional surveys in Latin America, or the worldwide program?

Colonel ASHTON. We have none in Latin America. We have none in 1964 for anyone.

Mr. PASSMAN. How will it be financed in 1964?

Colonel ASHTON. That will be picked up by someone else.

Mr. PASSMAN. It will be continued, but under another agency; is that correct?

Colonel ASHTON. Under AID.

Mr. PASSMAN. Could you tell us how much you spent on that program in 1963, worldwide?

General WOOD. $408,000 was included in the 1963 congressional presentation for nutritional surveys. Earlier in 1963 these programs were transferred from MAP to AID. Only a $15,000 program remains for 1963 and no funds for nutritional funds are included in the 1964 MAP.

Mr. PASSMAN. The responsibility was transferred but not the funds?

General WOOD. That is right.

Mr. PASSMAN. If agreeable, we shall recess until 4 o'clock.

TUESDAY, MAY 28, 1963.

MILITARY ASSISTANCE, NONREGIONAL

WITNESSES

W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE

COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA

COL. CLYDE M. DILLENDER, JR., U.S. ARMY, LEGISLATIVE AFFAIRS OFFICE OF THE SECRETARY OF DEFENSE

LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD/ISA

STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID

Mr. PASSMAN. The committee will come to order.

The next item we shall consider will be that of military assistance under "Nonregional."

We have as the chief witness the Honorable W. Arthur Comer, Military Assistance Comptroller. I believe when we think of military assistance, nonregional, we are thinking of the worldwide program.

Mr. Comptroller, if you have a statement to make the committee will be pleased to hear you at this time.

General Statement

Mr. Comer. Thank you, sir.

Mr. Chairman and gentlemen, the nonregional portion of the proposed fiscal year 1964 appropriation for military assistance appears on pages 249 to 266 of the presentation book. It consists of those program requirements which cannot be directly attributed to any one country or region. This follows the trend established several years ago in showing the program requirements, to the maximum extent possible, against the individual country or region in which the requirement originates. As shown on page 249, the nonregional requirement for fiscal year 1964 is composed of administrative expenses and other nonregional requirements. A brief explanation of the requirements under these headings follows:

ADMINISTRATIVE EXPENSES

The costs of administering military assistance are paid from three sources:

(1) The appropriations for military assistance.

(2) The appropriations of the military departments.

(3) Contributions in currency or in kind by the host governments.

The amount requested for administrative expenses in fiscal year 1964 is $25 million. This is $94,350 more than will be available for fiscal year 1963. The Foreign Assistance Appropriation Act of 1962 placed a limitation of $24.5 million on administrative expenses. Subsequently, a request to Congress for a $427,000 increase in the MAP administrative expenses limitation was included in the executive branch supplemental to cover the Salary Act (Public Law 87–793) increase for civilian personnel. Action by the House of Representatives on the executive branch proposal restricted the increase in the MAP administrative expenses limitation to 95 percent of the requested amount or to $405,650. This restriction is included in the final bill signed by the President on May 17, 1963.

The $25 million requested for fiscal year 1964 will be used for pay of civilians assigned to MAP activities; military station allowances under rates authorized by the joint travel regulations; travel and transportation; rents, communications, and utility services; printing and reproduction; supplies, materials, and equipment required in the administration of the program. In addition to previously supported activities, the fiscal year 1964 request includes requirements for the second increment of the civilian salary increase effective January 1, 1964, and for a full year operation of the U.S. military supply mission to India, established in January 1963.

These two additional requirements are estimated at approximately $670,000. It is anticipated that these additional requirements will be offset by savings to be effected in the operating costs of several

MAAG's, and the departmental and field activities in the United States.

The distribution of MAP administrative expenses by object classification is shown on page 253 of the presentation book; the distribution by country and activity for fiscal years 1962, 1963, and 1964, is shown on pages 256 and 257.

The average personnel strengths charged to MAP administrative expenses, also distributed by country and activity, are shown on pages 258 and 259 of the presentation book. The net change from fiscal year 1963 is a decrease of 20 military and 15 civilian personnel.

MILITARY DEPARTMENT APPROPRIATIONS

Section 632(d) of the Foreign Assistance Act of 1961 continued the existing provision that the military departments are not to be reimbursed for the salaries of military personnel engaged in military assistance activities. The military departments also pay (*a*) approximately one-half of the costs incident to the change of station of military personnel, (*b*) the costs of medical care of military personnel and their dependents, and (*c*) incidental costs for the support of military personnel and their dependents which are not attributable to duty with the military assistance program. In the accounts of the military departments, these costs are not separately identified with respect to MAP personnel.

For fiscal year 1964, this indirect contribution to military assistance is estimated at approximately $77 million consisting of:

	Million
Military pay and allowances	$61
½ PCS travel	9
Medical care, dependent schooling, etc	7

CONTRIBUTIONS BY HOST GOVERNMENTS

Of the $25 million administrative expense estimate, $5.33 million is required for purchase of foreign currency from the U.S. Treasury. The U.S. Treasury will receive from certain governments approximately $5.33 million in local currency during fiscal year 1964 for application against MAP administrative expenses in their respective countries. In turn this local currency will be purchased from the U.S. Treasury with military assistance appropriated funds in accordance with section 1415 of the Supplemental Appropriation Act of 1953. Additionally, the U.S. Treasury will receive another $1.78 million of local currency contributed by various governments in support of the military assistance training missions, which will be purchased from the U.S. Treasury with military assistance appropriated funds. Page 261 of the presentation book shows all of the contributing countries and their contributions.

Since our appearance before this committee last year, considerable effort has been made to increase the contributions by the various recipient countries of military assistance. The success of this effort can be measured by the fact that the fiscal year 1963 estimate of contributed currencies for the administrative support of our MAP oversea activities was exceeded by nearly $2½ million. This increase in contributed currencies does not reduce the appropriation requirement, as these contributed currencies must be purchased from the U.S.

Treasury with appropriated dollars. However, these dollars do go into the miscellaneous receipts of the Treasury and represent a saving to the taxpayers of our country.

Assistance in kind in the form of rent-free housing and office space, services and equipment, is provided by certain countries. Page 260 shows a list of these countries and an estimate of the value of such assistance in U.S. dollars. I respectfully request that pages 253, 256, 257, 258, 259, 260, and 261 of the presentation book be placed in the record in support of the administrative expense requirement.

(The pages follow:)

MILITARY ASSISTANCE—DEPARTMENT OF DEFENSE TOTAL, UNITED STATES AND OVERSEAS

Comparative summary of direct obligations by object class, administrative expenses, military assistance program

	Estimate, fiscal year 1964		Estimate, fiscal year 1963		Actual, fiscal year 1962	
	Number	Amount	Number	Amount	Number	Amount
Military personnel:						
Total authorized military personnel positions	2,443		2,478		2,027	
Average number military personnel	2,425		2,445		2,044	
Number of military personnel end of year	2,439		2,461		2,046	
Military station allowance		$2,487,354		$2,465,757		$1,785,629
Civilian personnel:						
Total authorized permanent U.S. civilian personnel positions	1,072	8,456,360	1,100	8,346,302	1,271	9,339,578
Deduct lapse	51	430,325	64	479,737	69	632,119
Net permanent U.S. civilian personnel	1,021	8,026,035	1,036	7,866,565	1,202	8,707,459
Average number of permanent local personnel	298	349,245	298	339,458	256	304,427
Average number of part-time and temporary personnel	3	25,613	3	24,998	36	44,861
Average regular employment, all civilian personnel	1,322	8,400,893	1,337	8,231,021	1,494	9,056,747
Regular pay in excess of 52-week base		27,676				
Payment above basic rates:						
Allowances		79,800		86,312		80,731
Overtime and holiday pay		205,146		203,764		253,873
Total civilian personnel	1,322	8,713,515	1,337	8,521,097	1,494	9,391,351
Direct obligations:						
11 Personnel compensation		8,713,515		8,521,097		9,391,351
12 Personnel benefits		3,354,238		3,312,766		2,622,211
21 Travel and transportation of persons		3,372,071		3,530,751		3,044,915
22 Transportation of things		1,688,430		1,699,565		1,466,885
23 Rents, communications, and utilities services		185,723		183,724		184,532
24 Printing and reproduction		43,880		48,216		40,575
25 Other services		6,826,525		6,709,638		6,210,992
Services of other agencies		(5,685,900)		(5,471,200)		(4,739,271)
26 Supplies and materials		420,289		458,727		475,740
31 Equipment		395,329		462,606		612,566
Passenger vehicles		(48,114)		(141,262)		(211,102)
Nonpassenger vehicles		(55,588)		(34,955)		(137,155)
Total direct obligations		25,000,000		24,927,000		24,049,767
Dollar equivalent of local currency procured with MAP administrative expenses funds		5,327,252		5,453,258		5,374,107

Distribution of administrative expenses by country and activity

[In thousands of dollars]

	Fiscal year 1964 (estimated)	Fiscal year 1963 (estimated)	Fiscal year 1963 (actual)
Departmental and Field (United States)	$7,843	$7,950	$8,548
Overseas:			
Commander in chief, Europe	576	566	644
U.S. Regional Organization	517	503	468
U.S. Army, Europe	47	45	6
U.S. Air Force, Europe	56	54	54
Belgium	279	296	281
Denmark	207	235	197
Ethiopia	198	188	216
France	277	290	289
Germany	278	272	274
Greece	359	380	379
India	554	312	
Iran	692	688	574
Italy	440	441	463
Jordan	3	2	3
Lebanon			2
Libya	57	51	24
Morocco	13	20	11
Netherlands	112	179	205
Norway	228	234	218
Pakistan	458	454	503
Portugal	194	207	229
Spain	333	348	375
Tunisia	9	13	6
Turkey	943	975	1,028
United Kingdom	70	73	95
U.S. Element Central Treaty Organization	47	40	26
Subtotal, Europe, Near East, and North Africa	6,947	6,866	6,570
Commander in chief, Pacific	320	320	335
U.S. Air Force, Pacific	22	25	12
Cambodia	291	269	302
Classified	129	215	68
Japan	579	573	673
Korea	314	310	171
Laos		233	26
Philippines	398	391	481
Republic of China	679	676	319
Thailand	1,007	874	538
Vietnam	343	328	940
SEATO permanent military planning staff	39	40	37
Subtotal, Far East and Pacific	4,121	4,254	3,902
Commander in chief, Caribbean	126	124	111
Argentina			1
Bolivia			1
Brazil	7	8	1
Chile	7	7	5
Colombia	9	10	9
Dominican Republic	138	122	144
Ecuador	4	6	4
El Salvador			(1)
Guatemala	2	2	2
Haiti	1	2	1
Honduras	3	4	1
Mexico			(1)
Nicaragua	2	2	1
Paraguay			(1)
Peru	4	4	5
Uruguay	4	3	4
Venezuela			1
Subtotal, Western Hemisphere	307	294	291
Liberia	75	69	
Mali	21	23	
Subtotal, tropical Africa	96	92	
Total, overseas	11,471	11,506	10,763
Total, United States and overseas	19,314	19,456	19,311
State support	5,686	5,471	4,364
AID			375
Grand total	25,000	24,927	24,050

[1] Less than $500.

Average administrative personnel strength

	Fiscal year 1964 (estimated)			Fiscal year 1963 (estimated)			Fiscal year 1962 (actual)		
	Military	U.S. civilians	Locals [1]	Military	U.S. civilians	Locals [1]	Military	U.S. civilians	Locals [1]
Departmental and field (United States):									
Departmental:									
Army	33	124	----	35	125	----	41	426	----
Navy	32	157	----	33	155	----	32	150	----
Air Force	29	114	----	29	114	----	29	114	----
OSD	50	129	----	55	136	----	59	148	----
Subtotal, departmental	144	524	----	152	530	----	161	838	----
Field, United States:									
Army	18	146	----	20	146	----	----	----	----
Air Force	5	75	----	5	75	----	4	74	----
Subtotal, field (United States)	23	221	----	25	221	----	4	74	----
Total, United States	167	745	----	177	751	----	165	912	----
Overseas:									
Commander in chief, Europe	83	33	----	90	33	----	94	43	----
U.S. regional organization	24	36	----	24	36	----	25	34	----
U.S. Army, Europe	----	6	----	----	6	----	----	1	----
U.S. Air Force, Europe	----	7	----	----	7	----	----	6	----
Belgium	37	8	----	39	8	----	43	7	----
Denmark	40	4	----	43	4	----	44	6	----
Ethiopia	31	5	----	31	5	----	29	5	----
France	39	13	----	44	14	----	50	14	----
Germany	60	18	----	58	18	----	57	19	----
Greece	79	11	----	82	11	----	87	11	----
India	90	----	----	49	----	----	----	----	----
Iran	178	7	----	178	8	----	51	6	24
Italy	56	10	----	63	13	----	71	15	----
Jordan	2	----	----	2	----	----	2	----	----
Libya	17	1	----	13	1	----	11	1	----
Morocco	3	1	----	3	1	----	4	----	----
Netherlands	39	4	----	47	4	----	45	6	----
Norway	44	7	----	48	7	----	51	7	----
Pakistan	90	3	----	88	3	----	87	1	----
Portugal	33	7	----	38	7	----	40	7	----
Spain	71	15	----	77	15	----	82	16	----
Tunisia	5	----	----	5	----	----	2	----	----
Turkey	151	28	107	153	28	107	164	28	107
United Kingdom	10	4	----	10	4	----	16	4	----
U.S. Element Central Treaty Organization	25	2	----	23	2	----	19	2	----
Subtotal, Europe, Near East, and North Africa	1,207	230	107	1,208	235	107	1,074	239	131

See footnotes at end of table.

Average administrative personnel strength—Continued

	Fiscal year 1964 (estimated)			Fiscal year 1963 (estimated)			Fiscal year 1962 (actual)		
	Military	U.S. civilians	Locals [1]	Military	U.S. civilians	Locals [1]	Military	U.S. civilians	Locals [1]
Overseas—Continued									
Commander in chief, Pacific	69			69			74	2	
Cambodia	62			62			61		33
Classified	29			22			21		
Japan	46	20		52	23		65	24	
Korea	161	12	80	161	12	80	53	11	7
Laos [2]				36	1				
Philippines	63	8	13	63	8	13	67	8	13
Republic of China	210	1	88	210	1	88	210	1	88
Thailand	180	2		156	2		65	2	9
Vietnam	161			161			170		
SEATO, permanent military planning staff	9		10	9		10	8		8
Subtotal, Far East and Pacific	990	43	191	1,001	47	191	794	48	158
Commander in chief, Caribbean	22	6		20	6		6	6	
Dominican Republic	22			22			5		
Subtotal, Western Hemisphere	44	6		42	6		11	6	
Liberia	14			14					
Mali	3			3					
Subtotal, tropical Africa	17			17					
Total overseas	2,258	279	298	2,268	288	298	1,897	293	289
Total United States and overseas	2,425	1,024	298	2,445	1,039	298	2,044	1,205	289

[1] Excludes locals hired by the State Department for common services provided by U.S. Embassies.
[2] The figures for fiscal year 1963 represent the annual average for the first quarter only (July 1, 1962, to Oct. 7, 1962) due to the discontinuation of the MAAG on Oct. 7, 1962, in fulfilling a requirement of the Geneva Accords.

Host Government assistance in kind

[In U.S. dollar equivalents]

	Fiscal year 1964 (estimate)			Fiscal year 1963 (estimate)			Fiscal year 1962 (actual)		
	Administration	Training	Total	Administration	Training	Total	Administration	Training	Total
Europe, Near East, and north Africa area:									
Denmark	28,650		28,650	28,300		28,300	27,769		27,769
Ethiopia	20,206		20,206	20,206		20,206	20,206		20,206
France	720		720	920		920	2,560		2,560
Germany		66,820	66,820		68,839	68,839		76,459	76,459
Greece	60,125		60,125	60,125		60,125	60,125		60,125
Iran	133,200	207,675	340,875	133,200	207,675	340,875	133,200	207,675	340,875
Netherlands	113,533		113,533	46,323		46,323	45,688		45,688
Norway	15,000		15,000	15,000		15,000	15,000		15,000
Pakistan	258,939	51,783	310,722	264,076	51,783	315,859	220,017	60,167	280,184
Saudi Arabia		1,252,101	1,252,101		1,252,101	1,252,101		960,503	960,503
Spain	34,929		34,929	34,929		34,929	34,929		34,929
Turkey	264,490		264,490	267,823		267,823	265,448		265,448
Subtotal, Europe, Near East, and north Africa	929,792	1,578,379	2,508,171	870,902	1,580,398	2,451,300	824,942	1,304,804	2,129,746
Far East and Pacific area:									
Cambodia	53,380		53,380	50,100		50,100	50,250		50,250
Classified	34,585	2,620	37,205	34,470	2,600	37,070	53,000	6,710	59,710
Japan	363,200	242,140	605,340	368,360	245,580	613,940	362,530	241,700	604,230
Korea	11,660	184,875	196,535	11,660	184,875	196,535	11,660	185,396	197,056
Philippines	192,924		192,924	244,470		244,470	359,992		359,992
Republic of China	136,490	494,814	631,304	136,490	494,814	631,304	210,710	569,896	780,606
Thailand	200,313	447,350	647,663	204,693	482,800	687,493	203,025	524,183	727,208
Vietnam	1,322,821	5,421,280	6,744,101	1,570,568	6,421,571	7,992,139	1,082,941	4,461,949	5,544,890
Subtotal, Far East and Pacific	2,315,373	6,793,079	9,108,452	2,620,811	7,832,240	10,453,051	2,334,108	5,989,834	8,323,942
Western Hemisphere area: Dominican Republic	30,094	8,220	38,314	28,264	5,620	33,884	8,601		8,601
Subtotal, Western Hemisphere	30,094	8,220	38,314	28,264	5,620	33,884	8,601		8,601
Tropical Africa area: Liberia	56,812		56,812	56,812		56,812		56,812	56,812
Subtotal, Tropical Africa	56,812		56,812	56,812		56,812		56,812	56,812
Grand total	3,332,071	8,379,678	11,711,749	3,576,789	9,418,258	12,995,047	3,167,651	7,351,450	10,519,101

Contributed currencies

	Fiscal year 1964 (estimated)			Fiscal year 1963 (estimated)			Fiscal year 1962 (Actual)		
	Administration expense	Mission training	Total	Administration expense	Mission training	Total	Administration expense	Mission training	Total
Europe, Near East, and North Africa area:									
Belgium/Luxembourg	$227,781		$227,781	$250,271		$250,271	$240,181		$240,181
Denmark	182,958		182,958	201,454		201,454	159,951		159,951
Ethiopia	154,500	$260,078	414,578	146,127	$240,700	386,827	187,816	$261,167	448,983
France	185,617		185,617	201,273		201,273	195,017		195,017
Germany	169,289	107,700	276,989	167,519	220,560	388,079	174,629	199,662	374,291
Italy	347,975	80,300	428,275	403,559	109,200	512,759	372,861		372,861
Netherlands	86,515		86,515	154,160		154,160	181,048		181,048
Norway	192,982		192,982	198,759		198,759	187,231		187,231
Pakistan	442,656	64,500	507,156	439,117	95,700	534,817	492,595	187,602	680,197
Portugal	154,049		154,049	167,999		167,999	175,438		175,438
Spain	247,135	66,700	313,835	264,100	56,600	320,700	292,310	51,351	343,661
United Kingdom	47,049		47,049	50,998		50,998	71,551		71,551
Subtotal, Europe, Near East, and North Africa	2,438,506	579,278	3,017,784	2,645,336	722,760	3,368 096	2,730,628	699,782	3,430,410
Pacific and Far East area:									
Cambodia	172,206		172,206	172,206		172,206	172,206		172,206
Japan	507,860	403,450	911,310	480,120	437,260	917,388	497,236	368,700	865,936
Philippines	113,260		113,260	53,201		53,201	67,019		67,019
Thailand	96,852	290,557	387,409	86,227	258,882	345,109	71,744	215,230	286,974
Subtotal, Pacific and Far East	890,178	694,007	1,584,185	791,754	696,142	1,487,896	808,205	583,930	1,392,135
Local currencies used for State support	1,998,568	50a,517	2,507,085	2,016,168	516,417	2,532,585	1,835,274	524,917	2,360,191
Grand total	5,327,252	1,781,802	7,109,054	5,453,258	1,935,319	7,388,577	5,374,107	1,808,629	7,182,736

OTHER NONREGIONAL PROGRAMS

Mr. COMER. A total of $57.3 million is being requested under this heading as compared to the current fiscal year 1963 program of $72.8 million.

The fiscal year 1964 requirement for other nonregional programs as shown on page 265, consists of the U.S. share of the cost of ———; those elements of the military assistance training program which are worldwide in scope; the repair and rehabilitation of ——— being obtained from excess stocks of the Department of the Army; a share of the operating costs of the Office of the Inspector General, Foreign Assistance; funds to cover a maintenance contract for a ———; and a special fund to provide for potential requirements in the ———.

Mr. Chairman, that completes my prepared statement. I would like to say, sir, that the classified country on pages 256 and 259 is Indonesia.

FUNDS REQUESTED AND PROGRAMED IN FISCAL YEAR 1963

Mr. PASSMAN. What amount did you request for this program for fiscal year 1963?

Mr. COMER. For the total nonregional program for fiscal year 1963, we requested $47,055,000. This is shown on page 9 of the presentation books.

Mr. PASSMAN. What amount did you program, sir?

Mr. COMER. $97,248,000.

Mr. PASSMAN. From what source or sources did you get the additional $50,193,000?

Mr. COMER. Our request for the 1963 appropriation was $1.5 billion. At that time we estimated we would develop $204 million in recoupments. As a result of the actions of the Congress our appropriation was reduced to $1,325 million and our estimate of recoupments has now gone up slightly from $204 million originally estimated to $232 million which, plus the unobligated balance which Congress reappropriated, will enable us to fund a program of about $1,567 million. To accomplish this program reduction a complete reprograming exercise was gone through in which the requirements of every country was analyzed, requirements of every nonregional program was analyzed and as a result adjustments were made in not only the countries but in the nonregional program.

The adjustment of program funds that was developed as a result was applied to the nonregional. They were not additional moneys but a reprograming of the requirements originally presented.

Mr. PASSMAN. You requested $47,055,000 from the Congress last year and at the time you appeared before this subcommittee we asked questions with relation to that amount. But you obligated $97,248,000, which was an increase of $50,193,000 over the amount justified as such before the committee last year; is that correct?

Mr. COMER. That is correct, sir, but it doesn't necessarily hold that this was because of an action of Congress.

Mr. PASSMAN. All I am trying to do is let the record show you requested $47,055,000 and even after we reduced the program you were

able to program $97,248,000, or more than 100-percent increase, or using round figures, $50,193,000. That part is correct; is it not?

Mr. COMER. Yes, sir.

UNEXPENDED BALANCE AND PIPELINE

Mr. PASSMAN. When you came before the committee last year you were minus $194,000 in the unexpended funds column; is that correct?

Mr. COMER. Yes, sir.

Mr. PASSMAN. This year you show on page 249 that you have an unexpended balance of $112,867,000 and you have a pipeline of $97,248,000. Could you give us your disbursements out of fiscal year 1963?

Mr. COMER. To date?

Mr. PASSMAN. At the 19th of March 1963.

Mr. COMER. Our estimated deliveries and expenditures for the full fiscal year 1963 is $106,121,000.

Mr. PASSMAN. To get this thing out we would have to put down $106,121,000 and the unexpended of $112,867,000. What would the two of them amount to?

Mr. COMER. Approximately $218.9 million.

Mr. PASSMAN. Let us get it exact. That is $218,988,000 for the fiscal year 1963 program.

You requested $47,055,000, you programed $97,248,000, an increase of $50,193,000, and you started off with a minus $194,000 but you wound up spending $106,121,000 and you will have a pipeline of $112,867,000. Now, we have $218,988,000. Can you explain that puzzle?

Mr. COMER. I believe we can explain it by going back and——

Mr. PASSMAN. Have I given it accurately?

Mr. COMER. The figures you have used are accurate.

Mr. PASSMAN. They are from the record, are they not?

Mr. COMER. They are from the record.

Mr. PASSMAN. If you have been able to work programs of $50,193,000 more than requested, and went up to $97,248,000, we can forgive you that, notwithstanding Secretary McNamara's statement that you had to struggle with inadequate funds. If you can, tell us how you can spend $288 million out of $198 million. Can you unravel that puzzle?

Mr. COMER. I think I can.

Mr. PASSMAN. Do you agree when I say it should be unraveled?

Mr. COMER. I think the committee is entitled to that; yes, sir.

In the fiscal year 1964 presentation book our cumulative 1950 to 1963 program is $962,594,000.

In 1963 our cumulative 1950 through 1962 program was $708,041,000, which means there was an increase, sir, in the cumulative program of $218.6 million. That is the $218 million we are discussing.

We had a program in 1963——

Mr. PASSMAN. Are you dealing specifically now——

Mr. COMER. I am going to get down to it.

Mr. PASSMAN. I want to be able to follow you.

Are you dealing now with a figure that you carried over in previous years this much lower than it should have been carried out and therefore you pick it up?

Mr. COMER. I am trying to explain the increase.

Mr. PASSMAN. I know that and I am trying to understand it, too. Go ahead, sir.

Mr. COMER. Of the $218.6 million increase we account for $97,248,000 is the 1963 program. The difference of $121,305,000 represents an increase in the 1950 to 1962 program. The particular pieces are: In the MAP disposal account there was a $7,854,000 increase because in 1962 we underestimated the amount of disposals that we would actually incur——

Mr. PASSMAN. This is in addition to the recoupments?

Mr. COMER. This has nothing to do with the recoup.

In our MAP-owned property account there was an increase of about $8.5 million. This increase in the MAP-owned property account came about by a transfer from the so-called other nonregional program to the MAP-owned property account.

Now, in our other nonregional there was an increase of $105.5 million. Those items total approximately $121.3 million. I have the exact figures if you want them. I have all the details, sir, of the readjustments, of the reprograming——

Mr. PASSMAN. I do not think that is necessary at this time.

If we are to understand actually the total amount of recoveries, or recoupments, or funds from other sources, would we have to add the $121 million to the previously given figure of the recoupments to get the grand total?

Mr. COMER. No, sir.

Mr. PASSMAN. You said you underestimated the amount that you would get from one category there. And this item did not come out of recoupments?

Mr. COMER. We underestimated the amount that would go into the MAP disposal account.

Mr. PASSMAN. By what figure?

Mr. COMER. $7.8 million.

Mr. PASSMAN. How much of the $218,988,000 that you have put in the pipeline and disbursed out of the $97,248,000 program came from recouped funds?

Mr. COMER. We could say none came from recouped funds, Mr. Chairman.

Mr. PASSMAN. We could stay here the rest of this week and we would be at the same place we are at this very minute. You have given us a lot of figures but it follows, nevertheless, that you have been able to reserve and disburse $218,988,000 and you did not get it out of the recoupment category. Neither did you get it out of the new appropriation category, did you?

Mr. COMER. Some of these——

Mr. PASSMAN. We want to be sure. If I am wrong I want to pin it down.

You did not get this $218,988,000 out of the recoupment account and you did not get it out of the new appropriation of $1,325 million?

Mr. COMER. I cannot say we did or did not, because the recoupments we received are applied against requirements in the program, and if I could use the term "commingled," with appropriated dollars. I can also say the $121.3 million of additional 1950–62 programing was done by shifting items from a previous category.

Mr. PASSMAN. Would that procedure not be the same as deobligating?

Mr. COMER. It is merely shifting it from account A to account B.

Mr. PASSMAN. You no longer needed it in account A so you programed it in account B?

Mr. COMER. We feel it is better shown as nonregional, worldwide rather than being applied to a particular country.

Mr. PASSMAN. In effect, you can say, "We no longer have the requirement in category A. Therefore, we are transferring, or recouping, or squeezing out, or deobligating, or dereserving, out of this category and reobligating in category B." Would that procedure explain it?

Mr. COMER. It would explain it except you could not admit there was not a requirement.

Mr. PASSMAN. You decided not to use it in category A.

Mr. COMER. Not to account for it in category A because category A may have been a country.

Mr. PASSMAN. And you may have funded category A out of some other account?

Mr. COMER. Out of the worldwide account.

Mr. PASSMAN. We are not going to press this point because I think the more we talk about it, the less we shall understand it. But it follows, nevertheless, that you have been able to spend and program $218,988,000. You had a program set at $97,248,000.

AIRCRAFT SPARE PARTS

I believe you have a reserve of $33,800,000 of fiscal year 1963 funds for Air Force spare parts; is that correct?

Mr. COMER. 1963 funds; yes, sir.

Mr. PASSMAN. Did you justify this item last year?

Mr. COMER. This item was justified, sir, as a part of the individual country programs for spares in the aircraft program.

Mr. PASSMAN. But not specifically as $33.8 million?

Mr. COMER. No, sir. That is the point I was trying to make a moment ago, sir. When I say this was not an added item—it has been taken from some of the individual country programs.

EFFECT OF CONGRESSIONAL REDUCTIONS

Mr. PASSMAN. You have taken this from individual country programs. But when you get an accumulation over and above your recoupment to where you can show without any explanation if we had to open it up, that you can spend $218,988,000 out of $97,248,000, it takes quite a juggler to ever unscramble it. There are few people you could actually convince that we adversely affected this program with our slight reductions last year. I think the record will show we appropriated a figure substantially over what you could have gotten by with. This is just another case.

I wish Secretary McNamara had the time to read even part of the hearings because, after all, if we take this one item here, that would offset more than the total reduction made by the Congress last year. This one figure is greater than the total reduction made by the Congress last year. Then we picked up one other item of $39 million yesterday—one item for a truck contract you decided not to fund and you did not reprogram it, and that was $39 million.

We can go on and on through this program for several countries that we talked about today where you actually programed twice as much as you justified to Congress, yet Secretary McNamara made a firm statement that this is a "concrete" program.

NONREGIONAL REQUESTS FOR FISCAL YEAR 1964

The 1963 program is $218,988,000, but for clarification we will use the figure you gave earlier of $97,248,000, which is an increase from $47,055,000, but for fiscal 1964 you are requesting $82,280,000; is that correct?

Mr. COMER. Yes, sir.

Mr. PASSMAN. To justify your needs we will use a program of $97,248,000 as against $82,288,000.

ADMINISTRATIVE EXPENSES

Now, the first nonregional expense is administrative expenses, for which the estimate for fiscal year 1964 is $25 mililon. That is an increase above fiscal year 1963 of $73,000.

Would you give us some indication as to why you need to increase it if you have a smaller program, by at least the comparative figures that I have used?

Mr. COMER. There are two major increases that we contemplate having to meet in fiscal year 1964. No. 1 is the second increment of the civilian pay increase. No. 2 is the mission to India needs to be funded on a full-year basis. The U.S. military supply mission to India was activated on the 4th of January 1963. So the 1963 estimate of obligations will defray only approximately a 6 months' cost of this particular mission. Therefore, in 1964, we have a full annual year's requirement plus, as I say, the estimated cost of the second increment of the civilian pay increase January 1, 1964.

Mr. PASSMAN. The major item of increase seems to be an increase of approximately $117,000 for services of other agencies. Would you give us some information on that matter?

Mr. COMER. This represents a reimbursement to the State Department for administrative services they render to our particular MAAG's and specifically this is the administrative service they will render to the U.S. supply mission to India.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. What is the amount of money included in the $25 million for representation allowance?

Mr. COMER. In fiscal year 1964 the representation allowance is $110,200.

Mr. PASSMAN. Does this cover all of the representation allowance in the military assistance program or does this represent only the nonregional?

Mr. COMER. This represents the representation allowance in the military assistance program that is defrayed from the administrative expense limitation.

Mr. PASSMAN. We are considering the nonregional expenses.

Mr. COMER. This is the worldwide requirement.

Mr. PASSMAN. Under the country programs do you have any representation allowance, or is this all of the money in the military assistance program for representation allowance?

Mr. COMER. This is all of the representation allowance, in the administrative expense limitation, for all of the countries that have MAAG's and are entitled to representation allowance money.

Mr. PASSMAN. According to the justification the administrative expenses are increasing for Europe, Near East, and North Africa, are they not?

Mr. COMER. Increase 1964 over 1963?

Mr. PASSMAN. Yes, sir.

Mr. COMER. Yes, sir. There is an increase in 1964 over 1963. There is also an offsetting decrease of $664,000.

Mr. PASSMAN. Where do we find that information?

Mr. COMER. You find that on page 256 and page 257 by subtracting 1963 from 1964 or 1964 from 1963, and vice versa. It is a mathematical computation that can be derived from pages 256 and 257.

Mr. PASSMAN. As far as the actual net results are concerned, from all spigots, it will be an increase?

Mr. COMER. It would be a slight increase; yes, sir, and we propose to absorb that slight increase within the $25 million.

MAAG PERSONNEL IN IRAN

Mr. PASSMAN. Why do you need 178 military personnel in Iran, sir?

Mr. COMER. In Iran we need that number of people to do two basic jobs. We have our mission of a MAAG. In addition to that 2 years ago the military mission in Iran was merged with our MAAG. This was done at the insistence of the Army Audit Agency and upon decree of the administration that we should merge these two activities. That accounts for the increase, sir.

Mr. PASSMAN. Several years ago, or some time ago, we had a military assistance program in a foreign nation and according to my evaluation of it we were so ashamed of it we classified the name. We could not use the figure, we could not identify the equipment, we could not use the name of the nation.

It would be violating security of our country, it was said, to even mention the name of the country that was getting the military aid. I think that is the same country we furnish military assistance to at a very small percentage of acquisition cost and I think it is the same country where we agreed to accept payment in local currency. I think in this same unidentified country they did not even pay this small percentage in their own local currency.

Now, going to the justifications——

NONREGIONAL PROGRAMS IN INDONESIA

Mr. COMER. The country is Indonesia.

Mr. PASSMAN. I believe this is the same country for which you are requesting substantial military personnel for fiscal year 1963; is that right, sir?

Mr. COMER. There is no substantial increase in military personnel in Indonesia, sir.

Mr. PASSMAN. Under the other regional program I note an increase of $3,525,000 for reimbursement to the Department of State; is that correct?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Is this amount in addition to the $5,686,000 included under the administrative expense request?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Will you give us some explanation?

Mr. COMER. This particular amount comes out of the training program on page 265. For the training program, under nonregional, we are requesting $6,489,000. This represents a good number of nonregional-type training costs. For example, the first one is $3,525,000, which will reimburse the State Department for the services that they render those MAAGs which have a predominant training program.

Mr. PASSMAN. Including representation?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Then of course the $110,000 previously referred to would not——

Mr. COMER. I tried to make it clear, sir.

$110,000 is charged to the administrative expense limitation.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. But then you do have another representation allowance?

Mr. COMER. Yes, sir. Included in the $3,525,000 is $53,700.

Mr. PASSMAN. I thought that I had covered that item well but evidently I just do not know how to cover it. Do you have any other representation allowance anywhere?

Mr. COMER. Nowhere else in this world, sir, from any program.

Mr. PASSMAN. We raise the $110,000 figure by $53,000.

Mr. COMER. $163,900 total, sir. I have that broken down by individual countries.

Mr. PASSMAN. Not by brands?

Mr. COMER. No, sir. I do not understand what you mean by brands, sir.

Mr. PASSMAN. It is soda pop. It could be Coca-Cola or Seven-Up, and, of course, if it is whisky it could be Kentucky Tavern, or Old Crow.

You get the point now, do you not?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Thank you. To be frank with you I am not one of those who fusses about a reasonable representation allowance.

COST SHARING OF REPAIRS AND REHABILITATION

What is the status of your negotiation with ——— for the cost sharing of the repair and rehabilitation of the ———?

Mr. COMER. The agreement was signed on April 26 and we could shift that anytime now. This would be one of those shifts from account A to account B that I mentioned previously.

Mr. PASSMAN. Page 266 indicates a contingency fund of $——— million.

Mr. COMER. Yes, sir.

Admiral Heinz and General Fuqua addressed themselves to this.

Mr. PASSMAN. Yes, they did; but nevertheless it is a contingency fund and you may or may not use it or need it.

Mr. COMER. If we did not think we would need it we would not have put it in.

Mr. PASSMAN. You cannot tell us at this time. If you think you are going to need it, then you should indicate what country program you are going to need and request funds under the country program.

Mr. COMER. What is not yet known is the exact amount.

Mr. PASSMAN. It is a contingency fund.

You do not know for sure it will be used?

Mr. COMER. With that definition of a contingency, I will accept that, sir.

Mr. PASSMAN. I thought you would. You do know this word "contingency" is coming into play quite often.

Mr. COMER. Yes, sir.

FUNDS BUDGETED FOR INDIA AND VIETNAM

Mr. PASSMAN. As you have $——— budgeted for Vietnam and $——— million budgeted for India, would you not at this time give us some encouragement that these sums may meet the requirements?

Mr. COMER. I do not believe it is within my competence to make a statement.

Mr. PASSMAN. At least I have stated it correctly, that you have budgeted $——— for Vietnam and $——— million for India?

Mr. COMER. Yes, sir.

Mr. PASSMAN. That is for fiscal year 1964?

Mr. COMER. Fiscal year 1964. Yes, sir.

Mr. PASSMAN. If I understand the nonregional fund, this is a "pot," or a "kitty" fund, and you can withdraw from this for any country in the program, any of the 70 nations receiving military aid. Can you withdraw out of this regional fund to supplement what you have in the way of a country program?

Mr. COMER. No, sir. That is not the intent of this particular program at all. The intent of this program is to put in one place the total program requirements that cannot be identified to a particular country.

Mr. PASSMAN. Then if you found out later the 70 nations had been fully funded you would have no use for this at all, would you?

Mr. COMER. We would have a requirement for administrative expenses.

Mr. PASSMAN. This $82,280,000 request is the same account where you are able to spend $218,998,000 out of $97,248,000. Presently you do not know that you will need any of this money for any of the country programs. That matter is to be determined later, is it not?

Mr. COMER. The majority of the items in here are for the training program which is on a worldwide basis and is not chargeable to any particular country.

Mr. PASSMAN. When you later allocate funds out of here to some country, do you charge it to the country?

Mr. COMER. We will. There is $——— million in here for the U.S. share of the cost of the ———. This will be transferred to the ——— country program some time between now probably and June 30, be-

cause the agreement has been signed. They can now be moved over to the country program.

NEED FOR NONREGIONAL PROGRAM FUND

Mr. PASSMAN. My statement then certainly is to the point, that you have your regional program and if you ever reached the point to where you were able to fund the country program according to the needs, then you would not have any need for this.

Mr. COMER. That is not right, sir.

May I call your attention——

Mr. PASSMAN. I want to be completely fair about it. I am trying to understand it: That if you were in position to determine the requirements of each country to the extent that they could be properly funded in the country program, then you would not need this program to supplement it, would you?

Mr. COMER. I believe we would still need a small nonregional program to take care of the nonregional training requirements which cannot be charged to a particular country unless we prorate it.

Mr. PASSMAN. I was only trying to get your testimony in line with the testimony given previously, that you could take out of this and supplement country programs.

Mr. COMER. There are certain elements within this that can be so handled, yes, sir.

The MAP disposal account, the MAP property account, the basic purpose of that is to prepare an inventory account that can be transferred to the countries.

Mr. PASSMAN. And to make it just about as complicated as it could be. I do not say you are planning it that way, but it surely gets complicated when you have to consider 70 countries for a military aid program, then get through and go into a "kitty" here where you worked from a $47 million budget request to expenditures in the pipeline of $218,998,000. It indicates clearly to me that somewhere along the way they have actually reserved, or obligated, a program in excess of the need.

I do not believe you would have ever canceled out programs out of category A and funded them in category B if you thought you were going to have a requirement for the same articles in category A, especially when you take into account you could replenish the funds you transferred from category A, either out of the regional or out of your regular appropriation, because, to say the least, if you do not call it illustrative we shall call it flexible.

General WOOD. Flexible is a good word.

Mr. PASSMAN. I have not understood this and I do not think anyone other than the Comptroller understands it. I am talking about building this "kitty" in this region. That is a phenomenal piece of work.

General WOOD. I do not think "kitty" is the right word.

Mr. PASSMAN. It is a matter of interpretation, is it not?

General WOOD. My interpretation——

Mr. PASSMAN. When I was in the Navy I got some demerits because I could not identify a loose thread on a jacket. They said, "Hell, that is an Irish pennant."

General WOOD. I do not know what an Irish pennant is.

Mr. PASSMAN. I did not either. It cost me an extra 2 hours' work in a class because I did not know that any kind of a loose thread hanging on your uniform is, in the Navy, an Irish pennant.

General WOOD. If we unify I guess I will learn that one.

Mr. COMER. I did not know that.

Mr. PASSMAN. You are an old Navy man, are you not? Did you learn what an Irish pennant meant?

Mr. MERRILL. Yes, sir.

Mr. PASSMAN. I got two demerits and 2 hours' extra work for not knowing the meaning.

Mr. COMER. I had a few years in the Navy, too. I did not know that.

Mr. PASSMAN. That is the description of an Irish pennant. I did not know too much about "hitting the deck," either, until I missed that quiz.

PERCENT OF SHELF ITEMS AND NEW PROCUREMENT

Anyway, you were here this morning. There is no use to repeat questions we asked this morning, unless there has been some revision since the time that the colonel finished his testimony, but of this total amount, out of nonregional what part would represent shelf items and what part would be new procurement, specifically for the military assistance program?

Mr. COMER. Are we talking about the 1964 program, sir?

Mr. PASSMAN. We are talking about the 1964 program. We can apply it across the board.

Mr. COMER. It would be much easier if we could. The 1964 program includes ———, which I think at the present moment we can say is a shelf item.

Mr. PASSMAN. If you will just give us the percentage, the part that is on hand, when the requirement is established and you would do the paperwork and ship out of your present stocks. Let us define the shelf items as stocks on hand.

Mr. COMER. Yes, sir.

Mr. PASSMAN. What percentage is it; would nonregional be about the same averages as for the country programs? Say, 39 percent for stock items, and 61 percent for new procurements specifically for the program?

Mr. COMER. Normally the nonregional program does not contain an item for ultimate delivery to a country. It is only in this particular case where we have these ——— and I am speaking specifically of the 1964 program. If we get into prior year programs we do have. We have some aircraft that are being used in a big training camp out in California. Those aircraft will be sent to the countries at the conclusion of the training program.

Mr. PASSMAN. Of this $218 million, let us take the "kitty" in your regional account, $112,867,000. It intrigues me to see this thing go from a minus to a plus of $112,867,000, especially after you had spent $106,121,000. I am going to try to understand it, but to simplify it for understanding, of this, the Secretary of Defense or General Wood, or his predecessor, General Palmer, could have funded, if need had been there, any program in any country on the face of the

earth, and up to any percentage necessary to meet the requirements; is that correct?

If you had a requirement in country X you could use the entire amount?

Mr. COMER. And we had an item in this account that could be utilized to meet the requirement; yes, it could be transferred.

Mr. PASSMAN. It could be transferred up to the full amount, if you had the item and it met a requirement?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Then in the event that you did not have a requirement to reserve and disburse $218,988,000 from a previously justified program in the amount of $47,055,000, could this have worked itself into the recoupment account, then have been allocated to countries where there might have been a deficiency?

Mr. COMER. I believe it could be said that there is no program in this book that would not and could not possibly be subject to a recoupment.

RECOUPMENTS

Mr. PASSMAN. So, in this program, had the previous requirement remained at $47,055,000, then everything over that up to $218,988,000 could have gone over in the recoupment? You could have recouped and it would have gone into that fund, then could have been allocated even for new purchases, could it not? If it gets into the recoupment account, it is new money available for new obligations; is that correct?

Mr. COMER. When it gets into the recoupment account; yes.

Mr. PASSMAN. You do not know of any account that could not be taken into the recoupment account in a military assistance program?

Mr. COMER. I will modify that to some extent. Recoupments primarily fall from our MAP order reservation process. We have two methods of funding the program as you quite well know. We have what we call a direct citation method, the method commonly used throughout Government. When we allocate money to the service, the service cites those funds in the first instance. In the recoupment account these funds are placed, shall we say, in escrow, a reservation, actually placed to the credit of the military department.

When the military department actually consummates a delivery they can reimburse themselves from the reservation account. The value of the item, and its stock status are determined at the time the delivery is made. At the time this item is delivered, if it is found to be in excess a recoupment of funds results. If it is found that the price is much lower than it was originally programed and funded, that represents a recoupment. So in the main our recoupments come only from our MAP order reservation process, which is about two-thirds of our total funding.

Mr. PASSMAN. You said that you knew of no account in the military assistance program that could not wind up in the recoupment category legally.

Mr. COMER. That could not be subject to.

Mr. PASSMAN. You have reserved, or you have disbursed, $218,988,000 out of this nonregional program. Along the way had you previously justified a requirement of $47,055,000 remained firm and had your procedures been the same you would have had $171,933,000 that

could have been dereserved and transferred over to the availability category. Would you say that that statement is correct?

Mr. COMER. The way you have put it I think that the answer would have been yes if——

Mr. PASSMAN. Leave the "if" out temporarily, please, but if your requirement in category A did not have a high priority, say, such as a shortage of ammunition in Greece, and you had this squeezeout that we have established now, a net of $171,933,000, then that money could have been allocated to any program with a higher priority, could it not?

Mr. COMER. I think we would say yes.

Mr. PASSMAN. I think I am going to excerpt this from the record and mail it to the distinguished Secretary of Defense.

Mr. Rhodes?

Mr. RHODES. I have no question, Mr. Chairman.

Mr. PASSMAN. Let us get in the record Mr. Comer's interpretation of a reservation under the military program.

Mr. COMER. Yes, sir. Reservation, recoupment, and something on supply operations.

Mr. PASSMAN. Let us see if we have a meeting of minds on this: That all governmental agencies operate on what we refer to as an obligational basis. They get the money, then they enter into an obligation.

Mr. COMER. Yes, sir.

Mr. PASSMAN. At the end of the year, with certain exceptions, military being one, any unobligated funds lapse, do they not?

Mr. COMER. Unless reappropriated.

Mr. PASSMAN. They do lapse?

Mr. COMER. Yes, sir.

Mr. PASSMAN. Reappropriation is another account?

Mr. COMER. Yes, sir.

Mr. PASSMAN. But under the military, not being able to obligate directly for the items that are required, you estimate the cost and you make a reservation, in keeping with that estimate. Then at a subsequent date when delivery is made and the cost is established it becomes an obligation rather than a reservation. Do I understand it correctly?

Mr. COMER. You understand all except one thing, please, sir.

Mr. PASSMAN. What is that?

Mr. COMER. The price. We do not consider it an estimate. We consider it a firm price, a firm unit price which is based——

Mr. PASSMAN. At the time you reserve?

Mr. COMER. At the time the order is placed with the military department?

Mr. PASSMAN. That is when you enter into the reservation?

Mr. COMER. Yes, sir. The price that prevails at the time the item is dropped from inventory or comes off the production line is the price that is charged to our program.

Mr. PASSMAN. In the last few years prices have been steadily going up, have they not, in almost all fields?

Mr. COMER. Not quite all fields, but almost all.

Mr. PASSMAN. In most fields.

Mr. COMER. Yes, sir.

Mr. PASSMAN. Since you said that you entered a reservation according to a firm price——

Mr. COMER. The price prevailing at the time the order is placed.

Mr. PASSMAN. Then with prices going up in most fields where you procure parts, ammunition, and equipment, you wind up able to deobligate slugs of money. With prices going up, you take the going price and you reserve on a firm price at the time. Then, with prices going up, at a subsequent date you have money you can deobligate and reobligate.

(The statement referred to follows:)

MILITARY ASSISTANCE, NONREGIONAL

During the course of the hearings several points have been raised relative to the methods of funding the military assistance program, which we feel should be clarified. These points are reservations, recoupments, and supply operations.

RESERVATIONS

On several occasions the chairman has clearly and correctly stated that the military assistance reservation account is unique in Government financial operations. This reservation account was established and operates under the authority of section 108 of the Mutual Security Appropriation Act of 1956, as amended. Under this authority the Director of Military Assistance issues MAP Orders to the military departments for implementation. These orders are detailed lists of items to be procured or withdrawn from stocks and delivered to the various grant aid recipient countries. Further, these orders specify that funds in the total amount of the order are reserved for reimbursement to the military department at the time the delivery of the items is consummated.

In anticipation of such reimbursements, the military departments are authorized to incure in applicable appropriations, obligations in anticipation of reimbursements from these reservations. Thus, the unexpended or unliquidated balance in the MAP order account is committed for reimbursing the service accounts upon delivery of the MAP equipment, unless specically released by the military departments.

Section 108 also specifies that two reports be provided Congress on a quarterly basis: (1) Reporting all items to be delivered against funds reserved under the MAP order procedure (copies of MAP orders are submitted to meet this requirement); and (2) a report on a delivery and service rendered basis of all military assistance funds allocated and available to the Department of Defense.

RECOUPMENTS

As has been stated, a recoupment, dereservation, deobligation, squeezeout, or "shakeout" have the same effect on the MAP. They permit a reprograming of funds. The unclassified page 13 of the fiscal year 1963 presentation book reconciles program with funds, and identifies the various funding sources by which the program is implemented. These funding sources are: (1) The annual appropriation; (2) the reappropriation of unobligated balances remaining at the end of the fiscal year; (3) dereservations and deobligations or recoupments; (4) unobligated balances in the credit assistance account; and (5) the estimated collections from the credit assistance sales program.

Of the $232.5 million of anticipated recoupments in fiscal year 1963, $148.7 million had been identified through March 19, 1963. The additional $83.8 million will be canceled from the program on or before June 30, 1963. Included in this $83.8 million will be such items as the unexpended amounts in the supply operations account, previously referred to during these hearings.

The magnitude of the recoupments in fiscal years 1962 and 1963, stems from a request of the Secretary of Defense and the Director of Military Assistance to revalidate the undelivered military assistance program. As a result, each individual MAAG was requested to reappraise the undelivered program for its country in terms of the ability of the country to properly receive, store, and maintain the materiel, and to recommend cutback or cancellation of items not essential. This action, designated Operation Shakeout, has resulted in antic-

ipated recoupments during fiscal year 1963 of $232.5 million, as compared to the estimate given during last year's hearings of $204 million, which, quoting General Palmer's words "was purposely optimistic."

SUPPLY OPERATIONS

Page 33 of the fiscal year 1964 presentation book explains and justifies the total worldwide requirements under this heading. In the congressional presentation of the fiscal year 1959 program, the administrative decision was made that the value of assistance for each country would be more realistic if it included an estimate for supply operations even though the estimate was not compiled and justified country by country. This practice was continued in our fiscal year 1964 presentation with one minor exception, and that is, where known, certain elements have been charged directly to the country involved. However, because fiscal transactions relating to packing, crating, handling and transportation, etc., are not maintained on a recipient country basis but only areawide or worldwide, it has been necessary to resort to a statistical estimation to attribute such charges to individual countries. The technique of statistical estimation used is not fully reflective of all contributing factors to the true magnitude of the figures.

To the extent that undelivered balances for supply operations are overstated in one country, they may be used to offset understatements in another. In any event, if the amount worldwide is too large, it becomes available for recoupment, and thus would become a part of the program against worldwide anticipated recoupments in fiscal years 1963 and 1964.

I would, therefore, request the commitee to view the supply operations figure in each country program as exactly what it is, a statistically derived order of magnitude figure, and to consider the budget estimate for supply operations as explained and justified on page 33.

MONDAY, MAY 20, 1963.

STATEMENT OF SUPREME ALLIED COMMANDER, EUROPE

WITNESSES

GEN. LYMAN L. LEMNITZER, SUPREME ALLIED COMMANDER, EUROPE
GEN. ROBERT J. WOOD, U.S. ARMY, DIRECTOR OF MILITARY ASSISTANCE
BRIG. GEN. SAMUEL K. EATON, DIRECTOR, EUROPEAN REGION, OFFICE OF ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL SECURITY AFFAIRS
W. ARTHUR COMER, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL SECURITY AFFAIRS
COL. ROBERT H. SIMPSON, U.S. AIR FORCE, SPECIAL ASSISTANT, OFFICE OF DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL SECURITY AFFAIRS
COL. ROBERT L. BROOKS, U.S. ARMY, MILITARY ASSISTANCE DIVISION, HEADQUARTERS, U.S. EUROPEAN COMMAND
COL. ALLEN F. HERZBERG, U.S. AIR FORCE, PROGRAMS DIVISION, SUPREME HEADQUARTERS, ALLIED POWERS, EUROPE
COL. CLYDE M. DILLENDER, JR., U.S. ARMY, LEGISLATIVE AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE
LT. COL. C. G. COLLINS, U.S. ARMY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL SECURITY AFFAIRS
ALLEN F. MANNING, PROGRAM OFFICER, MILITARY ASSISTANCE, AID
STANLEY B. SCHEINMAN, LEGISLATIVE PROGRAMS COORDINATION STAFF, AID
WALTER J. STOESSEL, JR., SPECIAL ASSISTANT TO SACEUR FOR INTERNATIONAL AFFAIRS

U.S. PUBLIC DEBT

Mr. PASSMAN. The committee will come to order.

It is not inappropriate, I think, for me to state that since the adoption of the Constitution 174 years ago our Government has collected in revenues a total of $1,312,580 million, but for each $1 collected we have created an obligation of $1.81.

We have 108 statutory obligations calling for payout of funds in the amount of $746 billion in subsequent years for services previously rendered.

Then, add to that the $305 billion borrowed-money public debt, and the true public debt is really $1,051 billion.

I shall insert in the record a verified statement which I have prepared concerning our Government's debt.

(The statement referred to follows:)

JANUARY 1, 1963.

To Whom It May Concern:

EXAMPLES OF AMORTIZATION OF THE NATIONAL DEBT

Comparative cost of various plans

[Principal: $305,000,000,000. Interest rate: 3½ percent. 1 payment per year]

Final payment	Years	Annual payment	Total payments
2013	50	$12,961,777,000	$648,888,500,000
2038	75	11,529,364,000	864,702,300,000
2063	100	11,017,938,000	1,101,794,000,000
Never	(1)	[2] 10,675,000,000	[3]

[1] Forever.
[2] Pays interest only.
[3] Unlimited. Debt never paid.

Since the adoption of the Constitution 174 years ago, the Federal Government has collected in revenues $1,312,508 million. In addition to the collection and expenditure of this astronomical sum, the Federal Government has also borrowed $305 billion, and spent that, too. Furthermore, it has created 108 statutes calling for future expenditures for services previously rendered in the amount of $746 billion. The statutory obligations are just as binding as borrowed money obligations. Therefore, the two obligations, borrowed money and statutory combined, make the true Federal public debt $1,051 billion.

Since the adoption of the Constitution, for each $1 the Federal government has collected, it has created an obligation of $1.81. We have mortgaged future generations in the amount of $1,051 billion. Much of this staggering obligation has been created in recent years and during the most prosperous ones in American history.

These startling facts invite the sober consideration of all Members of Congress as well as all other Americans. Do you agree? If so, then we should work together to get off this treadmill before it is too late.

U.S. EXPENDITURES

Mr. PASSMAN. It is also well for us to note that the budget is in two parts, the administrative expenditures budget of $98,800 million, and a trust fund budget which brings the total of expenditures up to a net of $122,500 million.

It is actually costing the Government $10,125 million per month to operate or, $2,337 million per week, $333 million per day, $14 million per hour. Or $231,000 per minute, or $3,850 per second.

We are certainly pleased to have with us this afternoon Gen. Lyman Lemnitzer, Supreme Allied Commander, Europe, former U.S. Chief of Staff; also, Gen. Robert J. Wood, Director, Military Assistance; Brig. Gen. Samuel K. Eaton, and other supporting witnesses, whose names will be listed in the record.

We welcome you before the committee, General Lemnitzer. If you have a statement, we shall be glad to hear from you, sir.

STATEMENT OF GEN. LYMAN L. LEMNITZER

General LEMNITZER. Mr. Chairman, distinguished members of the committee, it is a pleasure to appear before you again today on behalf of the military assistance program. I participated in the establishment of this important program in 1949 and have been privileged to discuss it with you on many occasions since that time.

In my opinion this program of selective military assistance to our allies is essential to our own U.S. national security interests. I made a similar statement when I appeared before this committee last year as Chairman of the Joint Chiefs of Staff. I could well have made it in 1949 when I first appeared before a congressional committee on behalf of the military assistance program. Now, speaking as supreme allied commander, Europe, I still support the essentiality of military assistance to our own national security interests. I do so with great conviction.

Military assistance is identified with the concept of collective and mutual security. It is a program of mutual contribution toward defense by the nations of the free world, bound together in a system of alliances. It serves the vital interests of the United States and all who participate. This is an important consideration, because the threat against which we are defending presents a common peril.

In order to establish the basis of my support for the military assistance request, I should first like to point out that my responsibilities with respect to this program encompass Europe and the Middle East.

These highly strategic and important areas play a vital role in the security arrangements of the free world. In Europe we are joined with other members of NATO in a defensive alliance from the Arctic Circle in Norway to the southeastern reaches of Turkey. In the Middle East, free world alliances extend the defense to southeast Asia. Many of the nations in this area are continually subjected to Communist infiltration and subversion in addition to the threat of aggression.

I should like to turn now to the purely military portion of the threat confronting us in the area I have just mentioned. This threat is a growing and increasingly menacing one. It is a fundamental reason for our military assistance effort.

Since World War II the Soviets have concentrated on "modernizing" their armed forces and particularly their ground forces. Great emphasis has been placed on increased mobility so that today a significant portion of the Soviet Army is organized into armored mechanized forces having new heavy tanks and improved personnel carriers. This equipment materially enhances their capabilities for fighting on the modern battlefield. The Soviet Army also possesses a significant airborne operational capability.

We can no longer think of the Soviet Army as a cumbersome "mass" force. We must recognize that it is modern, well equipped, and geared to the realities of the atomic age.

Within the modernized Soviet Air Force, quality as well as quantity is a significant feature also. In 1951 only 20 percent of its fighters and none of its bombers were jet powered. Today, all fighters and light bombers are jet powered, and so are most of their medium bombers.

Since about 1960, emphasis has also been placed on offensive and defensive missiles. Their missile force is now a major threat to NATO.

The Soviet Navy has also undergone extensive modernization since World War II. Cruiser strength has been considerably increased. Destroyer and destroyer escorts have been more than doubled, as have auxiliary vessels, including transports, trawlers, minelayers, and fast patrol boats.

However, the most significant aspect of Soviet naval strength lies in its submarine fleet, which has been improved considerably in both strength and character.

The strength of the Soviet Navy can best be summarized by recalling that Russia entered World War II at the bottom of the list as a major world naval power. Today Russia ranks No. 2, second only to the United States.

Soviet military forces are unquestionably stronger than ever before and, in themselves, are formidable enough to evoke concern. This concern is greatly aggravated, however, by our knowledge that these forces exist to serve a fundamentally aggressive policy. The Soviets remain steadfastly committed to the objective of world domination and are capable of using every means available to achieve this objective.

In addition to improving the effectiveness of their own forces the Soviets are continuing to improve the military strength of the satellite countries. While the threat posed by the forces of the U.S.S.R. itself occupies our primary attention, the growing capabilities of other bloc countries can not be overlooked. Additionally, the Soviets are pressing forward in the Middle East with programs of military and economic aid to further their objectives of extending their influence and control.

The Soviet military threat which now confronts us is a formidable one. Further, we must recognize an additional important factor which is Communist-inspired internal subversion. While on the one hand we are faced with the obvious threat of Communist military force, we must also counter Communist-inspired internal subversion. This dual threat is a fundamental consideration in the development of military assistance programs in my area of responsibility.

In the NATO area our major operational objective continues to be to defend as far forward as possible. You will recall that the basic purpose of the treaty which created NATO was to provide protection for the lands and peoples of the member nations. As we have built up our strength we have been able to provide for a more effective defense of NATO territory. This is true not only in the central region, but in the northern and southern regions as well.

An important contribution to this improvement has been the continuing development of the mobile force of Allied Command Europe. This force consists of ground and air components which are capable of rapid deployment to any threatened area. The mobile force is intended to make it clear to an aggressor that any attack, however limited in extent, would constitute an attack on NATO as a whole. So far the mobile force has held two exercises—a command post exercise in Sardinia in 1961 and a full-scale exercise in Salonika last fall. Both exercises provided valuable experience and demonstrated that the mobile force can be rapidly deployed to the far flanks of Allied Command Europe. Further mobile force exercises are planned. The experience gained by participation of the mobile force with troops of various areas has proven to be of great value and has demonstrated the validity of the mobile force concept. The Allied Command Europe mobile force is still developing but a good beginning has already been made.

In addition to mobile force exercises, there have been many NATO field training maneuvers with troops and command post exercises. More than 100 of these maneuvers and exercises were held during the past year. They have assisted in developing and testing the soundness of our plans, policies, and procedures. In one NATO-wide exercise, during this period, the Ministries of Defense, other national agencies and NATO civil agencies took part. These exercises have enhanced the readiness and capabilities of NATO forces to meet the continuing threat.

The military assistance provided by the United States has contributed significantly to the growing NATO defensive capability. In the past this has constituted a large segment of the total program but in recent years that segment has been diminishing. Except for Turkey, Greece, Norway, and Denmark, the programs in the NATO area have been reduced drastically. This illustrates the manner in which the United States is reducing military assistance to countries once their economic capabilities will permit them to sustain themselves.

The programs for Norway and Denmark are of special significance. These countries anchor the NATO defense arc at its northern extremities. Their ability to create and sustain the strong defense capabilities they need is limited by their geography and national resources. These nations should not be expected to establish large forces. They should create forces of limited size but excellent quality which will not only contribute to their own defense within the overall NATO complex but also provide to NATO as a whole a very necessary capability for strategic warning and sustained surveillance. The programs for these two countries are designed on this basis.

The programs for Greece and Turkey take us to the southeastern flank of NATO. The strategic significance of this area, coupled with the increasing capability of adjacent Soviet and Soviet bloc forces, underlines the importance of the programs proposed for these countries.

Each maintains sizable military forces. Both the Greeks and the Turks make excellent soldiers. I have recently visited these countries and I count them among our stauchest allies. I have seen there for myself the impressive signs of accomplishment through our military assistance. I have also seen the need for further accomplishment. The fiscal year 1964 programs which are proposed for these countries will make an important contribution toward this end.

Leaving the NATO area, our forward defense concept continues on to the east. Accordingly we have for some years sought to improve the defenses in this part of the free world—especially in Iran and Pakistan—through the military assistance program. I attach particular significance to the programs for these countries. Effective military forces, ready and capable of defending their Communist threatened frontiers, are indispensable to their security and to our own.

With regard to the overall program in my area of responsibility, the proposed allocation of funds for fiscal year 1964 provides for both force maintenance and a significant amount of force improvement. In the case of the NATO countries, we are primarily concerned with, and are devoting major resources to the improvement of forces. As I have previously indicated, within the NATO area, the military assistance program is tailored to the growing ability of these countries to pay their own way. With the exception of Greece and Turkey, the

NATO nations bear virtually all costs of force maintenance. Military assistance resources are applied to training and to the further improvement of forces in some countries. Accordingly, U.S. support represents a decreasing portion of the resources being invested in the defensive capabilities of these countries.

As you know, the European nations are assuming a greater portion of their defense needs. In 1950, these countries applied approximately $5.9 billion to their defense needs; by 1962, this sum had risen to $17.3 billion. In 1961, the countries in question were paying the major portion—approximately 95 percent—of their own defense costs. In most of these countries economic health and well-being have returned. This has made possible a change in, but not an end to, the military assistance program. We no longer extend military assistance for materiel items on a grant basis to the majority of these countries. We are instead encouraging them, with considerable success, to add to their military strength.

With respect to the non-NATO countries, the military assistance program emphasizes the requirement to improve these forces while it also contributes to the maintenance of existing forces. Program proposals for these countries thus bear resemblance to the programs for the NATO countries of some years ago. Nations in the non-NATO area have not yet developed to a point where they can participate effectively in our collective defense efforts without military assistance. They cannot maintain the necessary forces on their own, let alone provide for force improvement. We must assist them in both fields. In most cases, the programs for these countries represent continued investment in defense against Communist infiltration and internal subversion.

Before bringing my remarks to a close I should like to emphasize two other aspects of the military assistance program for fiscal year 1964—training and our balance-of-payment problem.

The training which we propose in the fiscal year 1964 program is probably the single most significant portion of the entire program. As members of the committee, you have heard numerous witnesses attest to the long-term value of the training segment of the military assistance program. To date we have provided instruction and training to thousands of allied personnel. It is through such training that we are able to strengthen the defenses already built.

I fully recognize the continuing balance of payments and flow of gold problems confronting the United States. In 1962, a congressional report noted that 82 percent of military assistance funds were spent in the United States. Further the amount of military equipment sales in 1962 by the United States to foreign nations was more than three times the amount expended abroad for military assistance. Hence, this program does not contribute to these problems. The program, in addition to its military benefits, results in a net inward flow of gold to the United States.

Mr. Chairman, this completes the material I wanted to bring to your attention. The security of the free world presents very serious challenges which the United States and its allies must continue to meet through mutual effort and the application of a common will. In their unceasing efforts to achieve world domination, the Communist seize every possible opportunity to create armed satellites and use them as effective military pawns. This is a challenge which can

only be met by vigorous and free nations, united in both moral and military strength. I urge your support of the fiscal year 1964 military assistance program.

Mr. PASSMAN. Thank you very much, General Lemnitzer. You mentioned the balance-of-payments situation. I am sure that every member of the committee appreciates your statement that you are working to try to improve it.

It would appear that the overall picture is even worse this year than for the corresponding picture last year. We hope that before the end of the year this trend can be reversed.

NATO FORCE GOALS

General, in previous years, I would say the past several years, various members of the committee, including myself, have visited Paris and SHAPE Headquarters. I have visited with General Eisenhower, General Greunther, and General Norstad, when each was Supreme Allied Commander. During these visits and discussions we were told of the desired force goals. They had maps and charts that indicated the objectives and the percentages of our accomplishments.

If I remember correctly, in almost every instance, the allocation was substantially below that desired for the various nations. There was a question of working out the best level that could be attained.

Am I making a statement of fact, that there were deficiencies in the force goals desired for the other members of NATO?

General LEMNITZER. Those charts you saw were an estimate made by the various NATO commanders considering (*a*) the enemy, the threat posed by him, and (*b*) the mission which was assigned in general terms by the NATO Council and transmitted down to local commanders through the military chain of command. This was our estimate of total requirement of forces to accomplish that mission against an enemy posing this threat.

It is true that in general those requirements or goals were higher than the nations have been able to provide. Over the years, however, they have been closing the gap. In the early days of NATO most of the European nations were devoting a great deal of their resources toward rebuilding and rehabilitating their countries. As I pointed out in my statement, a good many of the countries have now achieved a state of economic development whereby they can now pay their own way in their defense programs.

There are several countries, because of the nature of their industry, the requirements for forces to meet the threat, particularly on their own borders, that are yet unable to do it. Greece and Turkey are the ones on which I focused attention, and Norway and Denmark to a lesser extent.

That is the way we go about solving our problems. We carefully estimate their requirements goal, then each year we analyze what each country has produced, and we inform them of the gap that still exists. We urge them to bring their forces up to a level which will meet the NATO force goals.

REDUCTION OF FORCE GOALS

Mr. PASSMAN. I believe the force goals were substantially reduced; were they not?

General LEMNITZER. Yes. In the old days, the early days of NATO, the so-called Lisbon goals, before the advent of nuclear weapons had entered into NATO planning, the goals were necessarily quite high. You will recall at the end of the war, whereas we dismantled and disbanded the great majority of our military forces, the Soviet Union maintained about the same forces they had at the height of the war. Accordingly, the Lisbon goals, since they were in terms of conventional forces exclusively, were quite high; very high indeed. With the advent of tactical nuclear weapons and the possibility of their use, those goals have been considerably reduced. However, tactical nuclear weapons are not a substitute for conventional forces—they must be kept in proper balance.

Mr. PASSMAN. I can assure you, General, we are trying to understand it. We know you had commanders, and when they furnished figures of the equipment they wanted, it was a figure higher even than SHAPE Headquarters requested funds to finance. That was really what I was trying to clear up.

General LEMNITZER. They were making the most objective estimates they could, and those estimates were properly the subject of review by higher headquarters. They are very drastic reviews.

MILITARY EXPENDITURES OF NATO COUNTRIES

Mr. PASSMAN. What was the average percentage expenditure of GNP on the part of the NATO countries in 1950 and what was it in 1962?

General LEMNITZER. I think we have the figures in the book on page 42 for 1962. For 1950 it is on page 43.

Mr. PASSMAN. I believe we should have this chart inserted in the record.

(The chart referred to follows:)

NATO-U.S. MAP deliveries, defense expenditures, and defense expenditures as percent of GNP by calendar year

[Millions of dollars]

Country	Total, calendar year 1950-62			Calendar year 1962			Calendar year 1961			Calendar year 1960			Calendar year 1959		
	MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures	
		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP
Belgium-Luxembourg	$1,195	$4,702	3.4	$18	$417	3.0	$2	$397	3.0	$13	$388	3.1	$22	$382	3.2
Denmark	520	1,724	2.8	14	215	3.0	30	171	2.6	22	161	2.7	45	143	2.6
France	4,175	38,297	7.1	37	4,435	6.5	26	4,037	6.4	34	3,836	6.6	147	3,631	6.9
Germany [3]	901	29,351	4.4	1	4,308	5.1	3	3,294	4.2	58	3,029	4.3	86	2,772	4.4
Greece	987	1,665	5.3	38	170	4.5	41	168	4.6	73	170	5.3	70	154	5.1
Italy	2,101	12,357	3.9	65	1,360	3.5	92	1,199	3.4	140	1,136	3.6	112	1,067	3.6
Netherlands	1,143	5,679	4.9	12	590	4.5	27	556	4.5	53	477	4.1	26	416	3.9
Norway	683	1,773	3.7	26	192	3.7	15	165	3.4	15	148	3.3	54	155	3.7
Portugal	291	1,208	4.7	9	200	7.1	3	171	6.6	4	105	4.4	12	98	4.4
Turkey	1,861	2,107	5.0	157	330	5.4	83	302	5.5	87	267	4.9	125	239	4.8
United Kingdom	1,028	55,796	7.4	18	5,081	6.4	21	4,786	6.4	26	4,634	6.5	199	4,449	6.6
NATO area program	1,525	----------	--------	186	----------	--------	173	----------	--------	238	----------	--------	143	----------	--------
Total, NATO	16,410	154,659	5.6	581	17,298	5.4	516	15,246	5.1	763	14,351	5.2	1,041	13,506	5.3
Canada	----------	19,795	5.6	----------	1,650	4.5	----------	1,583	4.6	----------	1,530	4.6	----------	1,519	4.7
United States	----------	557,648	10.2	----------	54,400	9.8	----------	49,417	9.5	----------	46,545	9.2	----------	46,614	9.7

See footnotes at end of tables.

NATO-U.S. MAP deliveries, defense expenditures, and defense expenditures as percent of GNP by calendar year—Continued

[Millions of dollars]

Country	Calendar year 1958			Calendar year 1957			Calendar year 1956			Calendar year 1955			Calendar year 1954		
	MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures	
		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP
Belgium-Luxembourg	$59	$375	3.3	$32	$376	3.3	$96	$349	3.2	$132	$353	3.5	$181	$410	4.3
Denmark	24	143	2.9	20	146	3.1	47	136	3.0	54	133	3.2	72	128	3.2
France	130	3,356	6.9	159	3,160	7.4	400	2,975	7.8	412	2,232	6.5	557	2,372	7.4
Germany [3]	78	1,713	3.0	380	2,240	4.1	295	1,803	3.6	----------	1,846	4.1	----------	1,759	4.4
Greece	139	149	5.1	79	149	5.3	81	135	5.2	75	123	5.5	59	114	5.8
Italy	72	1,035	3.8	144	977	3.8	257	934	3.9	159	881	4.0	304	869	4.3
Netherlands	41	457	4.6	84	510	5.2	152	512	5.7	140	469	5.6	207	437	5.9
Norway	47	143	3.6	38	147	3.7	69	135	3.6	75	133	3.9	57	160	5.1
Portugal	24	86	4.2	25	83	4.1	20	80	4.2	57	77	4.3	38	73	4.4
Turkey	251	163	4.1	208	141	4.2	171	129	4.8	165	120	5.1	220	104	5.5
United Kingdom	43	4,456	6.9	97	4,407	7.2	75	4,523	7.7	93	4,388	8.2	133	4,399	8.7
NATO area program	137	----------	----------	127	----------	----------	83	----------	----------	91	----------	----------	85	----------	----------
Total, NATO	1,045	12,076	5.1	1,393	12,336	5.6	1,746	11,711	5.7	1,453	10,755	5.7	1,913	10,825	6.3
Canada	----------	1,610	5.3	----------	1,692	5.7	----------	1,746	6.2	----------	1,683	6.7	----------	1,638	7.1
United States	----------	45,503	10.2	----------	44,548	10.1	----------	41,773	10.0	----------	40,518	10.2	----------	42,900	11.8

See footnotes at end of tables.

NATO-U.S. MAP deliveries, defense expenditures, and defense expenditures as percent of GNP by calendar year—Continued

[Millions of dollars]

Country	Calendar year 1953			Calendar year 1952			Calendar year 1951			Calendar year 1950		
	MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures		MAP deliveries [1]	Defense expenditures	
		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP		Amount [2]	Percent of GNP
Belgium-Luxembourg	$285	$406	4.5	$254	$408	4.6	$75	$273	3.1	$26	$168	2.2
Denmark	82	129	3.4	65	98	2.8	35	69	2.1	10	52	1.7
France	945	2,808	9.2	810	2,538	8.7	354	1,785	7.2	164	1,132	5.6
Germany [3]	----------	1,792	4.8	----------	2,138	6.2	----------	1,557	5.2	----------	1,100	4.5
Greece	131	92	5.5	83	88	7.0	94	87	7.3	24	66	6.9
Italy	400	769	4.1	256	833	4.8	82	732	4.5	18	565	4.0
Netherlands	195	367	5.5	136	346	5.5	54	293	4.9	16	249	4.8
Norway	140	149	5.1	81	116	4.0	45	80	3.1	21	50	2.4
Portugal	73	69	4.3	23	59	3.8	3	54	3.6	----------	53	3.8
Turkey	174	92	4.9	145	81	5.1	54	72	5.3	21	67	5.8
United Kingdom	231	4,708	9.9	58	4,371	9.8	23	3,217	7.8	11	2,377	6.4
NATO area program	147	----------	----------	115	----------	----------	----------	----------	----------	----------	----------	----------
Total, NATO	2,803	11,381	7.1	2,026	11,076	7.3	819	8,219	6.0	311	5,879	5.0
Canada	----------	1,822	7.8	----------	1,735	7.8	----------	1,129	5.8	----------	458	2.8
United States	----------	49,621	13.6	----------	47,852	13.8	----------	33,398	10.2	----------	14,559	5.1

[1] U.S. military assistance furnished to countries includes deliveries of equipment and supplies, expenditures for repair and rehabilitation of excess stocks, training, packing, crating, handling and transportation, nutrition surveys, construction and credit assistance under sec. 103(c), Mutual Security Act.

[2] Based on NATO definition of defense expenditures. For the United States it includes expenditures for military functions of the Department of Defense, the military assistance program, the Atomic Energy Commission, Coast Guard, National Aeronautics and Space Administration, veteran's insurance and indemnities and residual expenditures by AID predecessor agencies for the direct forces support program.

[3] German defense expenditures data through 1954 are AID estimates. Germany's expenditures through 1955 were largely occupation-support costs. Military assistance expenditures represent physical deliveries to the Federal Republic of Germany.

NOTE.—Precise comparisons of levels of defense expenditures between European countries and the United States are not possible. Conversions of national currency data into dollars have generally been made on the basis of official foreign exchange rates, and the purchasing power of dollar equivalents is appreciably higher in most European countries than that of the dollar in the United States. Intra-European comparisons of the converted dollar figures are subject to similar limitations. A uniform exchange rate has been applied for all years in order to preserve the trend of the national currency data and eliminate distorting fluctuations in the dollar figures caused by devaluation. The columns on defense expenditures as a percent of GNP have been computed at current market prices.

Mr. PASSMAN. According to the chart, in 1950 the percentage of GNP spent for defense by the other NATO nations amounted to 5 percent, and in 1962 it was 5.4 percent.

For the United States, in 1950 our defense expenditures amounted to 5.1 percent of our GNP and in 1962 it was 9.8 percent.

We have gone from 5.1 to 9.8 percent of GNP for defense expenditures. They have gone from 5 to 5.4 percent.

General LEMNITZER. Meantime their gross national product has gone up very much. That represents a difference or an increase from about $5.9 to $17.3 billion during that particular period, even though the percentage figure is not much different.

Mr. PASSMAN. Has our gross national product gone up at a faster or slower rate than theirs?

General LEMNITZER. Percentagewise, I do not think our gross national product would have gone up faster. The days immediately after World War II, the gross national product of the European nations was very low. I think it is a question of how you utilize the figures.

CONTINUATION OF GRANT-AID TO EUROPE

Mr. PASSMAN. General, as I understand it, in fiscal year 1964 you contemplate a grant-aid military program to 13 European countries in the amount of $229 million.

General LEMNITZER. Yes, sir; for the European area.

Mr. PASSMAN. We are now borrowing dollars from some, if not all, of these nations for which we have a military grant-aid program in fiscal year 1964.

I am wondering if you, or if any members of your staff, have discussed with these people the possibility of paying for their own military aid.

General LEMNITZER. I do not think it is possible for Greece and Turkey to raise and support the substantial forces that are required by NATO force goals to meet the threat which is posed along their borders.

Mr. PASSMAN. Let us exclude those two. I am speaking of the nations from whom we are now borrowing money in Europe.

General LEMNITZER. I am not sure which countries we are borrowing from. The other two I refer to particularly are Norway and Denmark. Part of our 1964 program is part of an effort on the part of the U.S. Government to enable them to devote a greater portion of their resources to their defense budgets.

There has been considerable success as a result of the efforts that have been made in these two areas. For example, Mr. McNamara indicated to this committee, I believe, that as a result of the effort which the United States made in the last 24 months, the defense budgets of Norway have been increased by 28 percent and Denmark 30 percent.

Mr. PASSMAN. Are we in with cost-sharing programs in Norway?

General LEMNITZER. Yes.

Mr. PASSMAN. What would be our percentage of the total?

General LEMNITZER. I do not have those figures, but I believe General Wood and his staff will be able to provide them.

(Information supplied for the record is classified.)

PRIOR COMMITMENTS FOR AID TO EUROPE

Mr. PASSMAN. I think we were told by an earlier witness that part, if not all, of the $229 million military assistance program grant aid to certain of the European countries was based upon the fact that we had entered into contracts making it a moral and legal commitment prior to their phenomenal recovery; therefore, we were obligated to go through with our commitments.

Is that substantially your understanding?

NATO INFRASTRUCTURE

General LEMNITZER. I think that is part of it. I would cite the item of infrastructure. We are committed to pay our percentage of the so-called infrastructure program, which involves the building of bases and facilities throughout the NATO Allied Command, Europe, which are available for use by all NATO members. As long as we are a member of the alliance, I presume that will continue. Our percentage of the contribution to the overall infrastructure program has declined in recent years.

Mr. PASSMAN. The infrastructure, of course, is part of the $229 million?

General LEMNITZER. That is correct, $77 million of it.

Mr. PASSMAN. It is still grant aid?

General LEMNITZER. I would not regard it quite as grant aid, Mr. Chairman. We have a program in NATO for building the facilities—pipelines, airfields, bases, communications sites, and so forth—that affect and apply to NATO as a whole. We are deriving great benefit from these facilities that have been built in the past.

Some of the communications facilities that have been mentioned, built in the past infrastructure programs, which are of particular benefit to the United States in the form of communications. It is through these communications facilities that we assist in our command and control of nuclear forces in NATO, for example.

Mr. PASSMAN. Of the $229,356,000 that is going into the 13 European countries, whether for hardware or for infrastructure, we are not reimbursed for any part of that amount, are we?

General LEMNITZER. No; I do not believe we are.

Mr. PASSMAN. Then it would be grant aid, regardless of what they are doing with it. Is that a statement of fact?

General LEMNITZER. Yes, sir. It might be construed as grant aid to NATO. It comes from the military assistance appropriation. I would like to emphasize that infrastructure funds are provided by all

of the NATO nations for the benefit of the alliance as a whole, which, of course, includes the United States.

Mr. FORD. May I ask a question?

Mr. PASSMAN. Certainly.

USE OF NATO FACILITIES

Mr. FORD. Are we using these communications facilities for control of our own nuclear forces?

General LEMNITZER. They provide duplicate means.

(Off the record.)

Mr. FORD. They are really backup, not the prime system?

General LEMNITZER. They are backup. Our operational command channels are primarily NATO communications. In some respects they would be national, but they are either backup or duplicates.

Mr. GARY. May I ask a question?

Mr. PASSMAN. I yield to Mr. Gary.

Mr. GARY. I would like to get this straight in my own mind. This $77 million, that is for facilities that are used by the entire NATO command?

General LEMNITZER. By the entire alliance.

Mr. GARY. We are members of that alliance?

General LEMNITZER. Yes, indeed.

Mr. GARY. We get a benefit from those facilities, just as the other members of the alliance?

General LEMNITZER. Yes, sir.

Mr. GARY. The contribution that we make is our contribution as a member of the NATO alliance?

General LEMNITZER. That is correct.

Mr. PASSMAN. By the same token, we get the use of all other type equipment we put in as a member of the NATO alliance, do we not?

General LEMNITZER. Yes, we do, indeed.

Mr. PASSMAN. It is the part of it that happened to be airplanes and tanks, and this happened to be runways and facilities; is that a statement of fact?

General LEMNITZER. That is correct. I am saying that a pipeline put in by infrastructure will produce petroleum products for the United States, for France, for Germany, and other nations involved. A NATO airfield built, say in Greece, can be used by the air forces of the members of the alliance.

Mr. PASSMAN. But the infrastructure would be more permanent than the hardware because if you built a runway——

General LEMNITZER. It does not wear out as fast.

Mr. PASSMAN. And hangars, that is something that you cannot move out of the country; it remains there for them to use with us or against us; whereas, other type equipment could be moved out. That is the point.

General LEMNITZER. I am not sure that is the way to describe it. You give an aircraft to a given country, it is used by the forces of that country. If you participate in infrastructure in building a communications facility, for example, that communications facility is available to all members of the alliance. That is the difference.

Mr. GARY. That was the purpose of my question.

General LEMNITZER. In answer to your question, I would say we are doing this all for our own benefit in addition to that of our allies.

U.S. CONVOY DELAYED ON THE AUTOBAHN

Mr. GARY. General, I heard over the radio yesterday, I believe—I did not get it all—something about some of our vehicles being held up. Was that in the Berlin area?

General LEMNITZER. On the autobahn from Helmstad to Berlin.

Mr. GARY. Do you want this on the record?

General LEMNITZER. I will be glad to have it on the record. We have motor convoys that go up the autobahn to supply our forces in Berlin and to move people. I believe there were several U.S. convoys on the autobahn yesterday. It so happened that the Soviet guards, for reasons unknown to me, because I do not have the detailed report, held up this one echelon of the convoy about 3 or 4 hours while they made a check of the personnel.

If the reports are correct, the issue in this case was that the Soviet guards thought that personnel in the vehicles should dismount to be counted and checked through the checkpoint. In certain cases we do dismount depending on the number of men involved; in other cases we do not.

It could be a mistake in Soviet administration. It could be another one of the constant harassments we are faced with on the autobahn.

Mr. GARY. The autobahn runs through Russian territory?

General LEMNITZER. East German territory, Russian controlled. It is about 110 miles from Helmstad to Berlin.

Mr. GARY. Thank you, General.

Mr. PASSMAN. Mr. Natcher?

U.S.S.R. AID TO MIDDLE EAST

Mr. NATCHER. General, you stated to the committee that the Soviet Union is continuing certain military and economic assistance programs in the Middle East. What type of economic aid is the Soviet Union sponsoring in this section of the world?

Geenral LEMNITZER. I am not the best one to answer that question for you. General economic assistance, follows, I believe, somewhat the pattern of our own—building certain facilities for them, things of that character.

I know their military programs follow in general the pattern of our own, providing Russian equipment, air and ground equipment primarily, but some naval equipment also.

(The information requested follows:)

Soviet bloc economic aid extended to the Middle East through Dec. 31, 1962 [1]

[In millions of dollars]

	Total bloc		U.S.S.R.		Other bloc	
	Loans	Grants	Loans	Grants	Loans	Grants
Total	2,745.3	99.6	2,247.0	23.0	498.3	76.6
Near East: [2]						
Cyprus	1.3	----------	----------	----------	1.3	----------
Iran	6.1	----------	----------	----------	6.1	----------
Iraq	217.5	----------	183.9	----------	33.6	----------
Syria	193.1	----------	150.5	----------	42.6	----------
Turkey	17.1	----------	9.6	----------	7.5	----------
United Arab Republic	710.2	4.7	508.6	----------	201.6	4.7
Yemen	42.3	1.4	25.0	0.7	17.3	.7
South Asia:						
Afghanistan	504.6	9.5	497.8	9.2	6.8	.3
Ceylon	42.2	26.3	30.0	----------	12.2	26.3
India	978.1	3.5	808.8	2.3	169.3	1.2
Nepal	2.8	51.0	2.8	7.6	----------	43.4
Pakistan	30.0	3.2	30.0	3.2	----------	----------

[1] The figures used here are for the sums agreed upon in overall aid agreements, which are considerably larger than the sums obligated for particular projects under these agreements; these, in turn, are larger than the sums actually used by any particular date. The totals for December 1962 are the latest for which agreed U.S. Government figures have been worked out; although the totals for June 1963 would be a little larger, there were no significant changes since Jan. 1, 1963.

[2] Greece, Israel, Jordan, Kuwait, Saudi Arabia—None.

Mr. NATCHER. In the main, does this pertain to the Aswan Dam, the economic assistance?

General LEMNITZER. I would say that would be in the area of the Aswan Dam, engineering, technical programs, yes.

Mr. NATCHER. As far as military aid is concerned in the Middle East, is this a matter of equipment or just what does it consist of generally?

General LEMNITZER. Equipment and training I think Egypt is a good example. Egyptian armed forces are now pretty well completely equipped with the latest type of Soviet equipment, both air and ground.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Andrews?

DISMANTLING OF JUPITER MISSILES IN EUROPE

Mr. ANDREWS. You stated that the missile force of the Soviets is now a major threat to NATO?

General LEMNITZER. That is correct.

Mr. ANDREWS And that in the NATO area our major operational objective continues to be to defend as far forward as possible?

General LEMNITZER. Right.

Mr. ANDREWS. And that except for Turkey, Greece, Norway, and Denmark, the programs in the NATO area have been reduced drastically.

General LEMNITZER. That is correct.

Mr. ANDREWS. I wish you would comment on the fact that we have recently dismantled or are in the process of dismantling what I thought were very, very reliable IRBM's in Turkey, Greece——

General LEMNITZER. Turkey and Italy.

Mr. ANDREWS. And Great Britain?

(Off the record.)

General LEMNITZER. THOR in Great Britain, JUPITERS in Italy and Turkey.

Mr. ANDREWS. We are talking about the JUPITER and THOR, both IRBM?

General LEMNITZER. That is correct.

Mr. ANDREWS. I have been under the impression, from what I know about it, that they were about as reliable as we had in our inventory.

General LEMNITZER. They were at the time they were installed. The U.S. Government position taken on this was that the missiles should be replaced by a more modern and reliable missile——

Mr. ANDREWS. What missile?

POLARIS MISSILES

General LEMNITZER. The POLARIS is more reliable, more secure, a more modern and quickly responsive missile.

For the JUPITERS that were in Italy and Turkey, the United States substituted POLARIS submarines. They have the advantages of almost immediate responsiveness and invulnerability to a surprise or any other kind of attack. The enemy does not know where they are. There is a considerable increase in overall effectiveness.

Mr. MINSHALL. Will the gentleman yield?

Mr. ANDREWS. Yes.

JUPITER MISSILE DISMANTLING

Mr. MINSHALL. I wondered why not leave the JUPITER? This has come to my attention. Many people commented on it. Why not leave these JUPITER and THOR bases in position? They were relatively good weapons. They still would do the job. Supplement them with POLARIS missiles. Why remove them?

General LEMNITZER. I understand that the decision was taken by the U.S. Government in agreement with the Governments of Italy and Turkey outside of my purview.

Mr. MINSHALL. What is your personal view? Do you not think it would have been a good idea to leave them there?

General LEMNITZER. We could have used them in addition to POLARIS, yes. Of course, there was a considerable cost maintenance problem involved.

Mr. MINSHALL. Thank you.

Mr. ANDREWS. That was the point I had in mind, Mr. Minshall.

Mr. MINSHALL. Pardon my interruption.

Mr. ANDREWS. I am glad you asked the question. The general stated, first, we are trying to push our line as far eastward as possible——

General LEMNITZER. As far forward as possible.

Mr. ANDREWS (continuing). And that the Soviets are building up their missile capability. We, as of a very recent date, had what I considered and many people considered—military people included—to be very useful and reliable missiles, with an intermediate range atomic capability.

EFFECTS OF JUPITER MISSILE REMOVAL

Now my final question is this. In your opinion, has the effectiveness of our NATO effort been weakened because of the decision to dismantle and remove those missiles?

General LEMNITZER. Overall?

Mr. ANDREWS. THOR and JUPITER.

General LEMNITZER. The THORS are quite a different case. I had nothing to do with THORS.

Mr. ANDREWS. I cannot get my mind off the big ones.

General LEMNITZER. The THOR in England, we provided them for the British. They were not committed to NATO. I want to make this clear.

JUPITERS were under the Supreme Allied Commander, Europe. If you ask me whether there is any improvement in the overall capability with the substitution of three POLARIS submarines vis-a-vis ——— JUPITER missiles ——— POLARIS missiles against ——— JUPITER missiles, overall I would say we have a better capability in that exchange for the reason that the———JUPITER missiles were up above the ground, in so-called soft sites, easily damaged by either conventional or nuclear attack; whereas, the POLARIS is not. The JUPITERS were liquid fueled. They were rather slow in responsiveness, but they did have an important military capability under certain circumstances.

Mr. ANDREWS. And would have been very useful if the panic button were pushed?

General LEMNITZER. Yes, under certain conditions.

Mr. FORD. Will the gentleman yield?

Mr. ANDREWS. Yes.

Mr. FORD. Isn't this an important question? How does the warhead yield or megatonnage of the JUPITERS involved and the POLARIS substitutes compare?

General LEMNITZER. Yes, it is an important question.

(Discussion off the record.)

Mr. ANDREWS. Will the gentleman yield to me at that point?

Mr. FORD. Yes.

Mr. ANDREWS. Our committee, Mr. Ford, was told that as of today no service seems to have any need for those missiles.

I cannot see the reasonableness of removing those missiles until the threat of the Soviets has been removed. They were in place, they were ready to go. If that panic button is pushed, we will need everything we can get our hands on to use against them. Personally, I regret very much that those missiles are being removed.

Mr. MINSHALL. If the gentleman will yield, you said this is a decision of the U.S. Government. By that I assume you mean the executive department. That is an all-encompassing statement to say U.S. Government. What facet of the U.S. Government, what department?

General LEMNITZER. I was not Chairman of the Joint Chiefs of Staff when the decision was made. I presume it was made by proper authorities in the U.S. Government, in the Defense Department and in the executive branch.

Mr. MINSHALL. Thank you.

General LEMNITZER. This was a very major decision.

Mr. MINSHALL. Do you know when that decision was actually made?

General LEMNITZER. No, I do not. I was in Europe at the time that I was informed of it.

Mr. MINSHALL. When did you first hear about it? Did you have any advance notice of the decision prior to its being made?

General LEMNITZER. I understood it was being considered.

Mr. MINSHALL. Pardon?

General LEMNITZER. I understood it was being considered and more POLARIS submarines would become available.

Mr. MINSHALL. How much notice did you have prior to the public announcement?

General LEMNITZER. I would say several weeks.

Mr. MINSHALL. Were you ever consulted as to the advisability of taking JUPITER bases out of Italy and Turkey?

General LEMNITZER. I studied the problem and submitted my views.

Mr. MINSHALL. What were your views?

General LEMNITZER. I made an evaluation for the NATO Council.

(Off the record.)

There are many factors involved here, such as responsiveness, vulnerability, a first versus a second strike capability which flows from vulnerability.

Taking the whole situation into consideration I would say as far as this discussion is concerned we are somewhat better off today than we were with having only JUPITER missiles.

The question you asked before was why not have both.

We could have used them in addition to POLARIS, yes. Of course there was a considerable cost maintenance problem involved.

Mr. ANDREWS. You answered the question a few moments ago.

General LEMNITZER. There was also a question of yearly maintenance. As I said many things entered into the decision.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. FORD. When did you give up your position as Chairman of the Joint Chiefs, General?

General LEMNITZER. October 1 of last year.

Mr. FORD. October 1?

General LEMNITZER. That is right.

Mr. FORD. Up until that time you would have known whether or not there had been any request by the Turkish Government for the removal of the JUPITER missiles?

General LEMNITZER. Up to that time I had no information there was any request regarding removal; that is correct.

Mr. FORD. So any request or any decision on this occurred after October 1.

General LEMNITZER. That is right.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. FORD. Prior to the time that you left the Pentagon as Chairman of the Joint Chiefs, what was the size of our contemplated POLARIS fleet?

General LEMNITZER. I think 41 boats.

Mr. FORD. I think that is the program which had been funded. As far as I know then and now this is the size of our POLARIS fleet program.

General LEMNITZER. I don't know whether it is now.

Mr. FORD. Based on the fiscal year 1964 budget it is still 41 boats.

General LEMNITZER. I see.

Mr. FORD. I think during the hearings witnesses were asked whether there was any change. As I recall the testimony, there was no revision of the 41-boat program anticipated.

General LEMNITZER. Yes, sir.

Mr. FORD. In other words, prior to this decision to remove the JUPITERS from Italy and Turkey we had a 41-boat program. Is that right?

General LEMNITZER. That is my understanding; yes.

Mr. FORD. Since the removal of the JUPITERS and THORS from Italy and Turkey we still have a 41-boat program, is that correct?

General LEMNITZER. Your indication is that we do. You are in a better position to know than I am, Mr. Ford. I presume you are right.

Mr. FORD. This is my recollection and, if necessary, we can verify it for the record.

(The following information was subsequently supplied:)

"Shipbuilding and conversion, Navy (SCN)" funds for the last six POLARIS submarines (Nos. 36–41) are included in the fiscal year 1964 budget submission. Procurement of long lead items for these six POLARIS submarines was previously approved in the fiscal year 1963 budget. Delivery of the 41st POLARIS submarine in December 1966 will result in attainment of the currently programed 41 POLARIS submarine force level. The recent phaseout of JUPITER missiles did not affect this force level; however, as a result of the JUPITER phaseout, three POLARIS submarines are currently assigned to Supreme Allied Commander, Europe (SACEUR), for operations in the Mediterranean. The ultimate number of POLARIS submarines to operate in the Mediterranean is currently under review within Department of Navy.

Mr. ANDREWS. That is right.

Mr. FORD. And Mr. Andrews and Mr. Minshall are on the committee and I am sure they would agree that according to fiscal year 1964 program it is still a 41-boat POLARIS submarine program.

In other words, if what we have just discussed is true about the POLARIS program, there has been no increase in the POLARIS program with the removal of the JUPITERS from Italy and Turkey and THORS from Great Britain, is that correct?

General LEMNITZER. That is what the arithmetic bears out.

Another factor is involved, and that is a rather extensive MINUTEMAN program which has been brought into the general picture of missile-target coverage in the Soviet Union.

As a result of this there has been considerable adjustment between part of the targets of the JUPITER which have been taken over by POLARIS; others have been taken over by MINUTEMAN which are based in this country. This is external support, support by external forces.

Mr. FORD. So we have substituted targets in the United States for targets in Turkey under that theory. Is that right?

General LEMNITZER. It is possible to construe it that way; yes.

Mr. FORD. This is what I gathered from what you said.

I do not understand why there has been a substitution of the POLARIS submarines for the JUPITERS in Italy and Turkey. I strongly feel we should have both.

General LEMNITZER. I think the great difference is in vulnerability and speed of response. It took considerable time to fuel the JUPITER missile. All during that period, which is a very critical period, it is standing up there immobile and exposed in a soft site; whereas the POLARIS is in an unknown location, invulnerable, and difficult, if not impossible, for the enemy to hit it.

Considering the strategy of the Soviet Union, vis-a-vis that of NATO, NATO is defensive. If there is any war in Europe it will be as the result of Soviet attack. So you have also to weigh the factors of a missile on a soft site against a missile that is invulnerable, that cannot be knocked out in the first blow. In other words, a first strike versus a second strike capability.

In the evaluation we made of it, we compared these various strengths and weaknesses of the two, and based on the discussion we concluded that we had improved capability.

Mr. FORD. But we have not increased the POLARIS boat program.

General LEMNITZER. I know that.

Mr. GARY. If the gentleman would yield to me.

SACEUR REPORT

To whom was your report sent?

General LEMNITZER. To the NATO Council through the NATO Standing Group. I presented my analysis. I was directed to make the analysis by the standing group.

My chain of command as Supreme Allied Commander Europe is through the Standing Group and the Military Committee to the NATO Council.

Mr. GARY. And that came to this country?

General LEMNITZER. The United States is represented on each of these NATO bodies; that is correct.

(Discussion off the record.)

Mr. ANDREWS. I have nothing further, Mr. Chairman.

Mr. FORD. I have several questions on this point.

MAP EXPENDITURES FOR THE JUPITER PROGRAM

Can we put in the record how much in the military assistance program we have contributed for procurement, for training, for operations and maintenance generally for the installations of the JUPITER missiles in Italy and in Turkey from the inception?

General LEMNITZER. I think that information would be available. It is not available to me in my command but I feel certain that it is available here in Washington.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. We can put it in the record.

Mr. ROONEY. Would you also please include in the costs the costs of maintenance at these sites?

General LEMNITZER. Yes.

Mr. FORD. And also the cost of dismantling and returning the JUPITERS from both Italy and Turkey?

Mr. MINSHALL. If they are going to be abandoned and thrown into the junk heap you might as well include the original cost.

Mr. PASSMAN. And inquire as to what disposition will be made of them. It is just as well to have that in the record, too.

(The information requested follows:)

Military assistance program, JUPITER missile system, through fiscal year 1963

[Millions of dollars]

Category	Italy	Turkey
Unit equipment	$155.8	$78.0
Training missiles	10.0	4.0
Spare parts and modifications	9.5	3.1
Training equipment	1.3	4.0
Depot maintenance	15.5	4.8
Construction	.8	18.3
Other (publications, fuel, etc.)	.9	2.2
Training of personnel	10.3	11.0
Support equipment	5.2	----------
Construction offset	14.4	----------
Supply operations	30.0	15.0
MAP total	253.7	140.4
Estimated additional costs borne by U.S. Air Force in supporting activities	14.0	36.8
Total	267.7	177.2

All costs to the United States associated with maintenance of the JUPITER weapons system and its supporting facilities in Italy and Turkey are included in the preceding table. Any additional costs of operating and maintaining real property, including sites and facilities, and those relating to housekeeping and overhead were borne by Italy and Turkey. There is no information available as to the probable amounts of these additional costs to Italy and Turkey.

A considerable portion of the costs to the United States is dismantling and disposing of the JUPITER weapons system is included in the preceding table, particularly under the category of training of personnel (which includes the cost of U.S. contractor technical personnel), because the dismantling process is being performed largely by personnel in place at the sites. Other costs are included in the category of supply operations. Since the dismantling and disposition process is still in progress and will not be completed for some time, final costs to the United States are not yet kown. Additional costs, if any, above those provided for in the table, are expected to be minimal, however.

All warheads, reentry vehicles and guidance systems have been removed from the JUPITER missiles in both Italy and Turkey and returned to the United States for further use. Demilitarization and disposition of remaining material is proceeding satisfactorily. Some of the remaining material and equipment will be retained by Italy and Turkey to meet other valid defense needs, some will be redistributed to meet MAP requirements elsewhere, and the balance will be disposed of under existing procedures governing disposition of excess and surplus property.

Mr. PASSMAN. Mr. Flynt?

SACEUR EVALUATION OF MISSILE REMOVAL

Mr. FLYNT. On the question of your being asked to make the evaluation regarding the removal of the JUPITERS, had the decision been made to remove them when you were asked to make your evaluation?

General LEMNITZER. Yes, my evaluation was made as SACEUR, not as a U.S. Commander. This is a normal procedure in NATO. If there is any change in assigned forces, for example, and these were assigned forces, the NATO commander involved is usually asked to make military evaluation of the substitution.

For instance, if several battalions were removed that would be done. I recall that the United States took a battle group out of Europe to move into Lebanon some years ago. Under those circumstances a similar evaluation was made to determine what its effect on our readiness in Europe would be.

There have been several similar withdrawals of forces in the past.

(Statement off the record.)

Mr. FLYNT. Would it have been normal for you to make a similar evaluation when you were Chairman of the Joint Chiefs?

General LEMNITZER. To weigh the pros and cons?

Mr. FLYNT. Yes.

General LEMNITZER. Yes.

Mr. FLYNT. Were you as CJCS asked to make that evaluation?

General LEMNITZER. No, it occurred after I left, as I mentioned to Mr. Ford.

Mr. FYLNT. You explained a while ago you were asked as Supreme Allied Commander of NATO to do it.

General LEMNITZER. That is correct.

Mr. FLYNT. Had the decision been made to remove the JUPITER missiles while you were still Chairman of the Joint Chiefs of Staff?

General LEMNITZER. No, that decision had not been made when I was Chairman of the Joint Chiefs of Staff.

Mr. FLYNT. If in fact it had been made prior to that time it was done without consulting you and the Joint Chiefs?

General LEMNITZER. Certainly if it had been evaluated by the Joint Staff during the time when I was Chairman I would have known about it.

Mr. PASSMAN. Is Yugoslavia in your area, General Lemnitzer?

General LEMNITZER. Yes, it is.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Mr. Rhodes?

TIMING OF TURKISH-AMERICAN DISCUSSIONS AND MISSILE REMOVALS

Mr. RHODES. General, can you tell me on what date the arrangement to take the JUPITERS out of Turkey was made?

General LEMNITZER. As I have previously stated, I do not know when the decision was actually made. I did not hold the position of Chairman of the Joint Chiefs of Staff after October 1, 1962, and did not assume my present responsibilities as SACEUR until January 1, 1963. I was informed of the actual decision during the last few weeks of 1962 while I was in Europe.

Mr. RHODES. Had there been negotiations that you know of prior to that time with Turkey with the idea of removing missiles?

General EATON. I am General Eaton, Director of European Region, Department of Defense. There were initial discussions between the Government of the United States and the Government of Turkey in

the spring of 1961 regarding the replacement of the JUPITER missiles by more modern weapons.

Mr. RHODES. Actually, General, the construction in Turkey did not begin until March of 1961, did it?

General EATON. That is right, physical placements were started at about that time.

Mr. RHODES. There were already discussions about the obsolescence of JUPITER before the first construction?

General EATON. That is right.

Mr. RHODES. That is my understanding, too. In fact, I further understand that the Joint Committee on Atomic Energy recommended in February of 1961 against any construction in Turkey of JUPITER missiles.

I guess, Mr. Chairman, it is another case of the Congress being told to mind its own business by the Executive.

Mr. PASSMAN. I agree with the gentleman from Arizona.

Mr. RHODES. General, the movement forward of the defense line places an additional burden on the NATO forces, does it not?

General LEMNITZER. Yes, it does. You need more forces to defend farther forward.

Mr. RHODES. More forces, more personnel, and more equipment for solving your logistical problems?

General LEMNITZER. That is correct.

Mr. RHODES. Was this an unexpected decision or had this been in the making for quite some time?

General LEMNITZER. This was in accordance with the basic NATO concept. I don't believe you can have any other kind of concept in an alliance of this kind. The forces were not of sufficient strength back in 1951. It was infeasible to defend further forward.

As the forces were built up the defenses were moved forward.

You have to have either a forward defense, or a backward defense. You don't have any other choice.

(Statement off the record.)

Mr. RHODES. That would have been my next question. You are not getting into a Maginot Line frame of mind?

General LEMNITZER. We are not.

(Statement off the record.)

Mr. RHODES. Of course, you have to keep your battle plans pretty secret under any circumstances, but certainly with the type of an alliance as this is you could not allow anybody to know where you plan to fight a battle.

General LEMNITZER. We have indicated the general concept here on the chart in order to show the committee the development which has occurred.

Mr. RHODES. What about the natural strength of the new forward position? Is it a position which you would pick as a military commander?

General LEMNITZER. With certain forces, yes.

FRENCH CONTRIBUTION TO NATO

Mr. RHODES. Did the end of the war in Algeria have any overall effect on the strength of NATO?

General LEMNITZER. I hope it will.

(Discussion off the record.)

EMPLOYMENT OF NUCLEAR WEAPONS

Mr. RHODES. Has there been any change in the concept of employment of tactical nuclear weapons by NATO?

General LEMNITZER. Not in the last year that I know of.

Mr. RHODES. Is it the policy of NATO to refuse to use tactical nuclear weapons until the enemy does?

(Off the record.)

General LEMNITZER. No, it definitely is not.

In order that there is no misunderstanding, certainly it is the intention if they do employ them that we would employ them, but if they attack with ——— forces that cannot be stopped otherwise, I would say there is nothing in the concept of NATO to preclude the use of ——— nuclear weapons.

Mr. MINSHALL. Is there any doubt in your mind they wouldn't come through with overwhelming forces and you would have to use nuclear weapons to stop them?

General LEMNITZER. It is very possible. I think there are a variety of situations that could arise in the NATO area, a great variety.

Mr. MINSHALL. Can you imagine anything but an all-out attack?

General LEMNITZER. Yes, I can imagine limited types of attacks to test the alliance.

Mr. MINSHALL. I mean on a broad front and not just a probing action.

General LEMNITZER. In the case of a general attack?

Mr. MINSHALL. Yes.

General LEMNITZER. Certainly.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

PAKISTAN

Mr. RHODES. General, do you feel Pakistan represents a special problem to you because of the Indian situation, their historic enmity, and how it seems to have been focused on the Kashmir situation? In other words, they are part of our alliance, we arm them, and so on. Are we arming a nation which might use its arms irresponsibly?

General LEMNITZER. It certainly has not been the basis of our programs in Pakistan.

(Statement off the record.)

Mr. RHODES. I understand that.

That is all.

Mr. PASSMAN. Mr. Ford?

OVERALL CONTRIBUTIONS OF THE NATO COUNTRIES

Mr. FORD. I have been concerned, General, about what appears to be from the record over the years our efforts to increase the contributions by the various countries in the NATO organization. I know that you and others have worked diligently to seek to get that result.

I was just looking through the information on pages 43 and 42 of the justification book. I took two nations, Italy and Turkey, and ran through the figures beginning with calendar year 1950 through calendar year 1962 to see what the annual percentage of gross national product each of these two countries were putting into their defense expenditure.

When you look at the figures and isolate them that way it does not really show that we have done relatively better in getting a better contribution from our allies.

Let us take Turkey. I am taking a figure from these two pages, starting with calendar year 1950.

If I am in error I wish somebody would correct me. These show 5.8, 5.3, 5.1, 4.9, 5.5, 5.1, 4.8, 4.2, 4.1, 4.8, 4.9, 5.5, and 5.4, percent, for an average, according to the last column, of 5.

General LEMNITZER. Those figures are correct.

Mr. FORD. It does not seem to me that there is much change really for the better. As a matter of fact, in the early years Turkey was doing somewhat better than they are at the present time. At least, if we take the 13 years there were 7 years over the average and 6 years under.

What is your reaction to that?

General LEMNITZER. Off the record.

(Discussion off the record.)

Mr. FORD. Let us take Italy. This is a country which has improved its economic position very substantially. Again I read from the figures on pages 42 and 43.

If I am incorrect as I read the percentages please correct me, but starting with calendar year 1950 we have: 4, 4.5, 4.8, 4.1, 4.3, 4, 3.9, 3.8, 3.8, 3.6, 3.6, 3.4, and 3.5 percent for a 13-year average of 3.9 percent.

This nation, which has substantially increased its economic health and its gross national product in the last 6 years has not reached the average.

General LEMNITZER. That is right.

Mr. FORD. As a matter of fact, in the first 6 or 7 years it was above. How can we say Italy is doing its fair share today? I don't see how we can.

General LEMNITZER. It is hard to define what a fair share is. Each country has its own special problems. However each country must make a maximum effort to meet its NATO force goals.

Mr. FORD. Certainly it is not a very impressive record. With the change that perhaps will be based on the elections it is very doubtful, at least in my judgment, whether they will do as well as they have done.

Is that a fair conclusion?

General LEMNITZER. I shall continue to urge all NATO governments to meet their force goals.

Mr. FORD. All I am saying is that when you look at the record and the figures we have before us it does not impress me that these countries for the past 13 years have done their fair share and they are not doing their fair share today. It seems to me that this is a mutual undertaking. If it is to be mutual they have to make a larger contribution in dollars, manpower, and in general cooperation.

General LEMNITZER. That is right; I agree that this must be a mutual operation.

Mr. FORD. I think the sooner they, as well as others, learn about the attitude of the Congress the better off they will be and the better off we will be.

Mr. PASSMAN. If the gentleman will permit me, of course they have a very substantial credit balance of dollars as well as gold holdings.

Mr. FORD. That is another problem.

I am looking at the wealth of material which is submitted to us. When you look at this, and I took only two countries, I am not at all impressed with any improvement that they have made.

General LEMNITZER. I think there is a job for everyone, Mr. Ford; I think it is a job for the NATO Council and each of the nations of NATO. I think there is a job for all the people in the U.S. Government, including the Congress. Certainly there is a job for me. I am far from satisfied.

There is a problem here of whether one nation should do less because its allies do less.

If that philosophy should be adopted then we will have no forces or strength in the alliance.

Certainly I do not believe that it is the objective of this committee to reduce our own defense effort or suggest that other people reduce their efforts to the lowest common denominator. We would have very weak strength in NATO if we did.

Mr. FORD. We would have no partners.

General LEMNITZER. That is right. There remains a substantial job to be done on the part of everybody.

Mr. FORD. One final comment on this point. I have listened over the years to people who have held your position, General Norstad and his predecessors, saying that this was one of the major responsibilities, to get a bigger effort in dollars and in manpower by our NATO partners.

Each year we have been promised substantial success.

Yet, when you look at the figures we have before us today there is none, relatively no progress in their contribution.

General LEMNITZER. It is their percentage contribution. Since their national income has gone up there has been a considerable increase in the defense budgets. You are stating it percentagewise.

Mr. FORD. I am talking about men on the line and I am talking about the figures reflected in this chart.

Those figures do not show any significant increase.

General LEMNITZER. But in amounts of defense budget they have gone up considerably.

Mr. FORD. In dollars, that is correct.

General LEMNITZER. That is correct.

Mr. FORD. However, that is only one of several ways in which we can analyze their contribution. I am using the figures which are set forth here. It reflects only percentages and not dollars.

General LEMNITZER. That is correct.

Mr. FORD. When you look at the percentages it is not a very encouraging picture.

Do you want to take any other countries? If you want to try to show the opposite result I shall be happy to have them. I have scanned them hurriedly and I do not think there are others to change the picture.

General LEMNITZER. All I can do is to cite the amount of one nation's budget in 1950. It shows $565 million.

Mr. FORD. That is right.

General LEMNITZER. In 1962 it was $1,360 million.

Mr. FORD. All right.

General LEMNITZER. That is an increase in the defense budget of 100-plus percent.

Mr. FORD. For basis of comparison let us take our defense budget for 1950 and compare it with the one we have in 1962 and let us put those figures in the record.

General LEMNITZER. I am not defending any particular nation. I am merely indicating that the defense budgets have generally increased.

Mr. FORD. If I recall the fiscal year 1950 U.S. defense budget it was about $15 million.

General LEMNITZER That is about right.

Mr. FORD. We are now at about $49 billion, so we have gone up three times and they have gone up once.

Even on that basis Italy is not doing as well as we are.

General LEMNITZER. Percentagewise that is right.

Mr. FORD. Or in dollars.

General LEMNITZER. That is right.

Mr. FORD. They have doubled theirs but we have tripled ours.

(Discussion held off the record.)

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. I have no questions.

Mr. PASSMAN. Mr. Minshall?

ATTITUDE ABROAD TOWARD INCREASED DEFENSE EXPENDITURES

Mr. MINSHALL. As you visit these various NATO countries what is their general attitude when you ask for increased help? Are they tolerant, or——

General LEMNITZER. It depends on the country. There are many different problems in the different countries; problems caused by the different social structures, by geography, by manpower availability, and by the status of industrial and economic development.

Mr. MINSHALL. Do any of them give you encouragement, substantial encouragement?

General LEMNITZER. Yes, I would say they do. Some do and others do not.

Mr. MINSHALL. The broad picture is not good as I read between the lines?

General LEMNITZER. I would not say it is not good. We have considerably improved the strength of NATO forces over the years. We have substantial military strength in NATO today.

It sounds after a discussion as we have had here this afternoon that we are very weak and we have no military capability at all. This is not so.

We are moving toward the goals which have been set but we are moving very slowly.

Mr. MINSHALL. Off the record.

(Discussion held off the record.)

Mr. MINSHALL. General, you took over command of NATO on October 1?

General LEMNITZER. No, I took over command of NATO on January 1 of this year.

MISSILE BASE DISMANTLING

Mr. MINSHALL. When did you first learn prior to that time, even from scuttlebutt or otherwise, of the plan to remove the missile bases from Italy and Turkey?

General LEMNITZER. It did not come to me in those forms. There were conversations going on between the United States and those countries in the latter part of December of 1962.

Mr. MINSHALL. Were you asked for a decision or to render an opinion?

General LEMNITZER. I was not involved in the decision.

Mr. MINSHALL. You were not involved in it one way or another?

General LEMNITZER. That is correct, except in the final evaluation of it which I was directed to make for the NATO Council.

Mr. MINSHALL. Did you give more than one evaluation of it for the NATO Council? Did you give various contingencies?

General LEMNITZER. No. We looked at it from all of the military aspects and provided the Standing Group of the results of our analysis.

Mr. MINSHALL. From what you said earlier, it is my impression you would have felt better had the missile bases, the two JUPITER missile bases, remained in Italy and remained in Turkey and in addition had the POLARIS submarine support. Is that a correct statement?

General LEMNITZER. I am interested in increasing both the nuclear and conventional capability of NATO.

Mr. MINSHALL. We would be in a better situation today, then, if we had——

General LEMNITZER. Militarily we would be in a better position under certain circumstances if we had both.

Mr. MINSHALL. Thank you very much.

ITALIAN GOLD RESERVES

Mr. PASSMAN. As Mr. Ford was asking the questions, I mentioned the substantial gold reserves of Italy. I associate that with their wealth and ability.

When I thought of the tremendous amount of short-term dollar credits they have, again I was associating that with their ability to do more.

Mr. Ford must have missed my statement when I was associating those factors, gold holdings and dollar assets, with wealth and ability. In Italy they paid some of their loans 20 years in advance of the due date and it is now one of the nations from whom we are borrowing money.

We are very grateful, sir, that you would take the time out of your busy schedule to appear before the committee.

General LEMNITZER. I am pleased to appear. I welcome the opportunity.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

General LEMNITZER. May I say something in conclusion?

Mr. PASSMAN. Certainly.

(Off the record.)

Mr. PASSMAN. Best wishes to you, General.

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